Conducting a Deal Loss Analysis in B2B Technology Companies – A CEO Call to Action

How to Quickly and Easily Gain Meaningful Market Feedback to Improve your Win Rate

Believe it or not, very few B2B technology companies conduct proper and thorough analysis of their deal losses. Fewer than 20% of organizations conduct post decision interviews (***Pragmatic Marketing, 2015***).

There is a tremendous investment to develop a deal to a proposal stage. More than 70% of qualified prospects end up as lost or abandoned. The majority of organizations do not obtain actionable intelligence from these losses. The benefits of even a modest improvement in win rate can be enormous. Driving to consistently improve and learn from real market feedback are traits of winning organizations. Conducting thorough deal loss analysis is not seen as "discretionary" in successful organizations.

There are three primary reasons that most companies do not undertake thorough deal loss analysis: (1) They feel they know the answers already (2) They feel they don't have the resources for such an analysis. (3) There is no clear ownership of deal loss analysis – Is it Sales? Marketing? Product Management?

Normally, a relationship develops with won customers and that provides the opportunity to gain insight into the comprehensive reasons why you won, but even here, it's remarkable how superficial that understanding can be. Certainly, common understanding across the key functional groups of Marketing, Sales and Product Management is rare.

This white paper offers a guide on how to develop a Deal Loss Analysis project, what benefits to expect, and provides case examples of actual projects and their results.

KNOWN IMPACTS ON WIN RATE

Research on win rates (***Sales Benchmark Index, 2015***), indicates that average win rates are 21%-30% of qualified prospects. This rises to 46% of forecasted deals (range of 35%-55%) (***CSO Insights, 2015***). Further research (***Demand Metric, Sales Experience Quality Benchmark Study, July 2014 n=182***) has also identified several keys that consistently impact win rate:

- Formal prospect definition
- Number of connections at the prospect account
- Ability to cover all the bases with all buyer influencers
- Fully understanding the prospect's buying process
- Ability to differentiate
- Having a demonstrable ROI
- Ability to do a thorough needs analysis

- “Bad” sales meetings

Striving towards best in class win rates of 55% of forecasted deals and 30% of qualified prospects has huge positive impacts on marketing effectiveness, selling costs and top line revenue. They are metrics with material leverage across the organization. These known win rate impacts help to guide the development of insightful interview questions.

BENEFITS AND GOALS OF A DEAL LOSS ANALYSIS

The benefits are considerable. It’s one of the highest ROI projects you could implement so quickly and easily. Establish goals upfront in the project. There should be a clear set of outcomes you are looking for, which often include:

- Improve win rate
- Insight to prioritize product features/capabilities
- Identify improvements in prospect qualification
- Identify improvements in sales and demonstration processes
- Gain competitive insights
- Evaluate effectiveness of prospect targeting
- Gain Go-to-Market insights
- Validate pricing clarity and positioning
- Gain insight into prospect buying process and decision making
- Identify “losses” that should be re-engaged
- Identify opportunities to improve your value articulation and ROI establishment

TYPICAL REASONS FOR “LOSSES”

Typical reasons for losing or abandoning an opportunity:

- Lack of compelling solution
- Lack of compelling event
- Product/Solution gaps
- Pricing
- Clarity of value proposition and ROI
- Unqualified opportunity
- Company reputation
- Sales team/process
- Terms and conditions

Understanding the details in these areas based on real market feedback results in an actionable set of recommendations that span Sales, Marketing and Product Management. Understanding these general drivers of both winning and losing form a broad guide for the development of insightful questions for your interviewees.

DECIDING TO DO DEAL LOSS ANALYSIS

Deal Loss Analysis is a subset of what most people refer to as "Win/Loss Analysis". It focuses only on the losses. This is where you have the most to gain from learning and deeper understanding. Sponsorship from the CEO is the best way to embark on a Deal Loss Analysis because of its inherent cross functional

nature and lack of clear ownership. The management of the project then usually resides with Marketing. With an investment of as little as $10k, a B2B technology company can execute a complete Deal Loss Analysis project within 60 days. Understanding in clear terms the expected time and costs involved is an important part of making the decision.

Rather than relying on ad hoc internal discussions of losses and what the sales staff can provide as feedback, companies should independently conduct detailed interviews with prospects that chose competition or decided to "do nothing". For organizations that are beginning a Deal Loss Analysis process, a qualitative (both phone and in person interviews) is recommended before including quantitative methods. Once experience is gained and a honed question set is developed, more digitized and quantitative approaches can be used, although they should always be supplemented with live interviews.

Even when using a third party to run the project, it will require some internal resource commitment. The total internal investment of people time for a thorough project is small. It involves participation in some discussions, reviewing planned questions and listening to the findings and recommendations. There is no internal effort to prepare or create any material other than a CRM extract. With experience and focus, the following amount of internal resource is all that is required:

- 6 hours of sales time
- 4 hours of marketing time
- 3 hours of product management time
- 3 hours of management time

Total internal resources = 2 person days

USING AN INDEPENDENT THIRD PARTY

When evaluating whether to conduct Deal Loss Analysis, a key consideration is whether to use internal resources or to use an independent third party. Many opt for the use of a third party in order to obtain a professional and unbiased assessment. It is helpful and recommended to have these interviews conducted in a "sales free" environment (***Decision Analyst, 2007, Pragmatic Marketing, 2015***). Prospects typically feel more comfortable and open with a third party interviewer. When considering a third party, look for:

- An experienced interviewer who is professional with strong verbal communication skills
- An interviewer with deep technology solutions savvy who can engage the interviewee
- Someone who will prepare thoroughly to understand your solution, market and competitors
- Someone who has conducted loss analysis before and can develop the interview questions
- Someone who is cost effective and executes with rigor in a timely fashion
- Someone that has no conflicts of interest with your organization

METHODOLOGY FOR A DEAL LOSS ANALYSIS

Figure 1 below outlines the methodology for executing a Deal Loss Analysis project. It's broken down into the four key phases of (1) Preparation (2) Planning and Approval (3) Execution (4) Report Out and Recommendations.

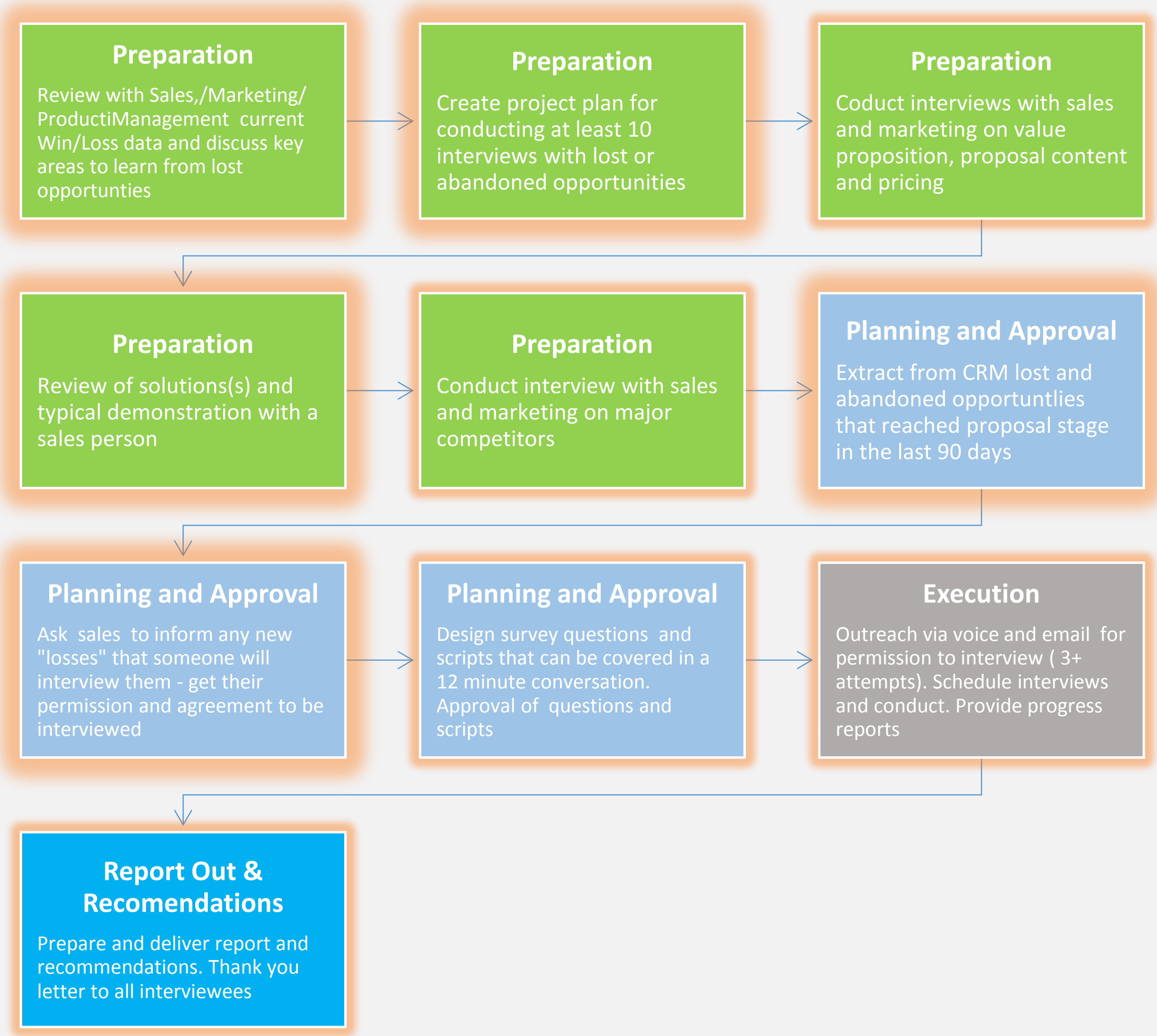

Figure 1: Methodology

CASE STUDIES

Case example results based on some of our recent experiences:

Based on two recent studies for B2B technology companies that focused on interviews with recent lost deals, the results were impressive:

Metrics:

- 70 potential targets
- 18 successful interviews
- Average project cycle time 52 days
- Average project investment $7k

Hard results:

- 1 new opportunity identified during interviews (potential value $300k)
- Identification of 6 out of 18 losses where achievable product features or price packaging could reignite the deal (potential value $200k)
- Confirmed 16 out of 18 interviewees would consider the solution and company in future
- Identified an industry consultant to cultivate relationship with that advised target customers
- Identified growing market need where there was a product gap (Multi-Million dollar market segment)
- Identified new market sub-segment with a compliance driver where there was a solution match (segment size $500k)

Soft results:

- Identified needs for monthly, formal product updates to sales force
- Identified need for formal price calculator/book
- Identified needs for ROI message to several key buying influencers beyond main point of contact
- Validation of a segment where a new price package could win
- Identification of 9 specific product deficiencies for prioritization
- Better understanding of the different constituents involved in buying process
- Identification of the true final decision makers
- Validation of the completeness of selling process
- Identified 3 key areas where competition had a true solution advantage
- Gained significant competitive insight on 3 competitors

- Clarification that there was often a lack of crystal clear value proposition establishment
- Identification of budget availability levels and timing for prosed solutions
- Confirmed an objection was not price but rather budget availability
- Confirmed criticality of web content as all interviewees reviewed website content and often engaged based on their evaluation of the companies content

CONCLUSION

A Deal Loss Analysis can be implemented quickly and cost effectively, especially with the use of an independent third party. It has been proven to provide a clear and significant hard dollar ROI. In addition, organizations gain insights into target buyers, sales effectiveness and competition. This type of real market feedback is tremendously valuable in growth oriented organizations and has cross functional benefits in Sales, Marketing and Product Management. Every CEO (especially in B2B technology companies) should be regularly leading and driving this type of initiative.

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