

Lost sales analysis

Throughout the professional basketball, baseball, hockey and football seasons, coaches gather to watch game tapes. These videotapes are permanent records of the win enjoyed or the loss endured in the previous contest. The viewing of gametapes is a critical component of the job of the coaching staff. The lessons learned in these tapes keep winners winning, and increase the odds of winning for the unsuccessful teams. They are critical to success.

The reselling industry has its own version of watching gametapes. It is not a new or radically different process or approach. Many in the industry have both humorous and humbling memories of the approach. Lost sale analysis, as it is called, is an important activity in the development of high growth reseller. Many of the best reseller managers in the business world say that it is critical to success. The objective of this chapter is to provide a simple methodology for lost sales analysis.

Some resellers ask, is lost sales analysis really required; can't I just talk to my current customers to find out how to win more/lose less; is lost sales analysis worth it? Why do we need to do Lost Sales Analysis anyway?

- 1 *The competition is very good in all markets these days. There are rarely clear winners. In most cases, the winning reseller is the one that doesn't miss the step, drop the ball or go off the road, before the equipment is installed. Lost sales analysis is required to stay winning. Losing appears only to be a misstep away.*
- 2 *Existing customers can not always be relied upon to provide candid feedback on your company's shortcomings. Because your customer base is partially dependent on you for continued support, they tend to "candy coat" their feedback to you. If you really want to know the "truth", talk to people who bought from someone else.*
- 3 *Losing a deal costs you cash money. Figure 176 will demonstrate the approximate cost of a lost deal.*

Figure 176 – Proposals cost big money

Average cost of prospect:	
4 calls x 4 hours x \$100*	\$ 1,600
1 proposal x 16 hours x \$100	\$ 1,600
2 presentations x 8 hours x \$100	\$ 1,600
1 site tour x 16 hours x \$100	\$ 1,600
	<u>\$ 6,400</u>
+ out of pocket/prospect	
* Average sales salary (with benefits)	\$100,000/year
Average hours worked	2,000 hours/year
Average hours of "face time"* with accounts	1,000 hours/year
Cost/hour of Face Time	\$100/hour
* face time = proportion of total hours worked that are effective, productive hours selling in front of a prospect.	

Source: ChannelCorp Management Consultants Inc.

In short, lost sales analysis is required, if you want to win, because the required data can't be gathered from existing clients. As the analysis shows, if you put \$5,000–\$7,000 into a prospect and lose, you owe it to yourself to find out why.

How do you set up a lost sales analysis program in a reseller? When do you do a lost sales analysis? Who in your company should do it? How should it be done? What will you likely hear? Are there any hard benefits that you can expect to receive as a result of your program?

Set-up

A lost sales analysis program works best when it is supported by the President/CEO of the reseller, the head of sales, and the head of marketing. In addition, attempts should be made to convince the salesforce that the program is not being introduced to flush out poor salespeople. It is being introduced to help people understand how to make all of the team win more. If it is helpful, the sports industry is a very useful example of how “post mortems” are used constructively. Perhaps the “game tapes” metaphor will help your people understand why lost sales analysis is useful.

When

The most effective programs are driven by a “trigger event”. The type of “trigger event” can vary from program to program and can vary over time within a reseller. Appropriate “trigger events” can be:

analysis triggered when any formal proposal is turned down

analysis triggered when a deal over a certain dollar amount is lost (for example, proposals in excess of \$20,000)

analysis triggered when a potential deal “drops off” a salesman’s “sales in process” list.

Whatever the trigger event, it is critical that the lost sales analysis be completed within two weeks of your company getting the news that the deal has been lost. A sense of urgency is critical if you wish the program to provide the “hard benefits” achieved by saving “dead deals”.

Who

The decision regarding who will conduct the Lost Sales Analysis is critical to the success of the program. The first decision to be made is whether or not the Analysis will be conducted by internal resources, or by an outside consultant. If internal resources are to be utilized, the following people are candidates for conducting the lost sales analysis interview (in order of desirability):

president/chief executive officer

head of sales

head of marketing

salesperson

The more senior the person conducting the interview, the higher the probability that operational change will occur in the reseller as a result of the program. Consultants can also be used to conduct lost sales analysis. In some cases, a qualified consultant can be more cost effective than using your senior talent to do the job. As always when using consultants, make sure that they know your company and your objectives with the program.

How

The lost sales analysis interview is partially an information gathering session, and partially an information provision session. An appointment should be obtained with the decision maker(s) in the organization where the sale has been lost. The person conducting the interview should explain what the session will be and why you do it. Prior to the meeting, an agenda, covering the points you wish to cover in the meeting should be delivered (fax or e-mail) to the person(s) being interviewed. On completion of the interview, the person that represented your

organization should follow up with a thank you note, and some corporate material for their files. Figure 177 contains a list of typical questions asked on Lost Sales Analysis meetings. The better prepared you and your potential client are for the meeting, the more productive it will be.

Figure 177 – Typical questions in a lost sale analysis interview

Who was the successful reseller?

What did you end up purchasing?

What were the critical factors that you considered in making your purchase decision?

Did we ask the right questions?

Did we answer the right questions?

What were the strengths of our proposal?

What were the shortfalls of our proposal?

If you were me, based on what you know about my organization, what would you do to increase your chances of being successful with your organization next time?

Based on your experience with our organization, will you ask us to respond to your needs next time you need technology products and/or services?

Source: ChannelCorp Management Consultants Inc.

What you will hear

What you will hear in a lost sales analysis interview may curl your hair, and make your blood boil. You may hear that your competitors are spreading the word that you are financially unstable, or that your solution is full of bugs and its being thrown out of installation after installation. You may hear that the customer didn't know that your package did something that it does better than all the competition. You may hear that your proposal was late, that it was poorly presented and that it didn't address the issues discussed in any pre-proposal meetings. Whatever you do, don't explode and don't get defensive. Remember, you asked for the feedback. There is nothing personal being discussed, it's just business. Just get the data, and make the required changes.

The hard benefits

Those resellers that are disciplined about the execution of lost sales analysis tell story after story about "dead deals" that have been pulled out of the grave during the lost sales analysis interview. In some businesses, lost sales analysis regularly applied, can turn 25–50% of "losses" into wins. Often, the lost sales analysis interview turns into an opportunity for the reseller to provide critical information to the potential customer that the salesperson couldn't. It only takes one saved deal to pay for a huge number of lost sales analysis interviews.

Lost sales analysis is a critical method to use in beginning to increase your hit rate in the proposal process. In order to realize the benefits, a disciplined program supported by senior management must be executed. Immediately is not too soon to start the lost sales analysis program. The next chapter focuses on how to sell service, support, training and consulting to increase transaction sizes.

About the Author

The President of ChannelCorp, Bruce Stuart is a Certified Management Consultant with experience in the computer hardware, software and telecommunications markets of more than 40 countries. He has authored in excess of 300 articles and eight books on the subjects of building channel partner business value and improving vendor channel strategy. He is a world renowned executive educator and strategic management consultant.

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