

Gillum Strategy Partners



V I E W P O I N T

Loss Analysis

Driving Greater Sales By
Understanding your Lost Sales

Loss analysis can be one of the most effective and actionable means for an organization to increase revenue. By truly understanding the root causes of lost sales opportunities, a company can prioritize efforts and focus on the right issues, thereby increasing its win rate. Interestingly, most capital goods and services companies are unable to accurately identify the magnitude of their loss drivers. Typically, the sales team knows some of the root causes – but not all of the major ones. Loss analysis takes a very focused and objective approach to determine the causes of loss by understanding the deal chronology, customer decision factors, competitor actions, sales strategy and other relevant considerations. The process entails a third party talking with customers and eliciting candid feedback in a structured format.

Client sponsors of loss analysis are usually pleased with the clear and actionable results. They value the direct customer feedback and also use the results to focus their organization on the top one or two areas where they can move the needle on win rates. There is often an unexpected root cause in the top set of causalities – which triggers important reflection on how to address and capitalize on this newly identified opportunity.

Small improvements in loss rates pay out quickly. Many improvements can be gained without significant effort or expense – e.g. training or modifications to strategy can often be implemented quickly, with near immediate results.

A rigorous process for examining losses can have an incredible impact on a business. As

one Executive responsible for International Sales recently told us, loss analysis ... “is the single most effective tool for me to improve my business, as it helps me understand why we lose sales and therefore focus on fixing the most important problem. As we solve each problem, continued use of loss analysis highlights the next most pressing problem for us to address next. An outside firm is critical to conducting the loss analysis, as they solicit and capture input that potential customers would be reluctant to reveal to us directly.”

Best Practices in Loss Analysis

1. Correlate Losses with Missed Revenue

Take a rigorous look at a representative set of losses, organizing by magnitude and frequency of root cause of loss. Without data and customer interviews, it is tempting to focus on the most frequently mentioned reason for losing – however this approach may be significantly different from what is actually happening in the field and in the minds of your customers.

2. Third Party Validation

Customers will hesitate to tell a company why they lost. They will often hedge the reason and tell you what you want to hear. If a sales person is inquiring about the loss, the customer tends to take a defensive stance and is not willing to openly state the cause of the loss – especially when it might involve any actions of the sales representative. A third party can explore and probe on losses without an agenda or the perception that they are trying to sell something.

3. Focus on the Losses

It can be extremely difficult to get time from professionals at companies that decided to not be your customer. As a result, companies can be tempted to use current customers and their feedback as a proxy for discovering key issues. Unfortunately, current customers cannot tell you what you need to know to improve your win rate – these customers are still buying from you.

A structured loss analysis program can help organizations focus on what matters in moving the revenue needle and position themselves for competitive advantage. ■

4. Address the Culture Around Losses

Organizations and people hate to lose an opportunity. It is painful and humbling, and few want to talk about it. Drive to create a culture that accepts a loss well enough to view it as an opportunity to learn and reverse the next time. Focus on the loss causality – not on the people involved. Show the organization that loss data is incredibly valuable and that the organization can and will act on its learnings when discovered.

Gillum Strategy Partners is a boutique strategic consulting firm providing services to top tier clients in a broad base of industries, including technology, manufacturing and services. GSP's areas of expertise include operational improvement, go-to-market strategies, marketing effectiveness, channel and alliance management, growth strategies and sales productivity. We emphasize pragmatic solutions with measurable results and often work with our clients through implementation.

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