

Learning From Loss

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When you lose a sale, it's an opportunity to learn something about yourself and your firm and also about your competitors. While nobody likes losing a sale, taking the time to turn the disappointment into a learning opportunity can pay valuable dividends. How can organizations turn lost sales into learning opportunities?

Where companies fall short is that most efforts to learn from losses focus on one type of information gathering -- questioning or debriefing the sales reps that participated in the sale. To approach learning from sales losses as nothing more than a series of sales rep interviews guarantees that virtually no reps will participate. They will likely see the effort as being meant to find out everything that the sales team did wrong, and to assign blame for the lost sale.

Instead, organizations ought to engage in debriefs with both the sales team and prospective customer as part of a larger win-loss analysis process. It is virtually impossible to gather insights from a single sales rep debrief. Rather, you learn lots of pieces from a variety of sources that allow you to put together a picture of how to fix a potential competitive disadvantage. The sources include:

- Debriefs with sales reps and managers leading all major pursuits, whether wins or losses.
- Debriefs with customers or clients on both wins and losses.
- Interviews with alumni of companies with which you compete.
- Competitors' and your own marketing materials, with specific attention to how changes in them suggest changes in what the competitors view as how best to compete.

All of these sources have their weaknesses and biases, but combined they can give you lots of raw information to analyze. Remember, the objective is not to find fault with a particular sales rep or sales team, but to identify your customers' win and loss themes -- the reasons they choose to buy from you or your competitors -- and make sure your sales and marketing strategy is in line with customers' purchasing criteria.

Win-loss analysis is difficult because an organization's own biases complicate the analysis of this information. If you are convinced that a competitor is beating you on price, for example, you can probably find validation in the data, even if price is only a part of the problem.

To avoid making this mistake, companies should develop a number of competitive themes, such as, a) the clients are buying on price, b) Competitor A's reputation for x is stronger than ours, c) our range of service is a major factor when we win. Then see what information you have supporting or negating each from debriefs with your sales team, your customers or lost prospects, and former employees of your competitors. This usually provides you with a richer and more valuable understanding of your competitive situation. This approach also allows you to track changes in your customers' buying criteria, or your competitors' sales strategies, over time.

To illustrate: when a large technology consulting firm with which we worked began to lose projects to competitors who were outsourcing work to India, it tried to compete on price. Though it cut costs as fast as it could, competitors matched and exceeded every price drop, and the firm continued to lose.

Research, encompassing all the sources listed above, showed the firm's principals that clients didn't think of the firm as low-cost. Rather, they valued its processes and methodologies, which increased the chance of success on complicated projects. They didn't want to risk giving that kind of work to the cost-cutting competitors.

The more the firm had tried to compete on price, the more it lost. As soon as it focused on complex, demanding projects, its win rates climbed—and at higher prices.

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