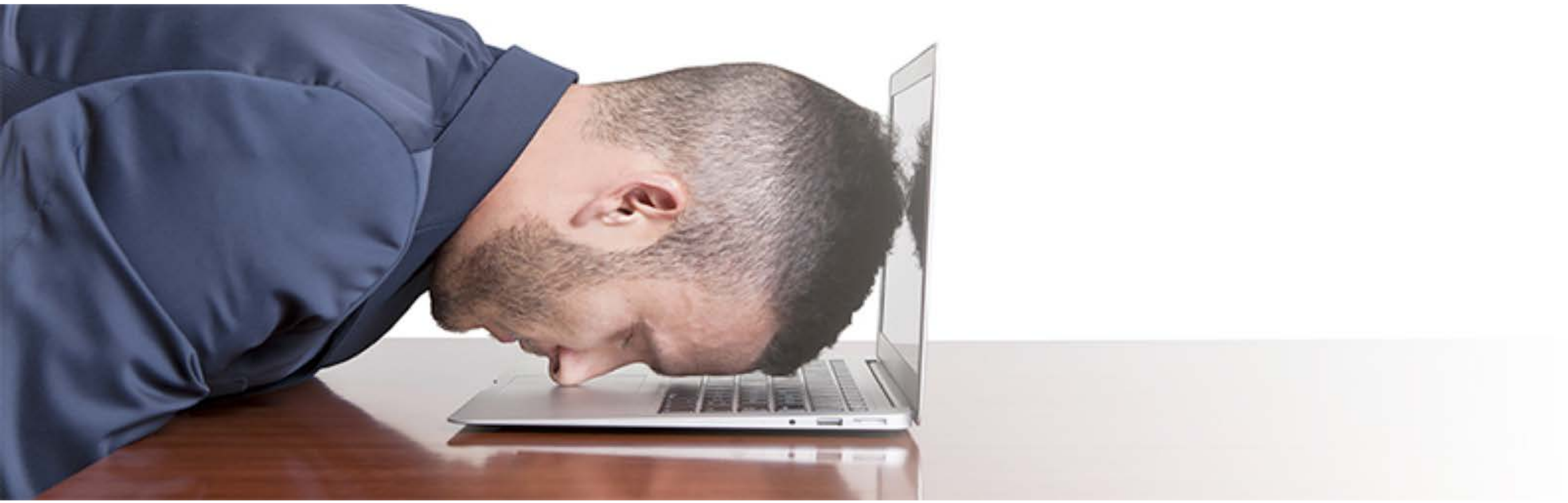
Lies, Damned Lies, and Analytics?

Can Data and Analytics Really Affect Revenue Enablement & Performance?



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The concept of sales pipelines or funnels is hardly new. Most companies in the world have them. In fact the pipeline or funnel is one of the oldest constructs in business. The problem is even though they've been around since the Ark, the average company's sales pipeline still operates extraordinarily poorly, delivers next to nothing and is frustratingly opaque.

In our most recent **RPMG Revenue Risk Index** we found that the average pipeline still converts raw leads into closed sales at an anaemic rate of 1.9%, that 68% of organisations missed their 2018 revenue targets and that 62% of all sales rep's missed their numbers.

The Sales Management Association reports that 63% of sales executives believe their organisations are ineffective at managing their sales pipelines. Somewhat ironically 61% of organisations believe their own sales managers are ill equipped to manage pipelines in the first place.

In the last two years, more money was spent globally on technology, recruitment and training aimed at improving marketing and sales performance than in the preceding twelve combined. Since 2006 investment in Customer Relationship Management, Marketing Automation technology and sales training grew year-on-year by more than 16% - and that trend is accelerating. It has more than trebled since the Global Financial Crisis. Companies also spend an enormous amount of sales support – more than $US135,000 per sales rep according to Forrester Research.

Over the same period, while investment on technology, training and recruitment spiralled upwards as companies desperately sought salvation, the rate at which the average sales pipeline converts leads to closed sales spiralled in the opposite direction by 48%. Despite unprecedented expenditure sales performance has never been worse.

Courtesy of modern CRM systems and accompanying analytic technologies, sales managers have access to more analysis and reporting of their pipelines than ever before. They are spending more time than ever creating, maintaining, manipulating and staring at pipeline reports, but their efforts are in vain as their sales performance declines.

And yet there is abundant evidence that for those who get it right – or at least partially right, the rewards can be spectacular. CSO Insights reports strong positive correlation between strong revenue performance and organisations who:

- Clearly define their sales process and sales methodology;
- Invest sufficient time in managing the sales pipeline; and
- Train their sales managers in pipeline management strategies and techniques.

However, there's another world of difference between knowing what's coming your way and knowing how to make more of it come your way and then making it do so more rapidly – and at a higher value. Now we're stretching from the world of analytics into the next dimension of predictive analytics – beyond predicting the future, to influencing and affecting it.

Examples abound of organisations who have dramatically affected their performance.

One of our clients, a mid-sized marketing services company, provides an interesting case study of how even a small company with limited resources improved its sales conversion by 100% in less than a year. How did they do it?

1. Process and Methodology

They took the time to get locked onto who their buyers were and what their buying processes were. Then they got ruthless about getting everything they did across their marketing and sales operations aligned to, and in synch with that buying process. In effect they turned themselves outside-in and built a buying methodology.

2. Visibility and Risk

By focusing their measurement on buyer progression and velocity, at any point in time they know what's changing – for better or worse, in their sales pipelines. But more important than that, because their analytics platforms are backward and forward looking, their sales forecasts are continually recalibrating based on the latest performance measures from within their pipeline. The CFO's dashboard automatically refreshes with updated projections for how much revenue is coming in the future, and how long it will take to arrive.

Which enables the parts of the business dependent on that revenue, to dynamically adjust their own forecasts in tune with the updated sales numbers.

But it also allows the people with their hands on the marketing and sales levers to understand what's working, what isn't and how to change the future outcome.

In less than 6 months they turned from being responsive, backward-looking, inwardly-focused to proactive, forward-looking and completely customer-focused. Their pipeline conversion rate doubled and their average sale value improved by 10%.

Aberdeen Research reports that best-in-class companies adopting such solutions enjoy an impressive 91% customer retention rate, versus a 32% retention rate among companies that have lagged in adoption.

3. Incremental, Intervention

These numbers are impressive, but incremental, less spectacular improvements of just a few percentage points can drive staggering overall revenue and margin uplift. The trick is knowing where to apply minimum force for maximum outcome. For small and mid-sized companies operating at average pipeline conversion benchmarks (click here to see the **2018 Revenue Risk & Perfomance benchmarks**), just improving their conversion by 1% per annum at the Lead, Opportunity and Close stages, would result in a 13% increase in revenue. Two percent at each stage and you're looking at 26% overall. Do that for two years and your revenue number is up by 57%.

The power of combining causal and predictive analytics is knowing which 1% to focus on – and when.

In most organisations, these kinds of gains translate to millions in additional revenue from their sales pipelines. They also flow through to margin and bottom-line not only because revenue costs less to acquire, but because more predictable, reliable forecasting drives more effective planning; smarter and better directed sales force training and cost savings touching parts of the organisation seemingly far removed from revenue creation.

And not a spread-sheet to be seen!