The Sales Management Insights Series:

- Pipeline Management Adaptability: Improving Win Rates in a Down Economy

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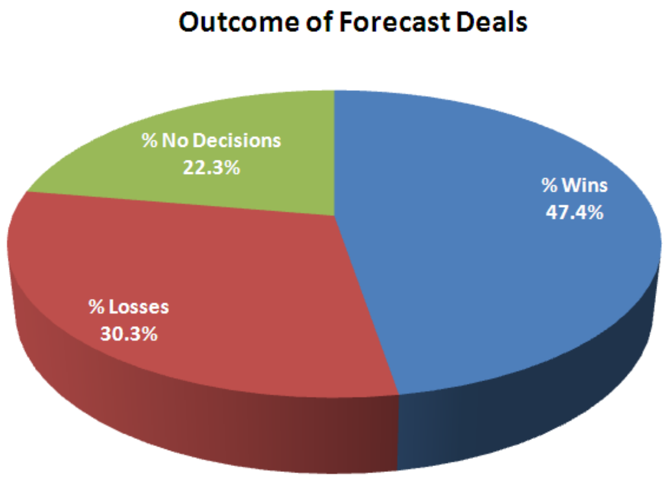
The 2009 Revenue Challenge

Here are the realities of selling in 2009: 86% of the firms we surveyed stated that their sales people are chasing higher quotas; and simultaneously, 65% of the companies report they have frozen or reduced their marketing budgets. If sales people are not going to be getting more leads to pursue, then in order to hit their revenue targets this year they are going to have to close more of the opportunities they do have. And that is a problem, as seen in the following chart that presents the win rate of forecast deals reported in our 2009 Sales Performance Optimization (SPO) study:



In the decade-plus that we have been tracking this metric, win rates are now at an all-time low of less than 48%. And our projections are this number will trend down even further without fundamental changes being made quickly to help reps close more of the opportunities they already have.

The Pipeline Management Dilemma

No one is ever going to close every deal initially pursued. But that being said, the fact that many sales organizations would get better odds in Las Vegas at the craps table than they would based on their current win rate, is a reason for concern. Let's take a moment to consider the pipeline management issue from a different perspective. If a deal doesn't end up in the win column, what happens to it? Above we see that 30% of the time a competitor takes the prize home, and 22% of the time the deal ends as a "no decision."

You qualified a lead; you developed a sales strategy you feel confident in. You forecast the deal to close and you end up being wrong more than 52% of the time. Why? Our research has shown that the major contributor to poor results is that sales teams didn't adapt their strategies and tactics as they moved with the prospect through the sales process. And why did that occur? Because the vast majority of sales teams do not have access to the right tools they need to effectively manage the pipeline.

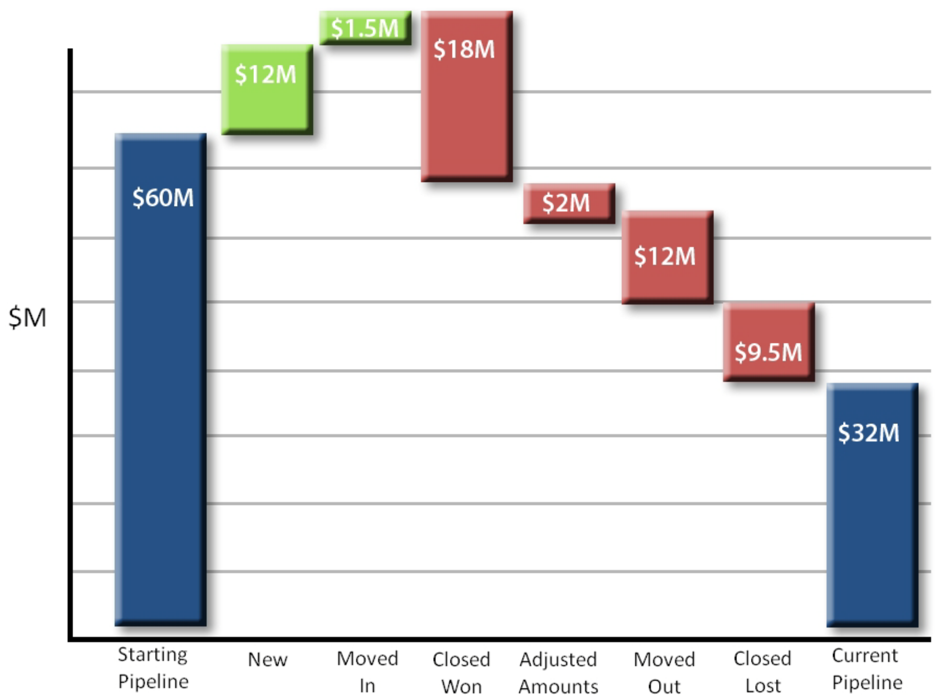
Let us explain how we reached this conclusion. Over 72% of the 1,800 firms we recently surveyed stated that they had a CRM system (salesforce.com, Oracle, SAP, etc.) installed. One of the core capabilities of these applications is forecast management. The problem is core CRM applications are transactional systems: they add up the numbers of all the opportunities in the pipeline and give you a total.

So we start the quarter with $60M in the forecast for a given region. A week later we look at the CRM data again and we see the number is now $32M. Is that a good thing or a bad thing? And if it is a bad thing, what should I do about it? The answer to both these questions is that with CRM today we have no idea. The system provides a number, but not insights.

The New Generation of CRM 2.0 Analytics

Recent advances in sales analytics solutions have created the ability for managers and reps alike to get real-time insights into deals as they flow through the pipeline. These solutions provide the foundation for changing how companies manage opportunities; that is, much more effectively. Let us share with you a new way of looking at the pipeline.

We have been tracking the capabilities that one can leverage through using today's sales analytics solutions. A review of the out-of-the-box reporting capabilities of one of these solutions caught our attention. Consider the following weekly pipeline movement report (chart used with permission of Cloud9 Analytics).



Let's repeat the scenario we described above, but with a major enhancement. Using CRM 2.0 analytics, when a sales manager reviews their regional pipeline a week later, they don't just see a static figure of $32M. They are now provided with insights into all of the changes that occurred in the pipeline over the last few days to arrive at that figure.

Dynamic Pipeline Management: The Power of Insights!

Looking at this report we see that the good news is we have closed $18M of the original $60M. The bad news is we lost $9.5M to competitors. But what about the rest of the pipeline changes; are they positive or negative? With CRM 2.0 analytics we can quickly determine that. For example:

- Focusing on the $1.5M figure of revenue that moved into the current quarter, we see that it is a deal originally forecast for next quarter that the prospect wants to move forward with now. A definite plus.

- Reviewing the deals that make up the $12M figure of new opportunities that reps have added to the pipeline, we see that half of that business is in earlier stages of the sell cycle than we would like. Those deals may need management attention if they are going to really close.

- Alternatively, looking at the $12M of pipeline business that has moved out of the current quarter, we see a $1M deal with an existing client that is being postponed for budget reasons. Perhaps discussing a modification of payments terms could help pull the deal back into this quarter.

- And what about the $2M where the forecast amounts were adjusted downward; are there some issues related to our pricing strategy that we need to address?

Using sales analytics, managers now have access to insights into the real health of their pipeline: what's solid, what's not, what should be. As changes occur, real-time notifications are sent out to the members of the sales team, giving managers and their sales reps the ability to adapt how they are selling to ensure a higher percentage of the deals stay on track and ultimately close.

What is the value of adaptability? We segmented the 2009 SPO study data based on how effectively sales organizations were adapting their sales processes to changes in the sales ecosystem. The following table presents the difference in win rates.

Close Rates as Related to Ability to Adapt Sales Process	Adaptability: Needs Improvement	Adaptability: Meets Expectations	Adaptability: Exceeds Expectations
Deals that result in "wins"	44%	50%	58%

To determine the value this represents for your organization, take your annual quota and divide it by your average deal size, which will result in the number of deals each sales rep needs to close in order to hit plan. For discussion purposes, let's assume the numbers are $1M for a typical quota and $50K for deal size, resulting in 20 deals needed to close to make plan.

If you are experiencing a 44% close rate you would then need roughly 45 valid deals in the average territory pipeline in order to have the rep close 20. Now, if you could move the close rate to 58%, that factor times the same 45 deals would result in the same rep closing 26 deals, which at $50K would be a *30% improvement in revenue contribution.*

Our Advice

Eroding win rates is an issue that sales executives need to deal with, especially *now* when sales teams have to step up their game if they are going make their 2009 revenue targets. To accomplish this, sales management must continually test the validity of the pipeline. When key aspects of the deals their reps are pursuing change, they need notification of those changes in real-time. These early-warning notifications improve the ability to assess what to do next to optimize the odds that each deal will close.

Analytics tools are now available to go beyond giving sales management access to the static data contained in CRM systems, and instead provide access to the actionable insights they need to manage their pipeline in a much more dynamic manner. As firms quickly understand changes in the pipeline, and then make appropriate changes to their sales strategies and tactics based on that knowledge, they begin to see significant increases in win rates. Adaptability is quickly becoming the standard for successful selling. The only question is, will your team be the one to optimize your pipeline management in 2009 – or will it be your competitors?