

THE HOPIUM TRAP

Achieving a high closing rate is definitely one of the most important KPIs (Key Performance Indicators) of a sales organization. There are big differences within our customers. Some win 50%, others only 10% of their offers. In the complex, technical environment (mechanical engineering, IT, etc.), this is often 20-35%. This means that these companies lose 2/3 of all projects.



But why are these projects then worked on to the bitter end?

My favorite phrase is: Because we are too often on **hopium** (a mixture of hope and opium) in sales!

These include, among others:

- Missing information
- Incorrect estimations
- Lack of sales management
- No evaluation criteria on how to make a no-go decision
- No reviews with colleagues
- Lack of sales skills
- No sales methodology to win more projects.

That also feels really good for many people. And these companies are also successful. But in the shadows, where many sales managers don't look, there is another story: of the 2/3 of lost projects, 50% were not winnable, regardless of what the sales staff would have done. The competition is too strong, you don't have a high-performance solution or it's just too expensive.





It costs around 1,500 Euros per employee to eliminate. Quite a lot of money, isn't it? With 100 salespeople, that's 150,000 Euros!

Calculate the following business case against this:



1. Improvement of your closing rate by 10% relative (from 30 to 33%)
2. No-Go decision after 50% of the sales process with 25% of lost projects
3. Processing of new projects through freed-up resources in a ratio of 2:1 (two canceled projects, one new project).

Let us carry out the following example calculation:

A company makes 100 million Euros in sales with a 10% EBIT margin and costs per project of 20,000 Euros. The average order size is 500,000 Euros for 200 projects.

Applied to our business case, this means:

1. An increase in turnover from a better closing rate: 3 million Euros
2. 400 projects are lost. For 100 of these projects, we make a No-Go decision after 50% of the sales process. This results in savings of $100 \times 10,000$ Euros = 1 million Euros!
3. 100 canceled projects provide resources for 50 new projects. With a closing rate of $1/3$, we win 17 projects. This corresponds to an additional turnover of 16.5 million Euros.



A consistent introduction of a sales methodology with all the necessary measures therefore results in an increase in turnover of approximately 20 (!) million Euros!

Or 2 million Euros EBIT!

Converted to the sales staff, that is 20 million Euros per 100 employees, i.e. 200,000 Euros turnover or 20,000 Euros EBIT. And that's with an investment of 1,500 Euros.



Now the butcher is telling us how great the sausage is.

So let's say I'm wrong by a factor of 5, then you probably still have the best business case of all your current projects.

Or to put it another way: **stop taking Hopium! Introduce a sales methodology instead!**

And now, **please plug your business figures into the calculations above.** Let the figures work on you!

If you come to the conclusion that it is time to actively tackle **improving your sales productivity**, why not get in touch with us and let us reflect together on how best to approach this process.

We look forward to hearing from you!

Contact Us



+49 177 4955146



www.bluefrog-consulting.com



p.martin@bluefrog-consulting.com

