Win/Loss Analysis (Part 1)—A Process for Taking Revenue Up a Notch

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Institutionalizing win/loss analysis will contribute requirements to product development and feedback about messaging to marketing; it may also help uncover new sales strategies and initiatives. However, to be beneficial, win/loss analysis needs to be done in a timely fashion and with accuracy and objectivity.

Let's first take a look at the purpose of undertaking win/loss analysis. Essentially, a win/loss analysis helps a company answer these questions:

- Why do customers select your products or services?

- Why did your prospects select your competitors' products or services and why they didn't select yours?

- How do your competitors position themselves when they compete with you?

- How do your customers and prospects perceive your sales and marketing efforts?

- How do your customer's and prospects perceive competitors and their products/services?

- What are the most important criteria a customer looks for when selecting products or services in your category?

- How effective is your marketing and sales team in presenting your company, your value proposition, and your products or services?

It's not uncommon for companies to say, "We know the answer to these questions." When we ask how they have come by the answers, they say, "From what our sales team brings back." Perhaps you've even heard something similar from one of your salespeople: "We could have won this deal if we had X feature in the product."

The upside of anecdotal information is that it's very affordable; the downside is that it tends to be reactive, it lacks objectivity and in-depth insights, and it tends to be too narrow—merely what the field thinks it needs to close a deal.

The win/loss analysis extends beyond your sales team and should delve into and provide a complete picture of your enterprise's and the competition's product, services, price, sales channel and marketing, and the prospect/customer evaluation process.

Going back to the example: Maybe adding the feature is the right thing to do—but, then again, maybe it isn't. If it turns out that you've added a feature for a market of one, then you've had some very expensive product development.

So what exactly is (and isn't) win/loss analysis?

Defining Win/Loss Analysis

Win/loss analysis isn't a customer-satisfaction study. Win/loss analysis is a process for differentiating why one sales effort wins and others fall short of the mark, and the intent of the analysis is to adjust go-to-market strategies and tactics.

In short, the purpose of win/loss analysis is to learn the pros, cons, likes, dislikes, and competitive advantages and disadvantages from the specific people responsible for the purchase decision.

A win/loss analysis produces its own metric, not just a customer-satisfaction percentage.

The Win/Loss Ratio

Upon completing the win/loss analysis, you will actually have a metric: a win/loss ratio. The ratio is based on the total number of won deals compared with the total number of lost deals. For example, if there were 100 opportunities in the final consideration phases in your pipeline and 60 were closed and 40 were lost, your win/loss ratio would be 3:2.

The ratio doesn't consider how much revenue was won or lost; it simply measures your win/loss track record. Over time, it will be important to understand whether the deals being won are smaller than the deals being lost, or vice versa.

The win/loss ratio can serve as powerful indicating metric:

- A declining ratio serves as a huge red flag that should create urgency internally to learn the underlying causes behind the trend.

- An improving ratio signals the need to understand what is and isn't working in order to establish a process that can be duplicated by the entire team.

As time goes on and you delve deeper into the win/loss analysis, you will be able to use the data to quickly identify when a competitor is outflanking you or establishing requirements in an account before you are even a part of the deal.

Now that you have an understanding of the value and the role win/loss analysis plays in improving revenue efforts, in the second part of this article we'll explore how to conduct a win/loss analysis. Stay tuned.