



# QDI's Market Vision

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INSIGHT INTO THE CURRENT MARKET

IN THIS ISSUE

## Close Rate: Your Win Rate and Path to Higher Sales

by Steve Bassill

Recently we introduced QDI's Value Creation Formula which you can use to define the relative value of your offering versus customer alternatives. The final part of the formula involves the purchase process, as discussed in last month's newsletter.

I had been contemplating buying a new car. Ultimately, like most consumers, I will make a decision to buy something. One of the suppliers I am looking at will win the sale while the others will lose.

QDI developed the concept of Close Rate to represent the results of the customer's decision-making process. Close Rate is a measure of how often you win the sale when presented.

The Close Rate for a specific customer sale is either one (1), a sale, or zero (0), no sale. Averaging sales across all customers or a segment of customers provides the Close Rate, which ranges from 0 to 1.0 (i.e., ranges from nothing to 100% of the time).

### Why is Close Rate Important?

The lower the Close Rate, as viewed from the sales rep's perspective, the less effort he/she will place on the product/service (assuming

he/she has a viable alternative). Thus, marketers run great risks when they poorly target the markets they are asking sales people to chase.

If a sales person's initial success is poor, the odds are very high that he will move on to another product/service that will be easier to sell. The lesson for the marketer is to clearly define who to call on and the message /value proposition to communicate to win a high percentage of the times that a sales effort is made.

From our experience, close rate is a percentage that sales organizations can estimate. If you ask, they will tell you what percent of the time they win the sale when they are competing for the business. This number is often relatively close to what we find when we do research, however, it only relates to the sales transactions where your sales force is present.

Much of the time when you lose sales your offering was not presented to the customer, either because a third party was selling your product or because no one was offering your product at that sale.



### Close Rate

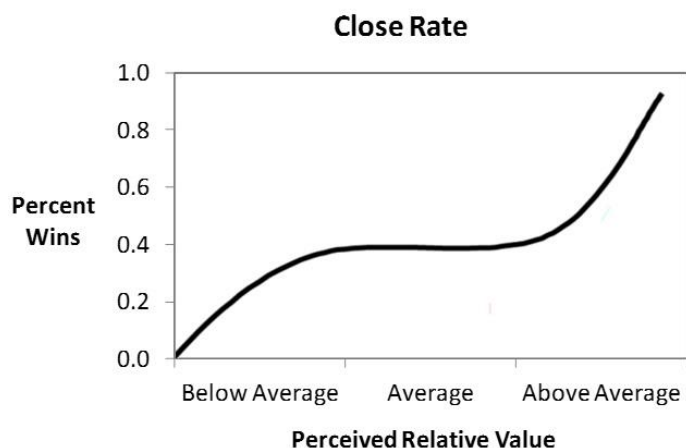
To drive sales and profits, marketers need to understand their "Relative Value" and fine tune offerings so that their value is greater than competitive alternatives.



### About QDI

QDI Strategies is an International consulting organization that helps clients create and execute breakthrough go-to-market strategies in commercial and industrial markets.

**Creating superior perceived value for customers increases the "wins", resulting in a higher Close Rate**



As the chart above shows, the greater the Relative Perceived Value of an offering (which is shown on the horizontal axis), the higher the probability that the Close Rate will be a score of one (1).

The shape of the curve shows that if preference for your offering is low, then your close rate will be low. As preference increases, your close rate increases. It is important to understand that this relationship is not linear. Thus, your close rate does not go up proportionately for every point of increased Preference. The reason for this is that the consumer / buyer does not distinguish that precisely between offers.

You can clearly see this in my discussion of price sensitivity in the last newsletter. I would pay almost 15% more to buy the Infinity versus the Toyota. I considered both offers about the same value. This area of price inelasticity is represented by the section of the close rate curve where it goes "flat". This is where your relative value is perceived as average, or about the same as the customer's alternatives.

For most of our clients their customers have a great deal of inertia around their existing products or suppliers they purchase from. Therefore, the "Close Rate Curve" goes flat when decision makers view competitive value propositions as about equal. This is why it becomes so hard to replace entrenched suppliers in customers you are trying to convert to your offerings.

## Improving Close Rate

To improve close rate, the marketer needs to work on his value proposition as well as his channel's ability to communicate the value. Having a great value alone will not generate a great close rate. It's easy for organizations that market through independent channels to be frustrated by their inability to know why they are winning or losing sales. We call this lack of market visibility "impaired vision."

The channel sees and interacts with the customer. The feedback marketers get from their channels is often sporadic, sometimes self-serving and seldom structured to provide enough clarity to make decisions.

You can change this by increasing the transparency within your channels. Transparency is a measure of the marketer's ability to see and understand the market. Transparency requires more than "won / lost" reports. It requires shared understanding and insights about market opportunity and the marketer's / channel's performance.

The goal of transparency is to understand your position (and your channel's position) in specific market segments. QDI's value model and shared assessments of why your close rate is what it is, are keys to more effective marketing through your channels. To learn more about how to improve your channel effectiveness, go to our website and read our white paper, "Building a Clearer Market Vision: How to Achieve Channel Transparency."

## QDI is Here to Help

We've shared these concepts to help you think about your offerings and their "Relative Value." In our next newsletter we will introduce you to QDI's Value Assessment Workbook which will give you the structure to quantify your value versus competitive offerings at the customer or segment level.

If you have questions about Relative Value contact us. If you can't wait to see QDI's Value Management Workbook, click [here](#) see it on our website.

### FOR MORE INFORMATION

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