Global Revenue Risk & Performance Index

August 2023

RevenueTEK

Institute of Sales Professionals

Australia & New Zealand

Disclaimer

Forward

The Institute of Sales Professionals A&NZ is proud to be associated with RevenueTEK's latest ground-breaking research into global trends in sales performance. The 2023 Revenue Risk & Performance Index is the latest iteration of a longitudinal study of factors affecting sales pipeline productivity first published in 2005. In a business landscape marked by pandemics, pending climate catastrophe, accelerating technological advances and economic uncertainty at a global scale, change is now the only constant. Understanding and adapting to root causes rather than visible symptoms are crucial capabilities for organisations striving for success in an increasingly competitive marketplace.

From my position within the ISP, I am witnessing firsthand the remarkable transformations taking place across the sales domain. Technological advancements, shifting buyer behaviours, and the relentless march of globalization have reshaped the sales landscape, presenting both unprecedented challenges and opportunities for all kinds of businesses across all kinds of industries. Nobody remains untouched. It is in this context that RevenueTEK's research assumes such significance, shedding light on the intricate dynamics and emerging patterns that make selling so complex and challenging.

Our primary interest in supporting this research is to help point our clients, members and the wider business community not just to valuable information, but to actionable insights on how to respond to the changes occurring around them. An old mentor of mine told me something many years ago that I have never forgotten, "Son, there are three kinds of people in this world. Those that make things happen; those that watch things happen; and those that ask, "*What the Hell just happened?!*" Try and make sure you're in the first group". By examining a range of pipeline performance metrics over time – including several not included in other research, we are confident this knowledge can help better equip organizations with the predictive perception necessary to navigate the shifting currents successfully and either stay in or get into that first group.

I urge you to delve into RevenueTEK's research with an open mind, embracing the transformative power of knowledge and insight. Let these insights help act as a compass, inform your decision-making processes, guide your strategic endeavours, and empower you and your people to thrive.

Good luck!

Craig McKell
Chief Executive
The Institute of Sales Professionals – Australia & New Zealand

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Welcome to the 2023 Global Revenue Risk & Performance Index, the first since the COVID pandemic.

The inception of this research Index dates to 2005 when its aim was to investigate and authenticate assertions made by sales managers regarding the challenges they faced in selling, which were largely underestimated if not ignored by senior executives. The objective was also to examine the risk factors contributing to that escalating difficulty. Subsequently, the Index evolved into a longitudinal study analysing global revenue risks and their management. To our surprise, as well as that of many CEOs, the findings of the initial few issues exposed an alarming reality. These were the days of economic prosperity preceding the Global Financial Crisis, when it seemed that companies could effortlessly generate profits by just opening their doors. However, the data indicated otherwise - there was an increasing level of risk, chronically poor sales performance, and declining productivity even in organizations that were experiencing robust revenue growth at that time, all of which contrasted starkly with common perceptions and general overconfidence.

This year marks the publication of the 13th issue of the Index and the first since the COVID pandemic. In a world that has undergone seismic changes that make it almost unrecognisable from only three years ago, this issue again lifts the lid on the challenges and risks to consistently generating profitable revenue for many organizations at a time of rolling pandemics, climate change and global political upheaval. It also highlights again how organizations, irrespective of industry, size or maturity, face common difficulties effectively managing these risks, with only a handful of exceptions standing out.

Sales improvement remains a high CEO and Board priority

Sales leaders continue to be perplexed by the statistics concerning CRM and sales enablement technologies. In 2021 and 2022, companies worldwide invested more than $US132 billion in CRM software and three to four times that amount on associated consultancy services. Since 2020, the global CRM market experienced a year-on-year growth of 14%, making it the largest enterprise software market worldwide. Only big data is growing more rapidly.

At the same time, the market for sales training and professional development also grew by more than 18%. Between 2020 and 2023 more than $US 345 billion was invested globally in CRM, Marketing Automation, big data and associated analytics, training, recruitment and consulting – all with the aim ultimately, of increasing revenue.

And yet – somehow, across that same period, neither the rates of new customer acquisition nor repeat sales to existing customers improved. New customer acquisition has fallen 15% since 2020 to 1.64%, while the rate of repeat sales to existing customers remains at just over 8%. Only in the markets for big data and associated analytics were those grim statistics exceeded to any significant degree, but as this research was going to print, even those tech bubbles were starting to leak air rather rapidly.

Key risks to corporate sales revenues in 2023-25

Against a backdrop of looming recession, rising interest rates, skills shortages and ever-present cybersecurity threats, the following seven risks to corporate revenues stand out in 2023:

- Meeting / exceeding sales targets
- Delivering profitable sales growth
- Increasing sales productivity
- Getting more out of CRM and other technology investments
- Alignment between sales and marketing
- Improving up-selling and cross-selling to existing customers and clients
- Acquiring, developing and retaining quality sales talent

Despite increased investment and efforts, the persisting risks of inconsistent marketing and selling performance are causing frustration among CEOs and Boards. The pressure to achieve revenue and earnings growth is mounting from markets, investors, and other stakeholders, while actual results are consistently falling short, creating a challenging situation.

This year ***524 organizations*** representing ***18 countries*** and ***16 different industries*** and with aggregate annual revenues of ***$US 281 billion*** are represented in the Index.

EXECUTIVE SUMMARY

Covid may have changed our world forever, but it did not change the importance of profitable, consistent and predictable revenue growth for CEO's and Boards. They remain at or near the top of Board agendas around the world.

Key findings this year highlight the following seven critical risks for CEO's and their Sales leaders:

1. Organic growth remains critical (29%), very important (36%) or important (27%)

2. Get more from investments in CRM and other sales enablement / acceleration technologies (77%)

3. Better generation of higher value leads (67%)

4. Improve sales and marketing productivity (54%)

5. Get more value from data and analytics (46%)

6. Better talent recruitment and development (39%)

The data this year again revealed some disheartening truths, unfortunately indicating a continuing decline in performance against key metrics including:

- Fifty eight percent of organisations represented in the Index either had missed or were missing their current year target.

- The average shortfall against target was 12%.

- Only 13% exceeded or were on track to exceed their revenue targets by more than 10%.

- Eighty one percent of CEO's reported targeting growth for next year – at an average of 12%.

- Nearly half (48%) of all CEOs, CSOs and CMOs who answered the survey reported not being confident of hitting next year's target. CSOs were the least optimistic (57% in doubt). More than one in three (36%) percent declared that they would not make it.

- Seventy two percent of BDM's and sales reps either missed or were missing their current year quotas, with 37% missing by more than 20%.

- Sixty two percent reported their sales cycles were either longer or significantly longer and more complex than three years ago.

As concerning was the persistent decrease in significant conversion metrics related to cross and up sell to existing customers, and the stubborn resistance of new customer acquisition to respond to the significant investments made to lift it.

The Index preceding this one was published in February 2020, a few weeks before COVID closed down the world. Back then, for every 100 raw leads entering new business pipelines around the world, 1.9% converted to paying customers; and only 8% of cross sell and up sell opportunities were successfully converted into revenue. Since then those two critical pipeline performance indicators have declined by 15% (to 1.6%) and 12% (to 7%) respectively.

> **"Corporate sales pipeline performance declined by 48% from 2006 to 2020, and by a further 15% from 2020 to 2023. As a business process, the sales pipeline now fails 98.4% of the time."**

It is also worth noting that pipeline conversion effectiveness has dropped by 57% since our initial Index in 2005, starting at 3.7% in 2006 and reaching 1.64% in 2023. Conversely, over the same 17-year timeframe, the CRM market ***expanded*** by a dazzling 2,060%, reaching $US137.2 billion in 2023 from $US6.4 billion in 2006. The gold rush continues for CRM vendors and their partners with analysts expecting CAGRs of between 16%-20% till 2027. Regrettably however, the main problems they are purporting to assist customers and clients with, namely improving pipeline conversion and productivity, continue to decline.

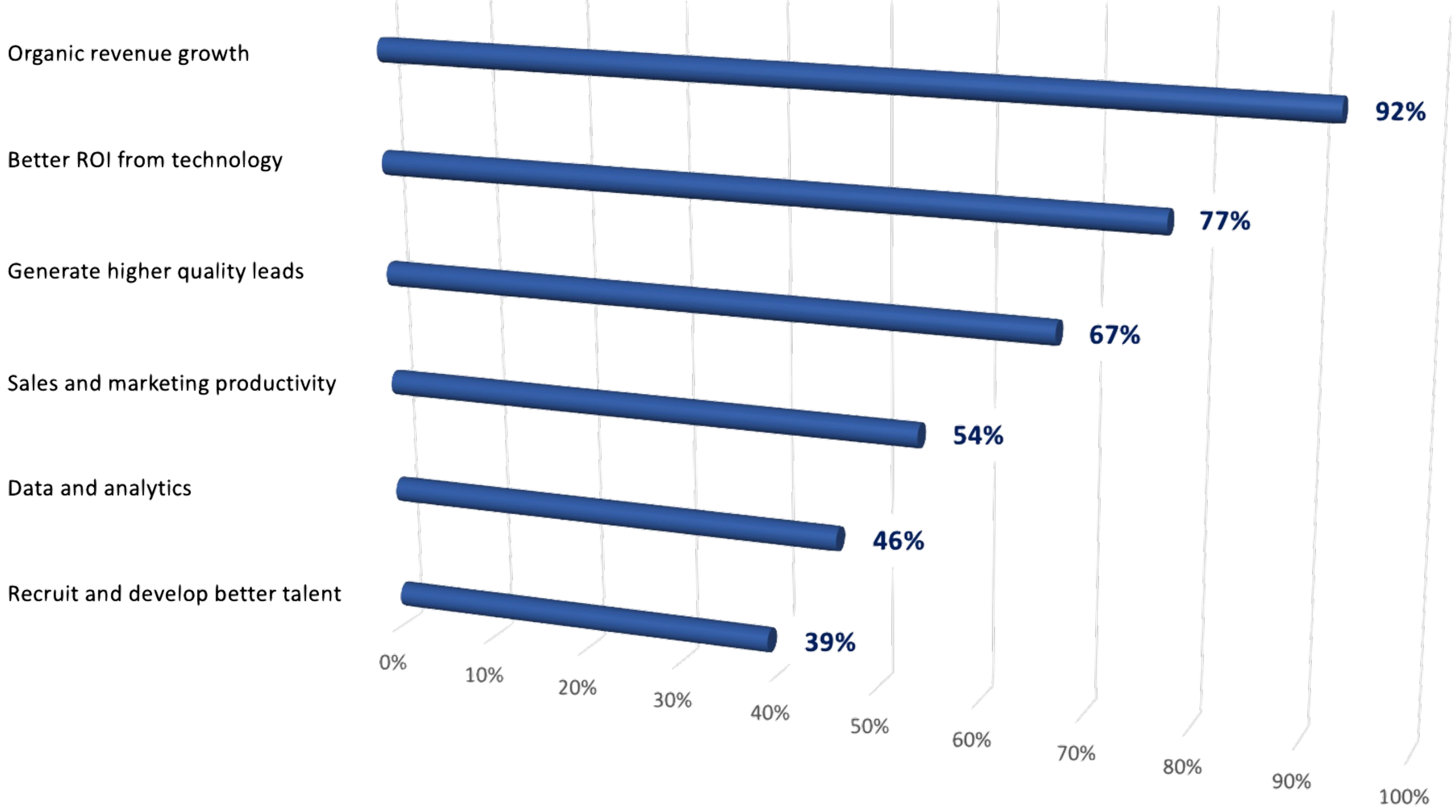
Leaning Into Growth Despite Uncertainty

Looking through the remainder of 2023 and into 2024 and beyond, a surprising number of executives are leaning back into growth as a core strategy. While levels of commitment and progress vary widely, there is no question that after the pain from two years of COVID, CEO's and Boards are looking at organic sales growth as a strategic risk. Almost across the board, respondents sought to show consistent and sustainable organic sales growth.

How that sales growth will be delivered is far less clear. Digital and data-led strategies proliferate but for the most part remain vague when it comes to execution. The dearth of genuine and affordable sales talent continues to affect many organisations, and those that can are doubling down on digital channels and engagement. But many remain skeptical about technology given the lack of return to date from heavy and continuing investments in CRM and marketing automation, and against a backdrop of political and economic uncertainty and unrelenting technological disruption.

Organic revenue was once again the primary objective for many of our respondents [refer Figure 1]. Interestingly, four of the next five key objectives all featured prominently in the previous three Indices, only varying in terms of their ranking. Getting more from investments in CRM and other technologies – now including AI, reflects the continuing frustration many feel with the underwhelming returns to date from investments in CRM, analytics, social media and other sales and marketing improvement technologies.

Fig 1. Sales Aspirations 2023-24



Pipeline Conversion

In 2018, the average end-to-end pipeline conversion rate dipped under 2% for the first time since the Index began in 2006. It remained unchanged to 2020, but since COVID and despite enormous global investments in technology, people, analytics and consulting, it fell by 15% to 1.64%..

The figure of 1.64% is down by 14.6% on 2020 and a staggering 56% from 2005/06 [1.64% vs 3.72%) remembering that over that same period the global CRM market has grown by more than 2,000%.

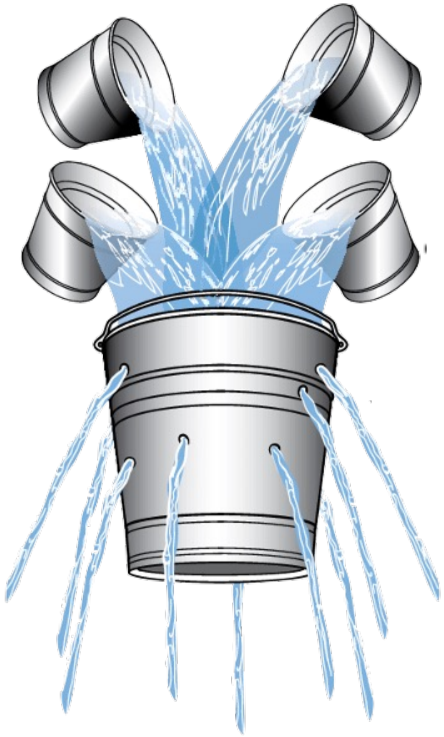
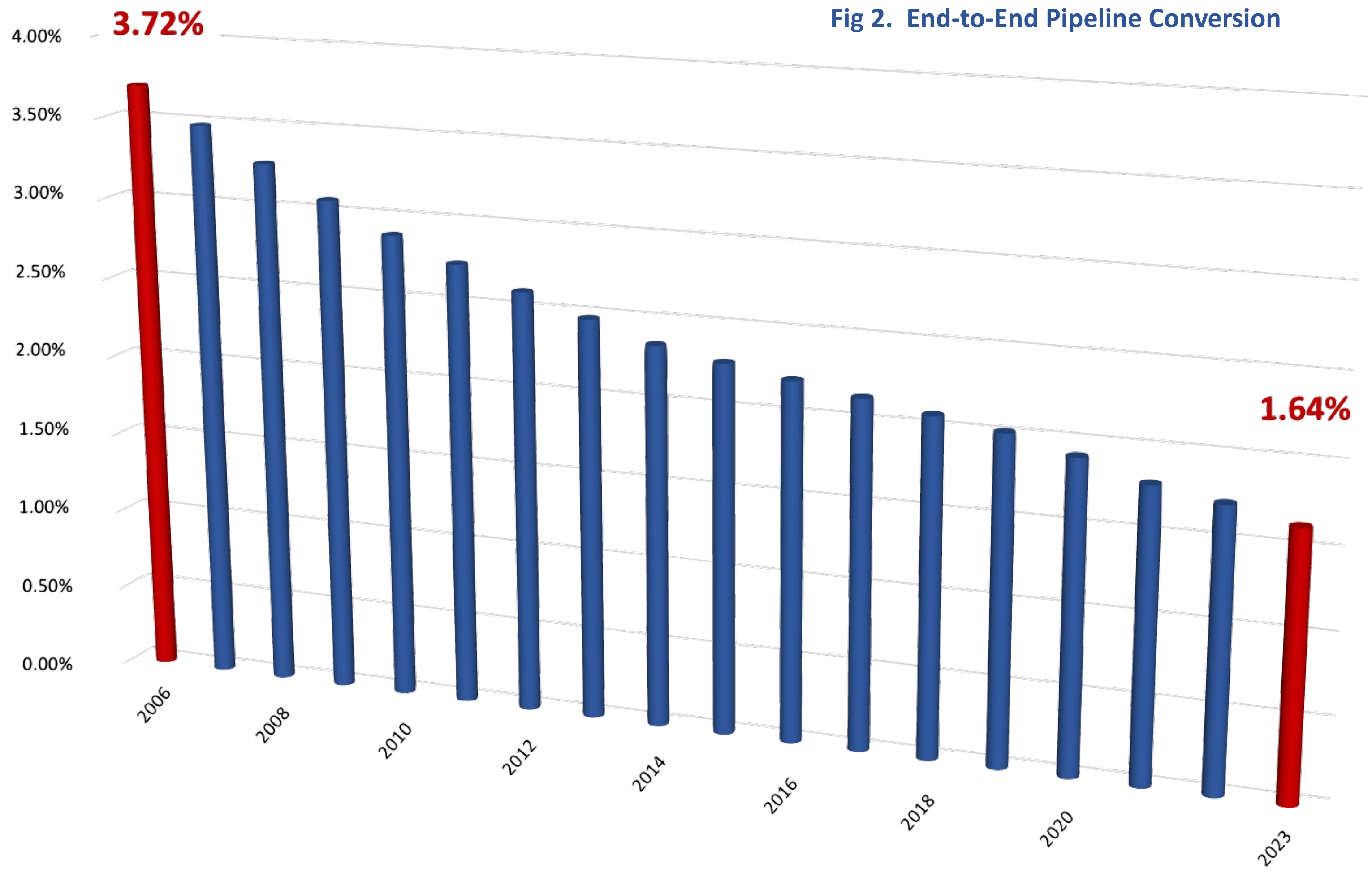


Fig 2. End-to-End Pipeline Conversion



*“Since 2006, corporate sales pipeline conversion has declined by **56%.**”*

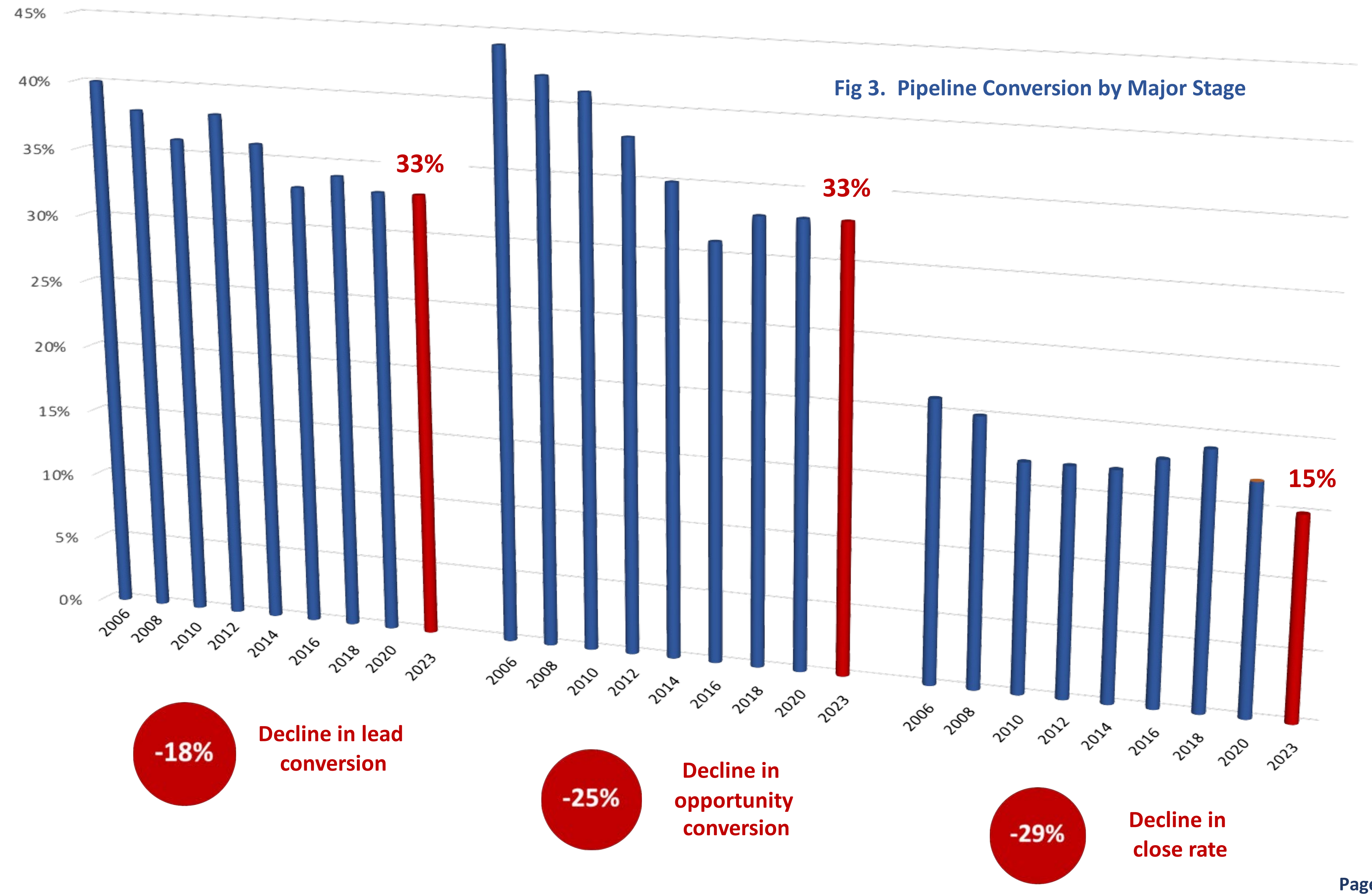
PIPELINE CONVERSION (CONT.)

Figure 3 illustrates the trend in conversion performance at each major stage of the pipeline since 2005/06. Save for a few temporary upward corrections, the overall trend in all three core metrics has been consistently downward.

The Offer-To-Close end of the pipeline actually improved by 12% between 2012 and 2018 but has unfortunately declined by 21% since then.

"For the amount of money we've spent since COVID, we should be seeing considerable improvement.

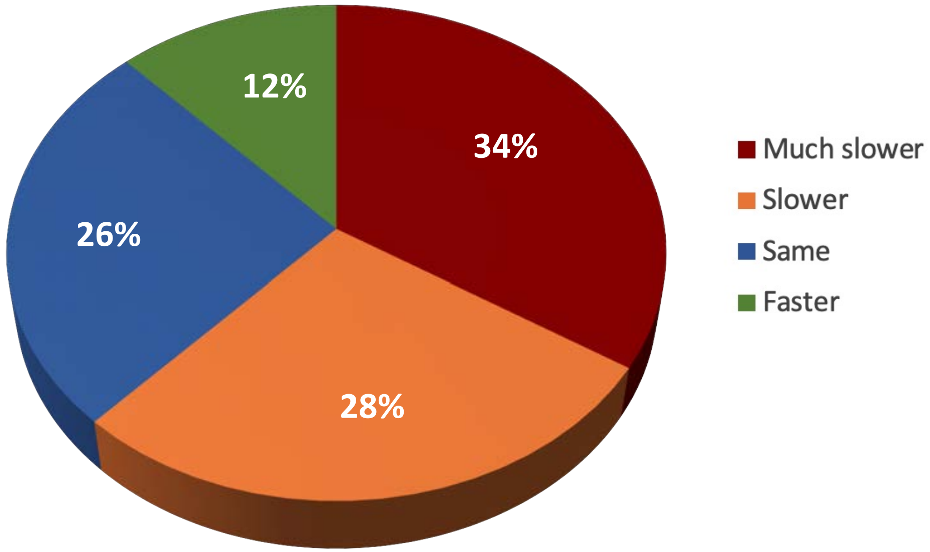
But we're not."



Pipeline Velocity

Sixty two percent of organisations reported that the velocity of their revenue conversion was now either slower or significantly slower than three years ago.

Fig 4. Change in Pipeline Velocity Since 2020

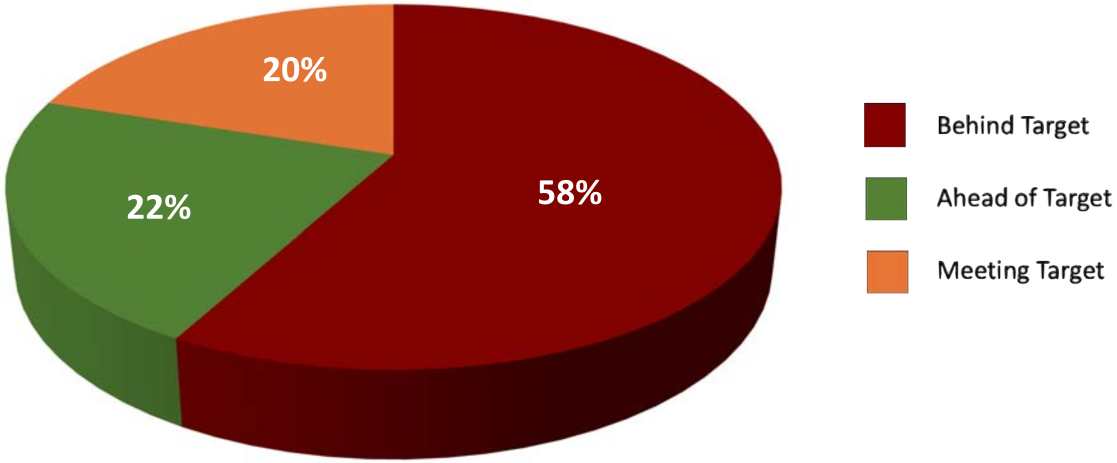


Target Achievement

Fifty eight percent of companies either missed or anticipated missing this year's target. Twenty two percent exceeded or were ahead of target or expected to exceed their target. Twenty percent were on target.

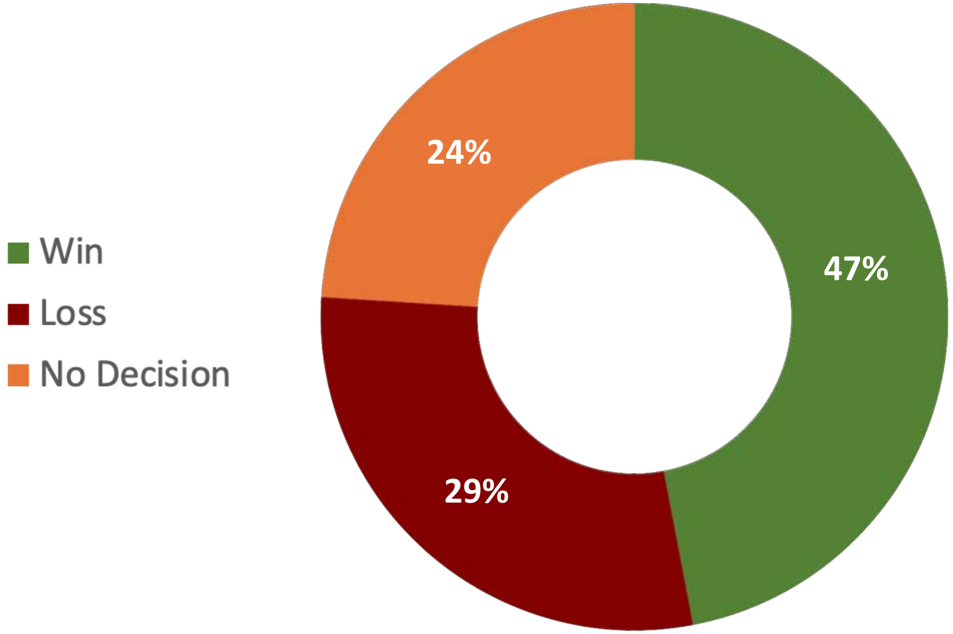
It is worth noting that nearly all the sales leaders interviewed reporting resetting their sales targets at least once in the year – almost invariably downward. The 58% failure pertains to original "pre-adjusted" targets.

Fig 5. Revenue Target Achievement – 2022/23



Forecast Achievement

Fig 6. Forecast Under / Over Achievement



While CEO's and Board Directors were surprised by the 1.64% conversion rate, no other single metric frustrates and angers CSO's and Sales Directors more than the non-closure of opportunities after they have been forecasted to close. Nothing burns a CSO, CFO or CEO quite like a deal that's been called out as a "W" only to subsequently see it turn into an "L" – or worse, a "No Decision".

The forecast Win vs Loss/ND rate retreated by 16% between 2016 and 2020, It recovered nearly all of that lost ground in the three years since.

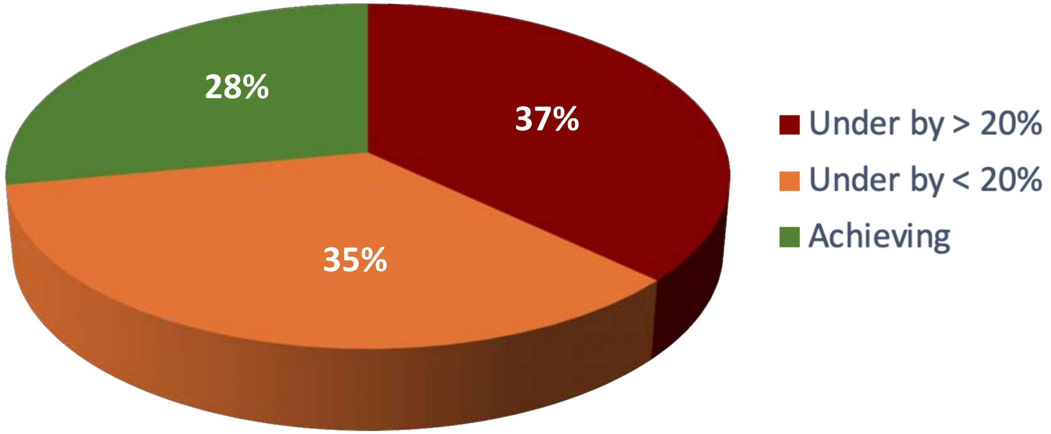
With a combined Loss / No Decision ratio of 53% however, it is little wonder more than one CEO we spoke with described sales forecasting as a contradiction in terms.

BDMs / Reps On Target

Fig 7. BDMs / Reps Under or Over Target

Seventy two percent of BDM's and sales reps either missed or were missing their 2022/23 quotas. This statistic is 12% worse than three years ago. What has also worsened is the proportion that missed or are expected to miss their targets by more than 20%, which increased by 11% to 37% since 2020.

While these figures have declined by enough in the last three years, when compared against 2011/12 the proportion of reps achieving target has declined by a whopping 38%. Over the same 12-year period approximately $US650 billion in total has been invested in CRM to try and help them achieve those targets.



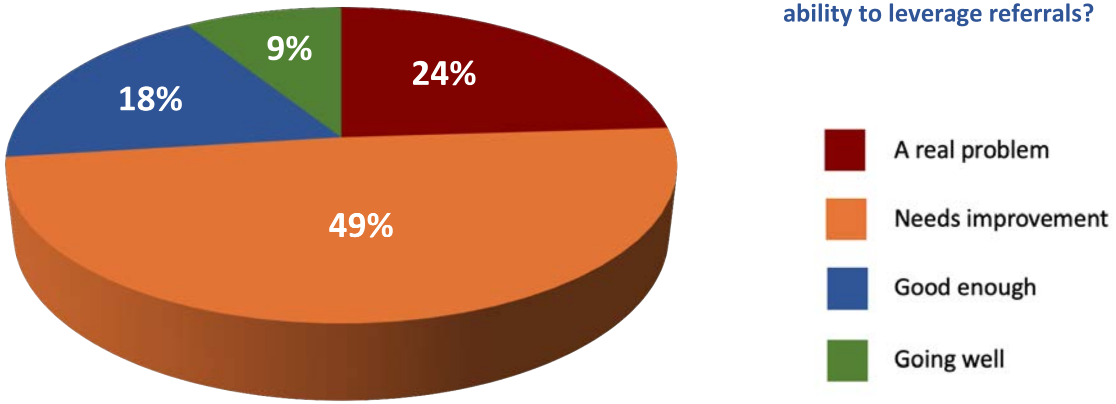
Referral Rates & Conversion

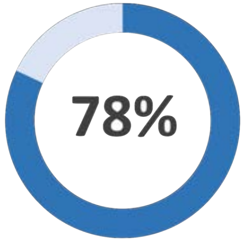
It's somewhat ironic that while BDM's and reps are usually quite comfortable asking an existing customer or client for more business but will rarely if ever ask those same customers and clients to introduce or refer them to others. More than one BDM we interviewed felt that asking customers to introduce their friends and acquaintances was a bit too close to pyramid selling and network-based marketing.

Whatever the reasons or the justifications for avoiding it, there is absolutely no doubt that opportunities introduced from trusted referrers closed more often, more quickly and for higher values. Initiating a sale process by persuading an existing customer or client to introduce and recommend them to someone they know, significantly tilts the opportunity risk in any BDM or rep's favor.

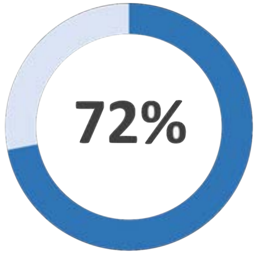
With so much evidence of the overwhelming power of referrals to significantly improve just about every risk and performance metric related to a sale, it is nothing short of amazing not only how few companies do this well, but how few even try to do it better. In our Index data, 73% of organisations responding felt their ability to leverage referrals either needed improvement or represented a real problem.

Fig 8. How do organisations rate their ability to leverage referrals?

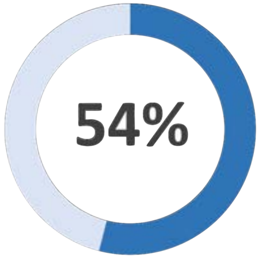




Percentage of companies who report having some kind of formal customer referral program in place.



Percentage of companies with referral metric as part of BDM / rep KPI's and remuneration plans.



Percentage of companies formally measuring and tracking new business from referrals.

Account Planning & Management

In this year's Index, which encompasses various businesses, industry segments, and geographic locations, it was found that 76% of the revenue generated came from customers and clients who were already on the books. This figure is 4% higher than it was three years ago and has grown by almost 15% since the first Index in 2006. Given the risks involved in acquiring new leads and converting them into new business, it is understandable that organizations rely so heavily on cultivating existing relationships.

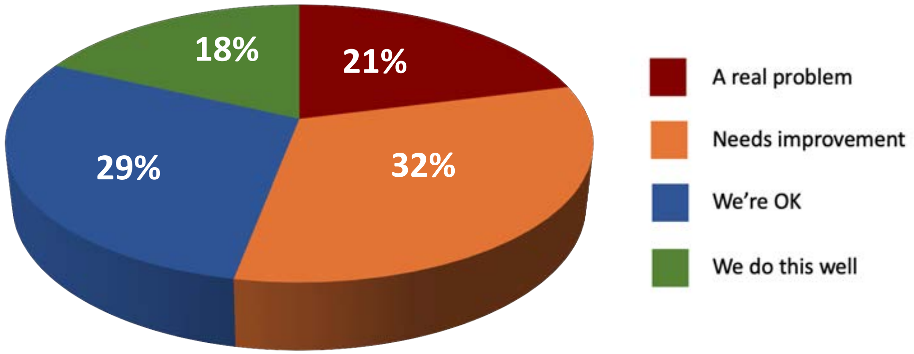
Despite the significant and evident importance of managing and growing existing accounts, most companies are not good at it. In fact, a disturbingly large number of companies even acknowledge that they perform poorly in this area. When asked about their strategies and perceptions of managing their existing accounts, including key accounts, many admitted to experiencing consistent and significant gaps. This pattern is consistent with many other risks and capabilities that have been tracked over the 17 years the Index has been published. Many companies still report that further improvement is necessary, even more so than in previous years, effectively meaning they acknowledge a lack of any significant progress.

This year's Index data reaffirmed a very high correlation coefficient of 0.88 between an organization's reported capabilities in account planning and management and revenue growth from key accounts. Efforts aimed at improving this key risk indicator are rarely wasted.

0.88

Statistical correlation between Account Planning & Management Capability and revenue growth.

Fig 9. How do organisations rate the effectiveness of their Account Planning & Management?



Average improvement in Opportunity to Offer conversion **17%**

Average improvement in Offer to Close conversion ("Win Rate") **24%**

Average improvement in Pipeline Velocity **7%**

Average growth in account revenue following deployment **34%**

Average improvement in customer / client satisfaction (per NPS or similar) **21%**

Customer Relationship Management

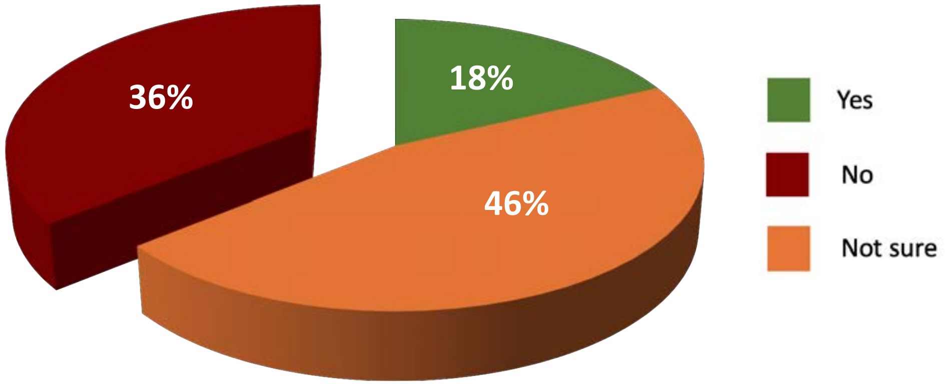
When it comes to causing maximum frustration among CEO's, two factors compete head-to-head; missing forecasts and customer relationship management ("CRM") systems. It's quite remarkable that CRM, a technology that organizations worldwide pour vast amounts of money into, is also a significant source of frustration and disappointment. It is surely one of the great mysteries of the universe that this technology which promises so much fails to deliver as consistently as it does.

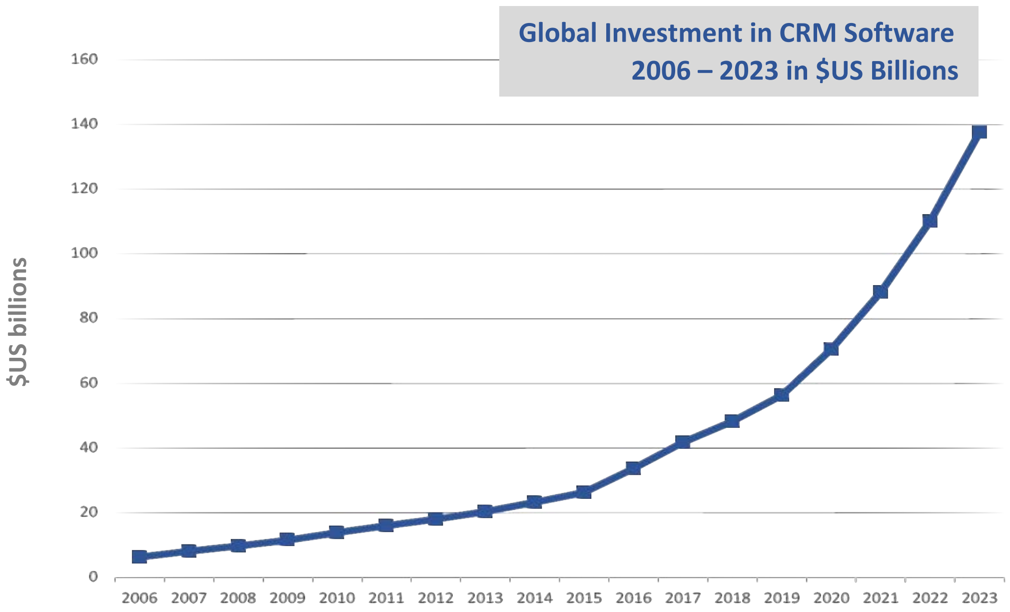
More than two decades of research by multiple analysts shows that anywhere from 20-70% of CRM projects fail. Those CRM failure statistics put fear in the hearts of anyone in charge of CRM-system success. In 2021 Gartner reported that 50-70% of all CRM projects resulted either in losses or in the non-improvement in company performance.

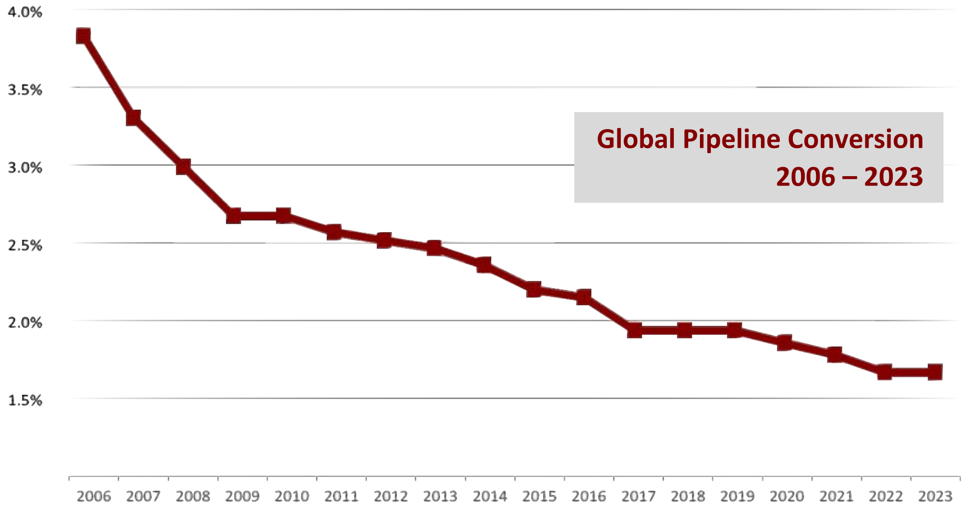
In November 2018, the Future University of Egypt completed possibly the most comprehensive study ever of CRM failure and the reasons for it. The study covered 6.75 million different academic papers, research studies and project reports spanning more than 20 years. Their final report concluded that ***65% of all CRM projects result in failure***. That project failure rate is certainly troubling enough. At least as concerning though, might be that only ***22%*** of the executives included in the 2020 Index believed that their investment in CRM had ***actually helped their organisations to grow their revenue.***

In this year's Index, that already depressing number fell by another 18%..

Fig 10. Is CRM helping your organisation grow?







Management Confidence In Meeting Sales Targets

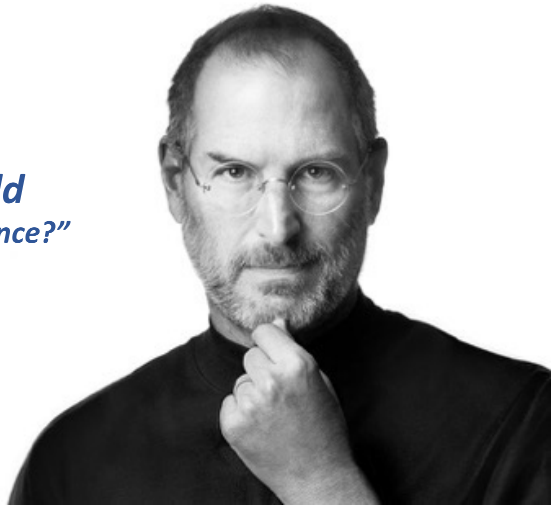
It comes as no surprise given the data on the preceding pages that two-thirds of responding CEOs reported being hopeful at best about the likelihood of their organization hitting next year's revenue numbers.

These numbers are almost identical with the 2020 and 2018 Indices.

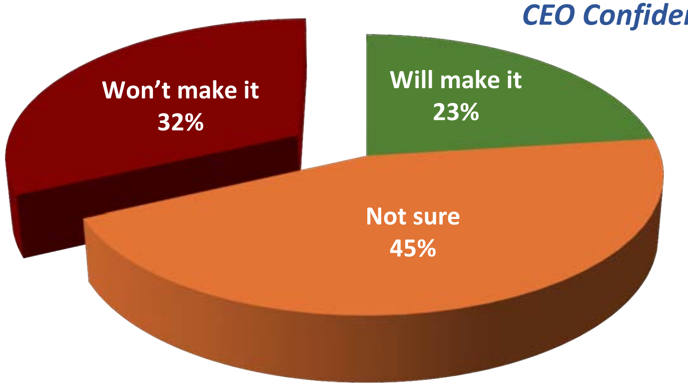
Once again, this year's Index has highlighted an intriguing discrepancy in the confidence levels of the top three revenue executives: CEOs, CSOs, and CMOs. The difference in perspective between sales and marketing leaders suggests they may be viewing different realities altogether.

The term "reality distortion field" (RDF) was coined at Apple in 1981 to describe Steve Jobs' charismatic personality and apparent ability to manipulate reality and the perceptions of those around him to his liking. However, while Jobs may have been able to bend reality in his presence, sales figures in the real world are not subject to such manipulation. Organizations either meet their sales targets or fall short. It is concerning that CEOs and their sales leaders are so far apart in terms of their expectations of success.

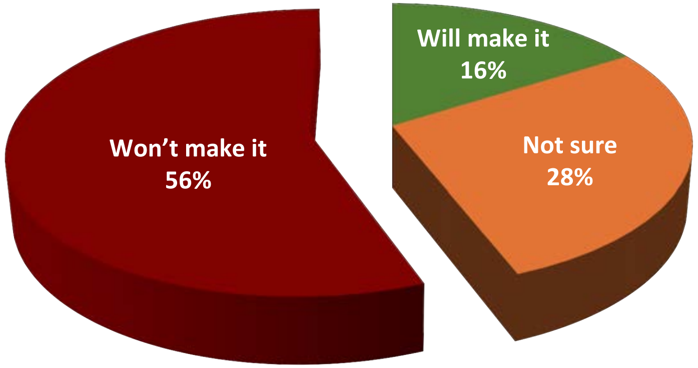
*"Is there a **reality distortion field** that improves sales funnel performance?"*



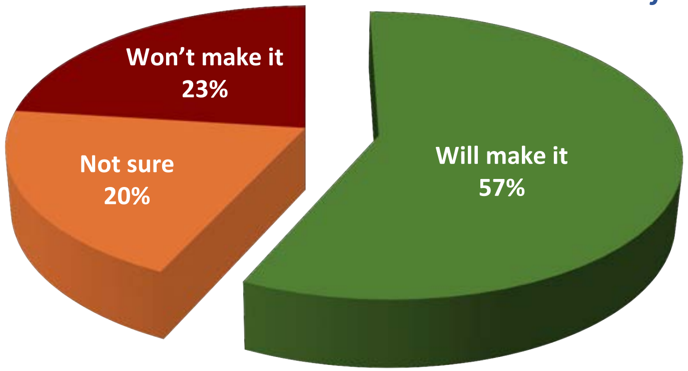
CEO Confidence



CSO Confidence



CMO Confidence



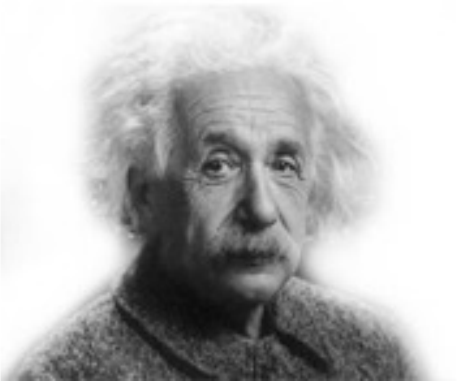
TALENT & RECRUITING CHALLENGES

Although the numbers of both vacancies and candidates for sales positions continuing to rise, there is still a prevalent issue of underperformance among sales reps, which remains a lucrative segment for recruiters. Despite more than 70% of salespeople failing to meet their targets, the industry experiences a constant influx of new hires. Unfortunately, the trend of replacing poorly performing sales representatives with even more poorly performing ones shows no signs of stopping. The challenge of finding the right people for the right roles continues to be a source of immense frustration for many.

Steve Smith, Director and founder at Prova Profiling and a prominent authority on the use of neuroscience in sales, says that sales leaders still rely on the traditional approach of expanding their sales force to drive revenue growth. Despite over a decade's worth of data and neuroscience research contradicting this approach, sales leaders continue to hope that increasing the size of their sales force and channels will provide a solution.

Although we do not have hard data for this year's Index, anecdotally some Heads of Sales we spoke to this year said they had increased the size of their teams through the pandemic but been consistently disappointed that the increased headcount failed to deliver the hoped-for revenue outcomes.

During one conversation about this phenomenon, the CEO of a large tech company expressed their own mystification at the lack of realization among sales and HR managers. They questioned the sanity of continuously trying to grow sales through increasing direct and indirect headcount, when nearly three quarters of the workforce is underperforming, and a significant portion of whom continue to fail dismally. She pointed out that this cycle of underperforming employees being replaced with new hires who share the same experiences and backgrounds, while hoping for a different outcome, was a perfect illustration of the circular insanity that needs to stop, but unfortunately shows no sign of doing so.



"Insanity: doing the same thing over and over again, and expecting different results."

The sales recruitment sector actually experienced growth between 2020 and 2022, confounding fears as COVID was taking hold that the sector would be decimated. Sales recruitment continues to grow strongly around the world, although at the time of going to press, the imminent threat of recession is having an effect.

The surging demand from organizations to bolster their internal and field sales forces has incented recruiters with no previous experience in recruiting sales-people, to advertise and market themselves as experts in the space. CSO's under unrelenting pressure to perform face the double-whammy of unscrupulous recruiters supplying them with people failing in higher numbers than ever before.

MARKETING FRUSTRATION

Since the GFC, marketing departments have come in for some harsh criticism in the Index, especially from CEO's. In 2016, 78% of CEO's expressed doubts about marketing's relevance and value, and this perception has never demonstrably improved.

Interestingly roughly the same percentage of CMO's at the same time expressed dissatisfaction with their jobs.

Many CEO's and CFO's who have participated in previous Indices believed that marketing lacked credibility, sufficient business acumen and were not outcome-driven, which in many cases was code for making little or no effective contribution to revenue generation.

Although this year's numbers are not as harsh on marketing's contribution, it is evident that marketing departments continue to face a significant credibility gap when it comes to their CEO's and Boards:

- 57% of CEO's lacked confidence in their marketing departments' ability to acquire new customers;
- 15% reported being highly confident that marketing made a significant contribution; and
- 27% had at least some degree of confidence.

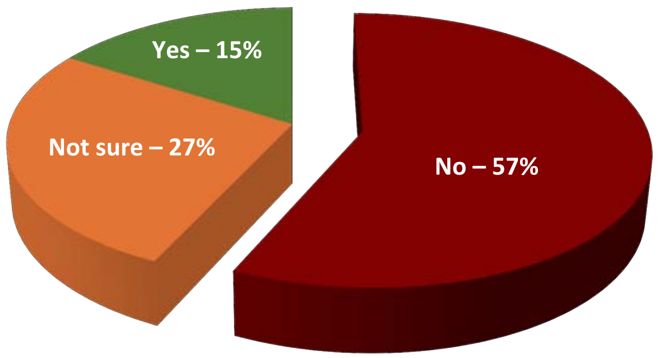
We asked some CEO's to explain their perception of marketing, and in nearly every case, the issue was related to the "line of sight" between marketing investment and sales outcomes. One CEO summed it up as, *"...the lack of demonstrable causation between the millions we spend on advertising, digital strategy and social media, and customers actually making a purchase. Correlation and causation are not the same thing."*

Asked to comment on Marketing's contribution to revenue creation and delivery, Sales Directors typically varied between skeptical and scathing, with quite a few rolling their eyes and, "...preferring not to comment."

Regardless of the accuracy or otherwise of such statements, it is clear that there is still a significant amount of work to be done before the majority of organizations can confidently assert that their marketing and sales teams and initiatives are properly aligned.

> ***"Eighty percent of CEO's don't trust or are unimpressed with their CMO's"***
>
> Harvard Business Review
> August 2017

Fig 11. CEO Confident in Marketing?



"My guys refer to our marketing people as revenue prevention. There's always another excuse for why this or that cannot be done to generate leads. I can't remember a lead in our business that we didn't develop ourselves."

GM Sales
Engineering Company
Queensland

"I'm sure Marketing is making a contribution. Just not to sales."

Sales Director
Insurance Company
Amsterdam

LEAD GENERATION & CONVERSION

Lead generation and conversion were again hot risk topics in this years' Index, with two thirds of organisations seeking to generate more better value leads. The rate of conversion from leads to sales contacts held steady at 33% over the last three years, which was good news for CMO's and CSO's. Unfortunately, since the Index began in 2006 that metric has declined by 18% and by nearly 13% since 2012.

Also troubling was the continuing decline in the velocity at which leads turn into sales contacts. Much of the hype around digital and social technologies is based on the promise of increasing the speed at which marketers can respond to changing buyer demands, and then at which those buyers respond to the offers presented to them. Neither assertion is currently being supported by the available performance data.

The global Marketing Automation market grew by more than 75% between 2014 and 2023. Valued by analysts at $US6B in 2020, the industry globally is now estimated to be worth $US8B and is expected to grow year on year by 19%. to 2027.

29% of the CEO's responding to this years' Index reported having invested in Marketing Automation (solutions that coordinate and measure the execution of marketing programs and campaigns). Interestingly 4% claimed to have not heard of it.

Few CEO's hold their marketing areas accountable for either the number or quality of leads they pass to sales, and less than one in eight marketing functions are measured on ultimate revenue production.

Despite continuing statistical evidence that using sales-people for lead generation is expensive, largely ineffective and unsustainable, prospecting based on cold calling remains a significant component of most current sales job descriptions.

The practice carries a substantial hidden risk and cost. The average sales-person in 2022 spent approximately 38% of their time prospecting i.e., generating leads. A number that has hardly changed since 2006. At a typical fully loaded base remuneration of $54,000 pa that equates to $21,000 per sales-person of (a) marketing cost carried by sales; and (b) lost selling time.

Fig 12. Using Marketing Automation

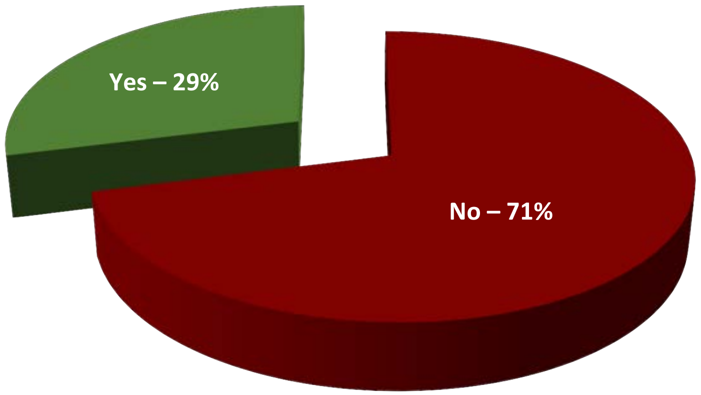
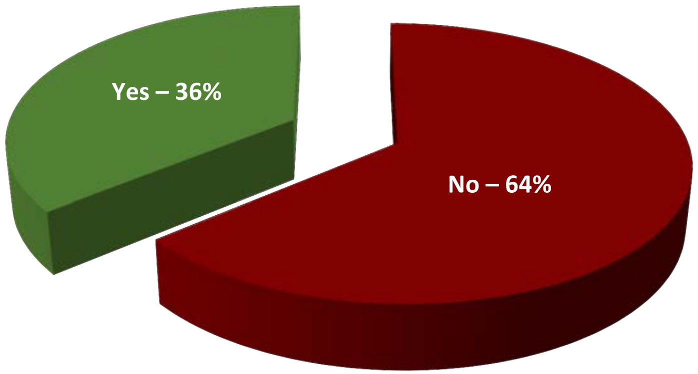
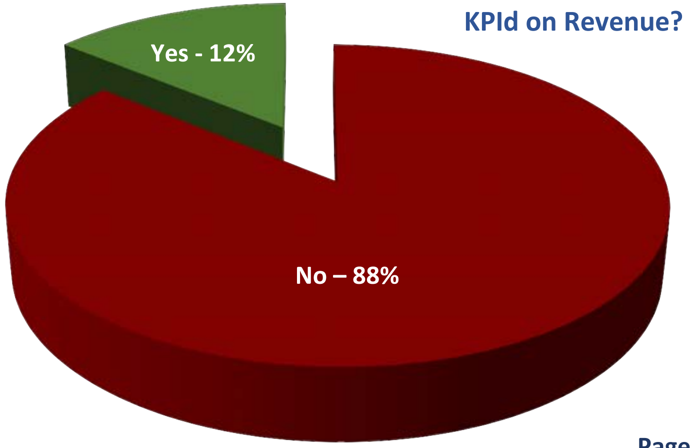


Fig 13. Marketing KPI'd on Leads Generated



When the average sales-person's achievement against quota (28%) is recalibrated for the fact that they spend only 31% of their time actually engaged in selling (the remaining 31% spent on administration and other non-selling tasks), their performance per-hour-of-sales-time doesn't look anywhere near as bad.

Fig 14. Is Marketing KPId on Revenue?



Artificial Intelligence And Sales

The jury of the global market has well and truly delivered its verdict on the future of AI and chatbots like ChatGPT. It seems to be almost a case of, "AI is the answer. What was your question?" The take up of AI in marketing departments around the world has been nothing short of astonishing.

In the sales domain however, the hype appears to be notably absent. Our conversations with CSOs and Sales Directors point to that being more about caution than rejection, and a preference to wait for demonstrable proof of benefit before going all in.

As this Index has been proving since 2005, selling is hard. Way harder than most people outside of sales are capable of understanding. That is especially so in the world of B2B where conversion rates are low (in fact, lower than ever), pipeline velocities are slow, sales cycles are longer and more complex than ever, and customers rarely make impulse purchases by swiping their credit cards. They require personalized attention, extensive validation, and ongoing support – from human beings. And they almost invariably possess highly tuned radars for detecting bullshit.

Sales executives proactively reach out to customers, arrange face-to-face meetings or Zooms, respond directly to their concerns, and provide continued guidance even after the sale is made. Truth and trust are crucial.

For the present moment in any case, those two words do not belong in the same sentence as, "artificial intelligence". As recently as last week, famed theoretical physicist and one of the world's leaders in quantum computing Michio Kaku told Joe Rogan that while chatbots and other AI tools might appear to be intelligent, they are in fact only capable of regurgitating what humans have already produced.

The technology is unable to detect whether something is true or false and can therefore easily be "tricked" into giving incorrect information as if it was fact.

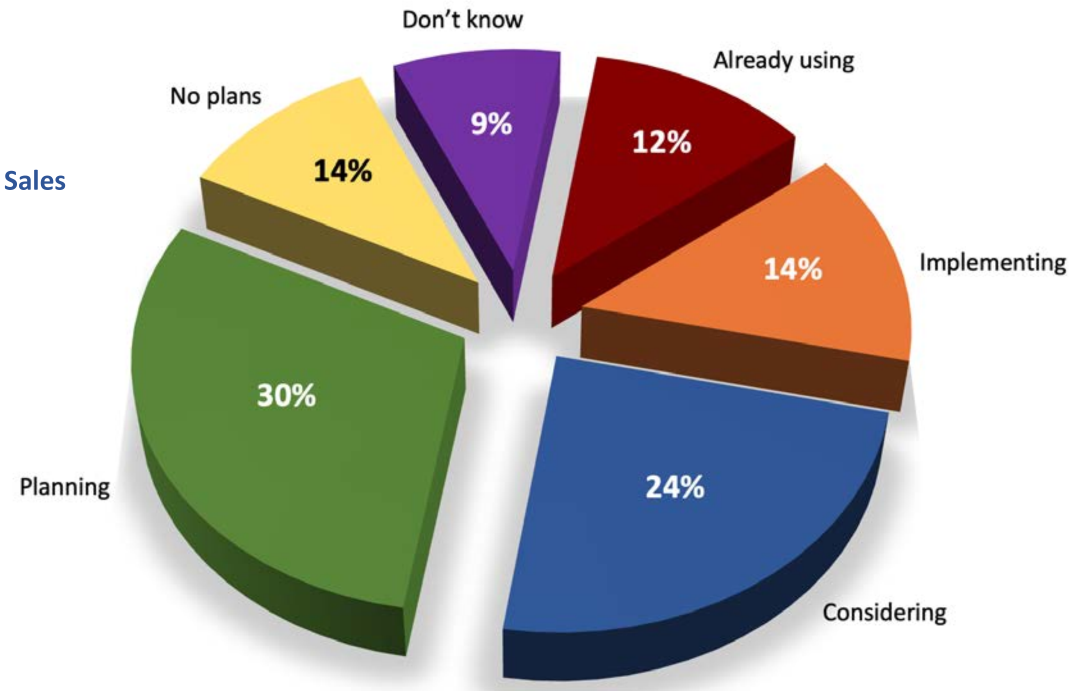
"Even though there is a good aspect to all these software programs, the downside is that you can fabricate, because it can't tell the difference between what is true and false," he said.

"They are just instructed to cobble together existing paragraphs, splice them together, polish it up and spit it out. But is it correct? It doesn't care, and it doesn't know. A chatbot is like a teenager who plagiarises and passes things off as there own."

It's also worth bearing in mind that Kaku's warning came after Geoffrey Hinton, an AI pioneer known as the "godfather of artificial intelligence", recently announced his resignation from Google, citing growing concerns about the potential dangers of artificial intelligence.

Nevertheless, AI technologies are finding their way into sales organisations. They're just doing so much more slowly than in marketing and other areas. Their caution is being matched for the most part, buy the scepticism about AI-generated marketing and sales collateral evident on the buyer side of the sales equation.

Fig 15. Adoption of AI in Sales



TIME IS MONEY: SALES TIME SPENT NOT SELLING

BDMs and sales reps still spend three quarters of their time not selling. That's a remarkable statistic when we consider the number of much-hyped sales productivity technologies available today. Since our first Index in 2005, this particular number has been a perennial source of frustration for BDMs, reps and managers alike.

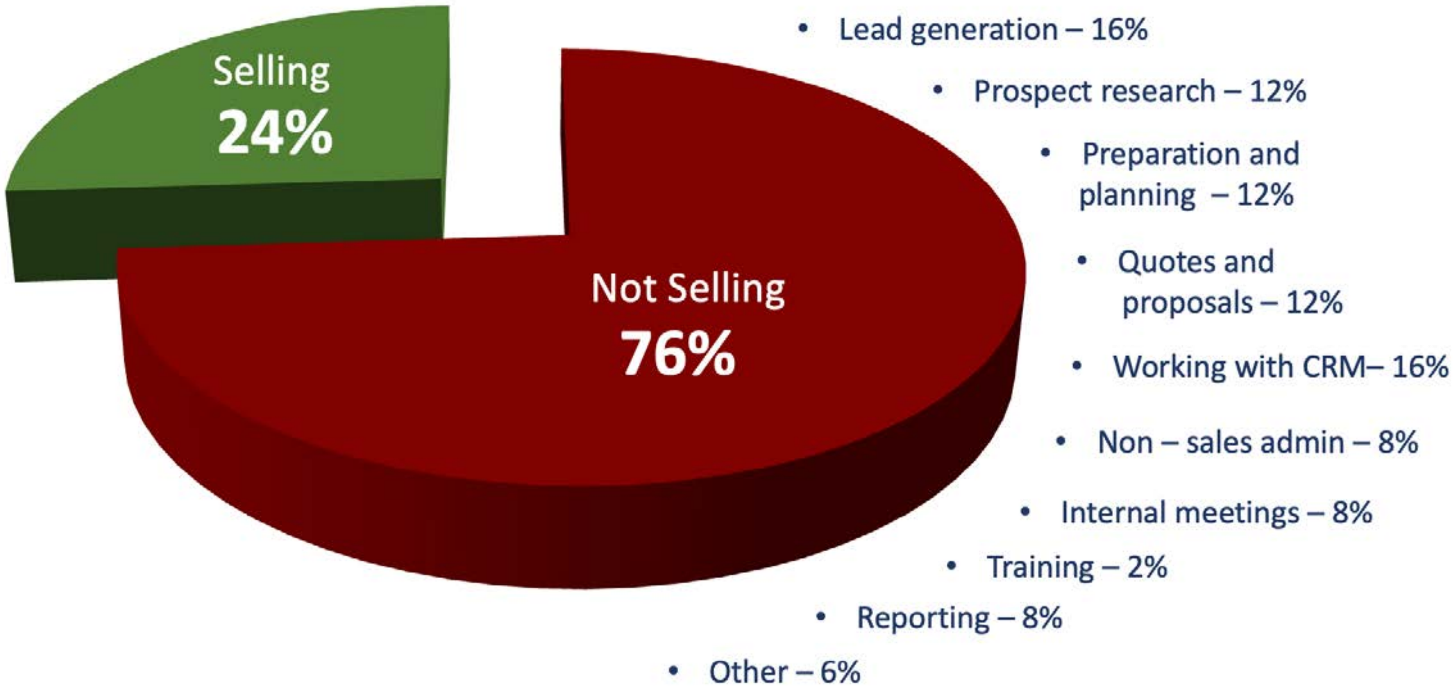
Every day, the average BDM / rep spends less than two hours selling. That represents a staggering loss of revenue and profit opportunity.

Back when the Index was first published in 2006, reps were spending 38% of their time generating their own leads. We argued at the time that that activity was properly owned and performed by marketing, who now, for the most part, do own it. Lead generation – particularly the cold calling variety, was always a high cost and low yield task for expensive sales resources to be doing. But at least it was in the proximity of being called selling activity. By far the most frequent complaint from reps and BDMs now is that they are data entry clerks for CRMs. Almost a full day each week is spent interacting with the CRM.

If the average BDM / reps achievement against quota (44%) is adjusted for the fact that they spend only 24% of their time actually selling, their performance doesn't look anywhere near as bad.

If we could point to a single metric where AI has the potential to have the most positive impact, this must surely be the one.

Fig 16. Proportion of Salespeople's Time Spent in Non-Revenue Generating Activities



Outliers And Marginal Gains

Sir David Brailsford CBE is one of the highest profile success stories in professional sport. In 2010 however, when he took on the job as GM and Performance Director for Team Sky, Britain's newest professional cycling team, success seemed a very long way away.

Up until then, Britain as a nation, was a perennial under-achiever on the world cycling stage. Brailsford was tasked with changing that. His approach was staggeringly simple.

Brailsford championed a philosophy of what he called "marginal gains - the 1 percent margin for improvement in everything you do." He believed that if he could improve every area related to cycling by just 1 percent, then those small gains would add up to a remarkable overall improvement.

Sir David and his team began with the obvious things: training programs, bike designs and weights, rider nutrition and the like. Then they moved onto the less obvious elements – those hidden beneath the surface. They started looking for 1 percent improvements in seemingly insignificant areas overlooked by other teams: improvements to the geometry of bike frames, tire inflation and resistance on the road surface, rider hygiene - even to the level of the pillows they slept on and how they washed their hands. No potential for improvement was considered too insignificant.

Brailsford was convinced that if he could harness these aggregated one precents, Team Sky could win a Tour de France in five years. They took only three!

In 2012, Bradley Wiggins became the first British cyclist to ever win Le Tour. In that same year, Great Britain won eight gold cycling medals, 12 total cycling medals and set three world records at the London Olympics. Their coach? David Brailsford.

So phenomenally successful have the years since been for British cycling it has been referred to by many as its Golden Age. So – what relevance does Sir David Brailsford, British Cycling and Team Sky have for sales performance?

Aggregation of Marginal Sales Gains

Business leaders frequently overestimate the importance of one defining moment and underestimate the value of making better decisions on a daily basis. Almost every habit that we have - good or bad, is the result of many small decisions over time.

How easily we forget this when we want to make changes. So often we convince ourselves that we can and should be like Steve Jobs – that change is only meaningful if there is some large, immediately visible outcome associated with it. Whether it is losing weight, building a business, or making a sale, we often put pressure on ourselves and our people to make some earth-shattering improvement that will change our world for the better as if in a single instant.

Meanwhile, improving by just 1 percent isn't notable - it isn't even *noticeable*. In fact, it's frequently plain boring - and therefore it's more than often completely overlooked. But it can be just as meaningful and powerful. It also comes with way less risk – and cost.

Unfortunately, the same pattern also works in reverse. When we find ourselves stuck with bad habits or poor results, it's usually not because something happened overnight. It's the sum of many small poor choices that we made — a 1 percent decline here and there — made over time, that eventually appears as a major problem. Like 1.64% pipeline conversion.

For any decision, there is basically no discernible difference in outcome between making a choice that is 1% better versus one that is 1% worse. Either way, we won't notice much today. Or tomorrow. Or next week.

But as time goes on, these small improvements or deteriorations compound until one day we realise we have a very big gap between where we are and where we thought we would be or where we would like to be. In fact, there's a huge difference over time between slightly better or worse decisions. Small choices don't make much of a difference at the time, but they most definitely add up over the long-term.

When things start slipping, even by only small amounts, they frequently go unnoticed because the immediate impacts are often so small, they're invisible. But it's the compound effect of keeping on going with those poor decisions, of never realising and taking action to get back on track that causes the biggest problems.

None of us will probably find ourselves at the Olympics or Tour de France anytime soon, but the concept of aggregating marginal gains are just as powerful in the world of sales. Most people love to talk about their successes as individual events. We talk about running a great campaign, closing a big sale or building a successful business or winning the Tour de France as if they are events. But the truth is that the truly significant things in revenue creation aren't stand-alone events at all, but rather the sum of all the often unspectacular, seemingly insignificant things we can choose to do 1 percent better or 1 percent worse. Aggregating these marginal gains makes a massive difference. There is immense power and massive revenue gains on offer by harnessing those small wins and slow gains.

OUTLIERS AND MARGINAL GAINS (CONT.)

Aggregating Sales Performance Gains

In 2005 RevenueTEK began exploring the effects aggregated marginal gains could have on corporate revenue generation. In the 18 years since, hundreds organisations from 14 different industries and 4 different continents have proved that it works – to the tune of 24% compounding year-on-year improvements; literally billions of dollars of additional revenue unlocked mostly by small wins and subtle, unspectacular changes.

In 2005 the average corporate revenue pipeline converted 3.7% of sales opportunities into closed sales. By 2023 that figure has declined by 57% to less than 1.64%. The other way to interpret that statistic is to say that 98.36% of corporate sales opportunities now fail to turn into sales.

According to this year's Revenue Performance Index, 67% of sales leads fail to turn into appointments or calls, 67% of appointments or calls fail to progress to an offer being made to a customer and a staggering 85% of the offers that are made fail to result in a customer making a purchase. These dismal performance statistics rightly horrify CEO's and Boards. But it is because they are so bad that they offer so much hope – through the power of aggregated marginal gains to deliver exceptional improvements, rapidly.

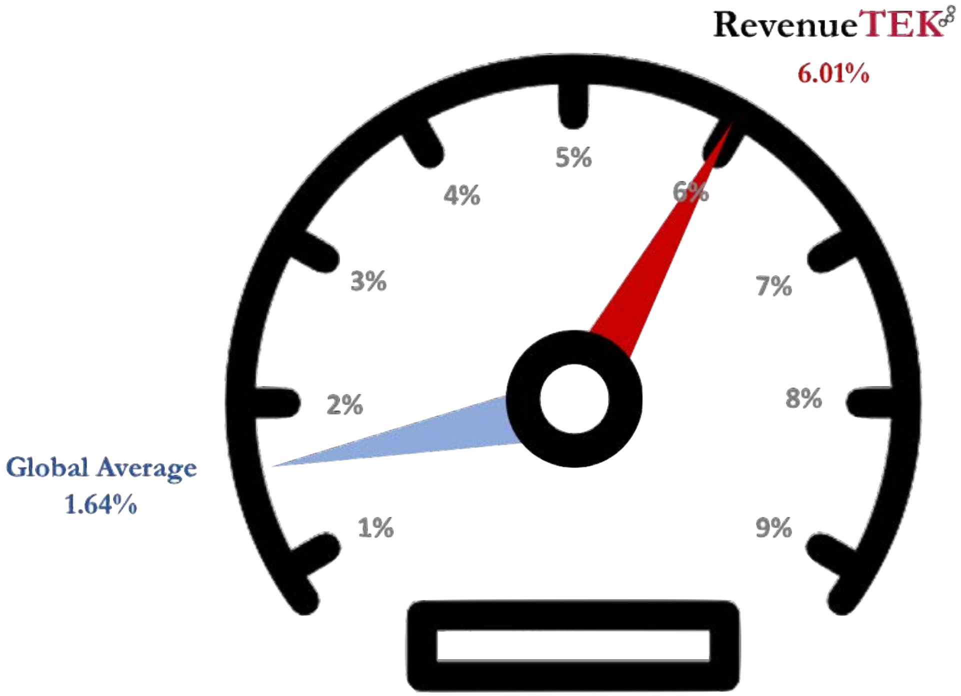
The Bottom Line

In this year's Index, 524 organizations responded, reporting an average end to end revenue conversion of 1.64% (see Fig 2 on page 4). The corresponding rate for RevenueTEK clients across the same period was 366% better - or 6.01%.

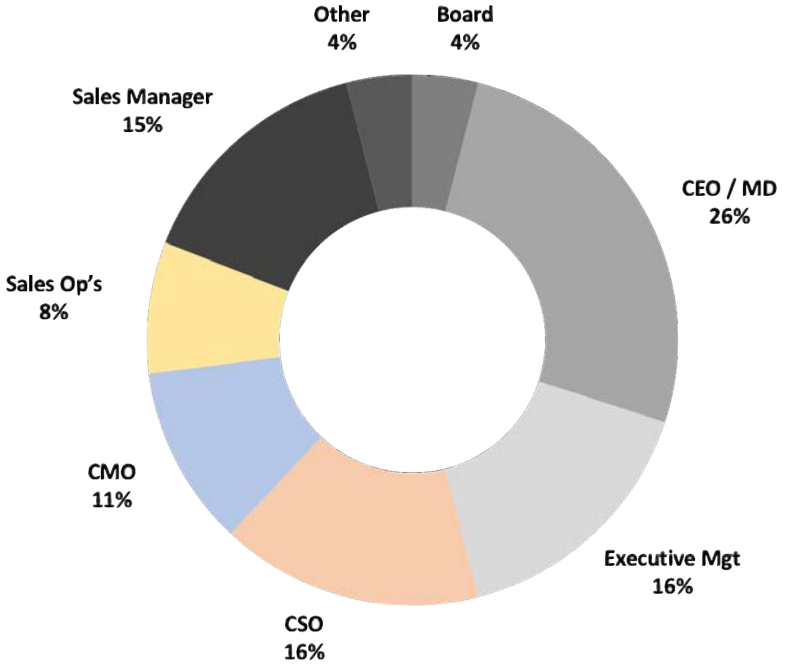
What do those numbers mean? RevenueTEK clients managed their revenue risks better and outperformed their industry peers in pure revenue delivery terms by a factor of 24% year-on-year. A company operating at the average Australian pipeline conversion metric of 1.72% delivering $100M in revenue, would convert at 2.38% and create and deliver an additional $24M in revenue and $3-4M in profit.

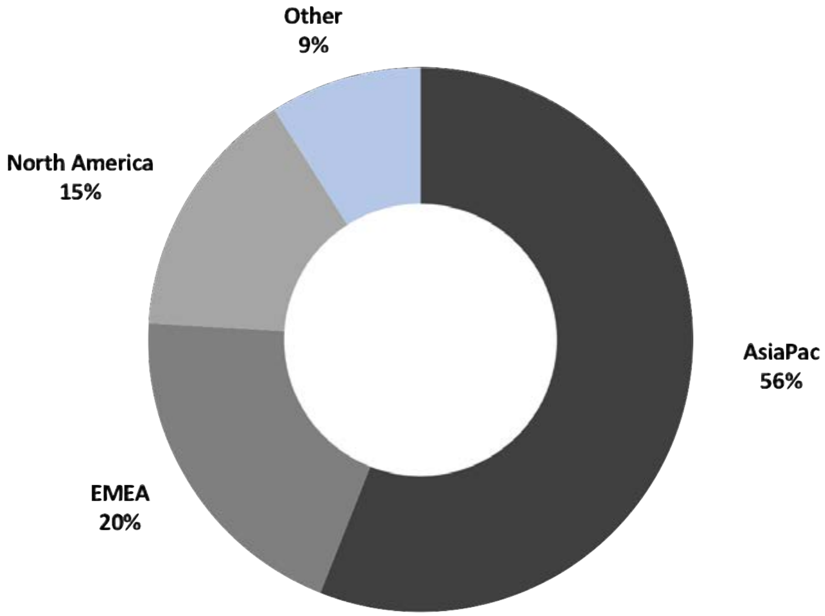
In that simple equation is the power of marginal sales gains.

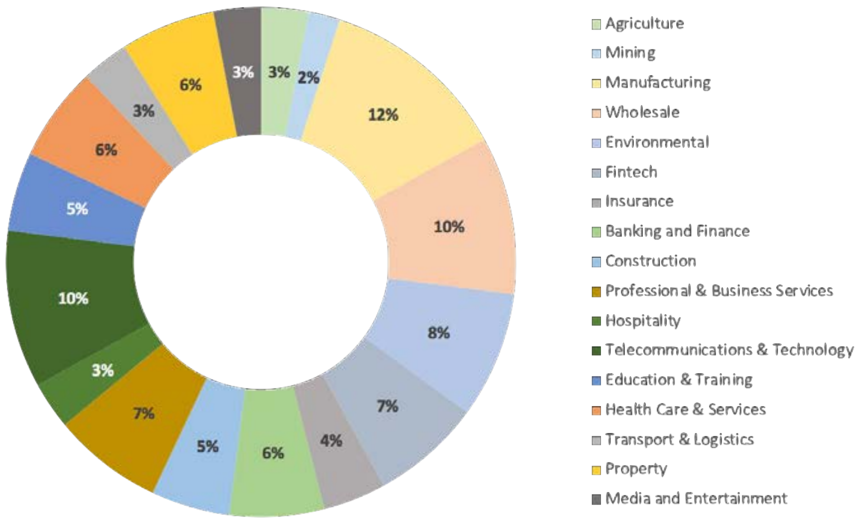
Fig 15. Pipeline Conversion Differentials for RevenueTEK Clients vs All Respondents



DEMOGRAPHICS & REPRESENTATION







About RevenueTEK

The Revenue Performance Management Technologies (RevenueTEK) has been helping organisations manage their revenue risks and to find and aggregate those small percentage revenue performance gains into sustainable double-digit year-on-year sales productivity and revenue system yield improvements since 2005.

To learn more about how our Revenue Risk & Performance framework can do the same for your organisation, visit our website at www.revenuetek.com or email us at info@revenuetek.com.