



5 Sales Metrics That Explain

Why You Didn't Hit Your Number

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Introduction

You didn't hit your number last quarter. What happened?

Any time you miss your number, it's important to look back and figure out exactly why – not only to provide a solid explanation for your CEO and the Board, but also to make sure it doesn't happen again.

However, to do this, you need to know which metrics will give you the whole story. Did your reps not have enough new opportunities to work? Did your team's win rate drop? Did your sales cycle lengthen? Using data from your last quarter to answer these questions will help you perform the post-mortem you need to ensure that you fully understand what went wrong and what you can do next quarter to turn the tide.

In this eBook, we explore the **5 sales metrics you must analyze to understand why you didn't hit your number last quarter:**

1. Open opportunities in total and per rep
2. Closed opportunities in total and per rep
3. Average deal size
4. Win Rate
5. Sales Cycle

1. Open Opportunities

The number of opportunities your reps are working has a huge impact on how much business they ultimately close. Track the number of open opportunities each rep has in his or her name at any given time and analyze the inflow of new opportunities into their pipelines.

Each of your reps should have a) enough opportunities to hit their number, but b) not too many so they are over-extending themselves and losing deals as a result.

How do you know what the right number of opportunities for your reps to handle is? It depends on the experience level and capacity of each quota-carrying rep, and your team's average sales cycle, but a common number for SaaS reps is 25-30.

You should look to your history. How many opportunities have your best reps juggled in successful quarters? Does it vary much by segment, type of customer or average deal size?

Answering these questions will give you a sanity check about whether you need to grow your open opportunities a lot (crank up lead generation) or if your team is overwhelmed and you need to hire more salespeople.

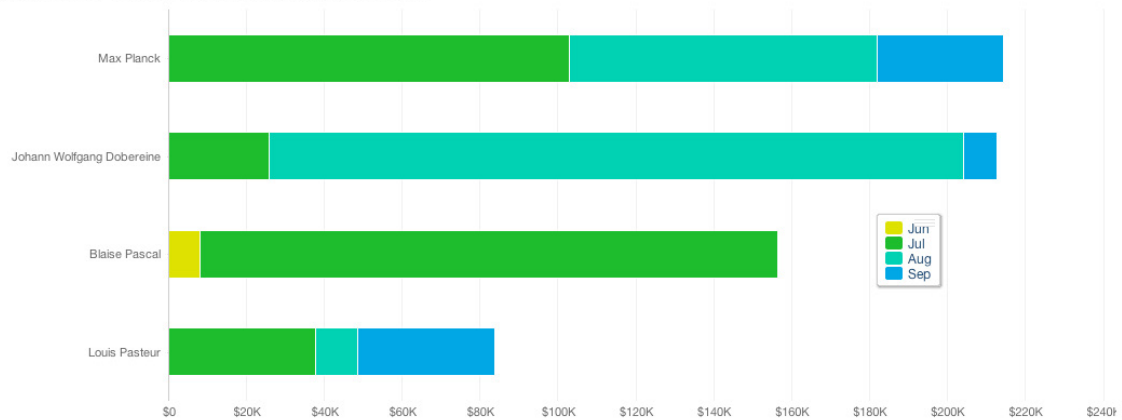
Here are the 3 ways you should analyze your team's open opportunities:

1. # of opportunities per rep.
2. Inflow and outflow of opportunities into the Pipeline over time.
3. Historical trend of open opportunities in your pipeline.

of Opportunities per Rep

How much does each employee have in their pipeline?

\$723,168 total value in the pipeline in the next 90 days



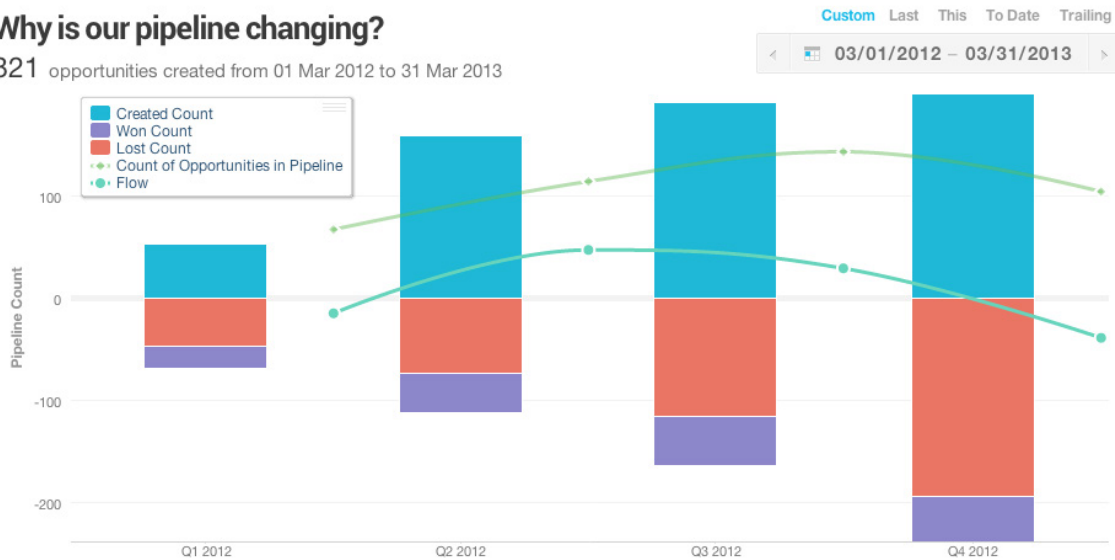
One of the most common reasons a sales team doesn't hit its number is because its reps don't have enough open opportunities to work, especially late-stage opportunities. The chart above shows each rep's pipeline of open opportunities broken down by month. This way, you can ensure that your reps are all set up to hit their number, and you can eliminate a shortage of open opportunities as a culprit for missing your number.

You should determine how many opportunities each rep needs by analyzing their individual % win rates (i.e. their conversion rates in the sales funnel from opportunity creation all the way to closed-won). For example, if your team's win rate is 20%, then you need 5 opportunities (1 / 20%) for each deal you need them to win. So if your team needs to hit \$1 million this quarter, your Average Deal Size is \$10,000, and you have a 20% win rate, then you'll need 100 deals (and 500 opportunities) for your team to hit its number. Once you've done this calculation, you can use the chart above to make sure each rep has enough opportunities in their pipeline to hit their quotas, and for your entire team to collectively hit its number.

Inflow of New Opportunities into Pipeline

Why is our pipeline changing?

821 opportunities created from 01 Mar 2012 to 31 Mar 2013



If you missed your number last quarter, it could be because your pipeline isn't growing fast enough to give your reps the new opportunities they need. Therefore, sales managers should analyze the flow of new opportunities into their team's pipeline. The chart above shows the number of new opportunities that have entered the pipeline (in blue), the number of opportunities that have left the pipeline as Closed-Lost (in red), and those that have left as Closed-Won (in purple).

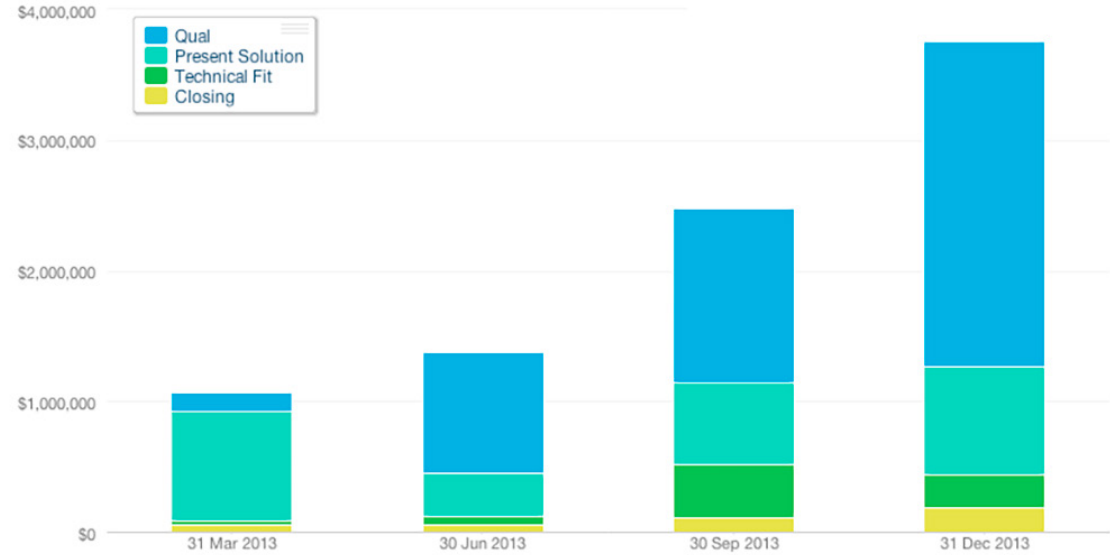
As a Sales VP, you must understand your pipeline's growth trend and whether it is commensurate with your team's rising bookings number. Many Sales VPs look at opportunity growth and stop there. But this is not enough: You must look closely at the "flow" line (as shown in the chart above), which represents the number of new opportunities added to the pipeline minus those that have left (both as Closed-Won and Closed-Lost). Ensure your net flow (and not just your number of new opportunities) is rising over time. A Sales VP looking at a chart like the one above for the first time may see the growth of new opportunities and believe that his pipeline trend is strong. However, a closer inspection would reveal that the overall flow of the pipeline is negative due to a disproportionate rise in the number of opportunities exiting the pipeline.

However, pipeline flow isn't enough to ensure that your team is set up to hit its number. Your team's win rate also has a huge impact on your ability to convert these new opportunities. If your win rate is declining month over month, you will need to compensate with higher opportunity growth and pipeline growth. (We will cover win rate in more detail in the next section.)

Pipeline History & Trend Over Time

How is our pipeline value changing?

\$3,758,972 in the pipeline as of 2013-12-31



The final piece of the pipeline puzzle is measuring your total pipeline over time. This will help you understand your overall pipeline health and as well as providing a potential diagnosis for a missed number. The chart above, for example, shows pipeline trend over time, broken down by stage. A growing pipeline means that, if you missed your number, it is not because your reps didn't have enough chances. It must be because of another reason.

2. Closed Opportunities

Open opportunities tell you a lot about whether your reps had enough (or too many) opportunities to work, but the **number of opportunities your sales team closed** during the quarter, including both closed-won and closed-lost opportunities, is equally essential for evaluating how your reps performed and diagnosing potential problems.

Your reps should be closing a certain number of deals each month (whether won or lost); if they're not, you should flag the issue and drill down to find the source of the problem.

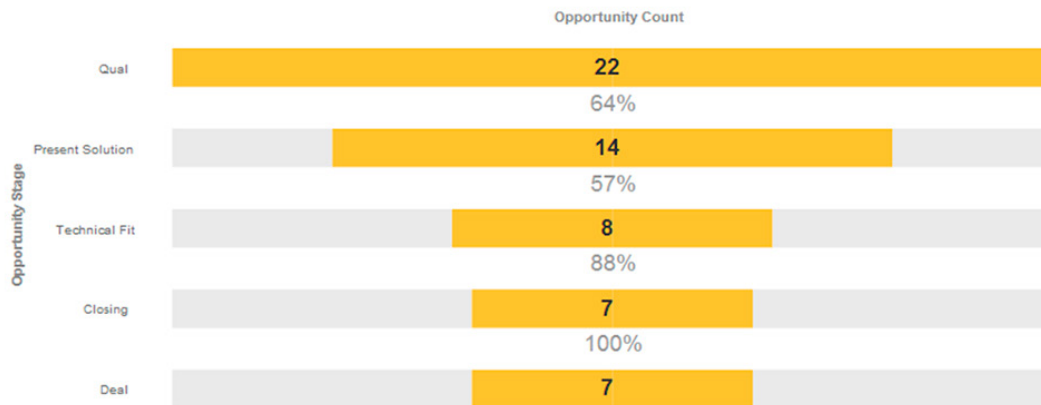
Are they light on deals? Not closing effectively? Is their pipeline full of "hope" that never goes anywhere? Are they not updating the sales system?

Take a look at the sales funnel on the next page to see how analyzing your team's conversion rates by stage can tell you a lot about what happened to the opportunities your reps worked, and how that affected your ability to hit your number.

Closed Opportunities in Total and Per Rep

What are Randy's conversion rates for closed opportunities?

32% win rate for opportunities with close dates in the previous 30 days.



Stage	Count	% Conversion to Next	Conversion % from Top	Unconverted	Won %
Qualifying	22	64%	N/A	8	32%
Present Solution	14	57%	64%	6	50%
Technical Fit	8	88%	36%	1	88%
Closing	7	100%	32%	0	100%
Deal	7	N/A	32%	0	100%

The sales funnel shown above shows you where your reps lost the opportunities that ended the quarter as Closed-Lost. Did you lose a large number of your deals in a single stage? Did you lose most deals toward the beginning or the end of the sales process? Analyzing your sales funnel can answer these questions and help you identify why you missed your number.

For example, the overall % win rate for the rep shown above is 32%. Therefore, this rep would need about 3 opportunities ($1 / .32$) to close one deal. This win rate % may seem high (I've always felt that 3x pipeline coverage ratio is misleading), but it is important to remember that win rate varies significantly depending on your team's particular sales process. For example, if your sales process creates an opportunity only after a lead has been strictly qualified based on a number of criteria and until you feel very strongly that this is likely to be won, then your team's win rate will be much higher than for companies that create opportunities at much earlier stages in the process.

3. Average Deal Size

Analyzing your team's average deal size will make it easy for you to spot opportunities that fall outside the normal deal size (say 3x greater than average) and flag them for special attention. It will also help you identify trends in deal size that could explain why you came up short for the quarter.

For example, if the trend shows your average sales price is increasing (but your team's win rate is dropping), it may mean that some of your reps are relying too much on larger deals (i.e. elephant hunting) to hit their number. This can be problematic because your reps may end up ultimately missing their number by over-focusing on a few larger (and harder to convert) opportunities.

Take a look at the chart in the next example that shows average deal size over time. If you see an unexpected trend in average deal size then you need to dig into pipeline mix or discounting practices to understand what caused the trend.

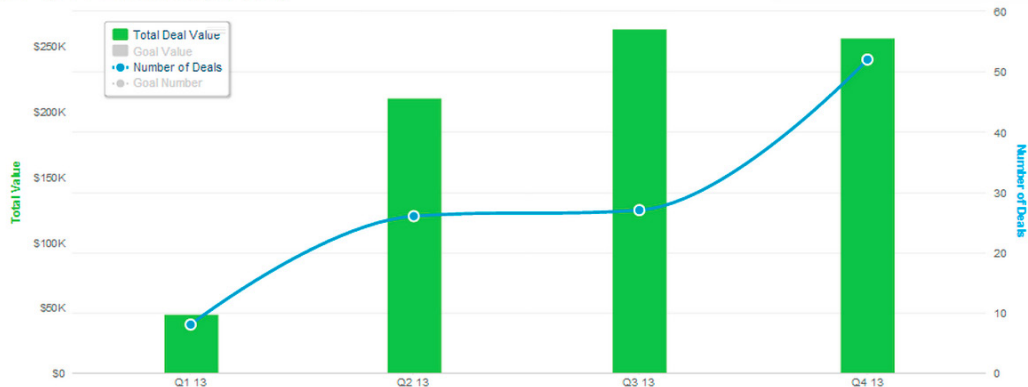
\$ Average Deal Size Over Time

How are our bookings trending over time?

\$774,985 booked last year (2013)

Custom Last This To Date Trailing

Yes! Last Wk Last M Last Q Last Y



SELECTION

INTERVAL

All Top 15 None Quarter Filtering

Export

Quarter	Total Deal Value	Goal Value	Percent of Goal Value	Number of Deals	Goal Number	Percent of Goal Number	Average Deal Value
<input checked="" type="checkbox"/> Q4 2013	\$256,434	\$225,000	113%	52	60	87%	\$4,931
<input checked="" type="checkbox"/> Q3 2013	\$263,203	\$225,000	116%	27	60	45%	\$9,748
<input checked="" type="checkbox"/> Q2 2013	\$210,548	\$225,000	94%	26	60	43%	\$8,098
<input checked="" type="checkbox"/> Q1 2013	\$44,800	\$225,000	20%	8	60	13%	\$5,600
4 Selected	\$774,985	\$900,000	86%	113	240	47%	\$6,858
Overall	\$774,985	\$900,000	86%	113	240	47%	\$6,858

The chart above shows how your average deal size (displayed in the last column) is changing over time. Monitoring changes to your average deal size gives you important information about your sales process and your reps' behavior. As we discussed, a rising average sales price (coupled with a declining win rate) is often a sign that reps are relying too much on chasing larger deals. Conversely, a declining average deal size often means that reps are giving more discounts. Pay close attention to your team's average deal size to diagnose and correct these potential problems and determine if and how they contributed to your missed bookings target.

4. % Win Rate

If deal size remained constant and your reps had enough opportunities in their pipelines, the reason for your missed number could be a product of a declining win rate.

You should be measuring the rate at which you convert opportunities into deals = (Closed Won Opportunities) / (Total Opportunities: both Closed-Won + Closed-Lost); this metric is cohorted by closed opportunities during the selling period you are analyzing.

High win rates aren't necessarily good; low win rates aren't necessarily bad. It's not something you can benchmark easily either. Win rate is circumstantial because it depends on your sales process, but it can give you the necessary context to isolate the areas of your sales process that are holding you back.

The simplest way to increase your team's win rate is to find the 1-2 stickiest sales steps in your sales process, and then look both 'internally' (ex: such as improving demo skills or qualifying skills) and 'externally' (ex: such as an easier free trial or simpler pricing).

Look at your sales funnel and analyze conversion rates from stage to stage and all the way downstream to closed-won. If many reps are struggling in the same stage, then it may be something outside their control. You should drill in to identify the issue so you can remedy it.

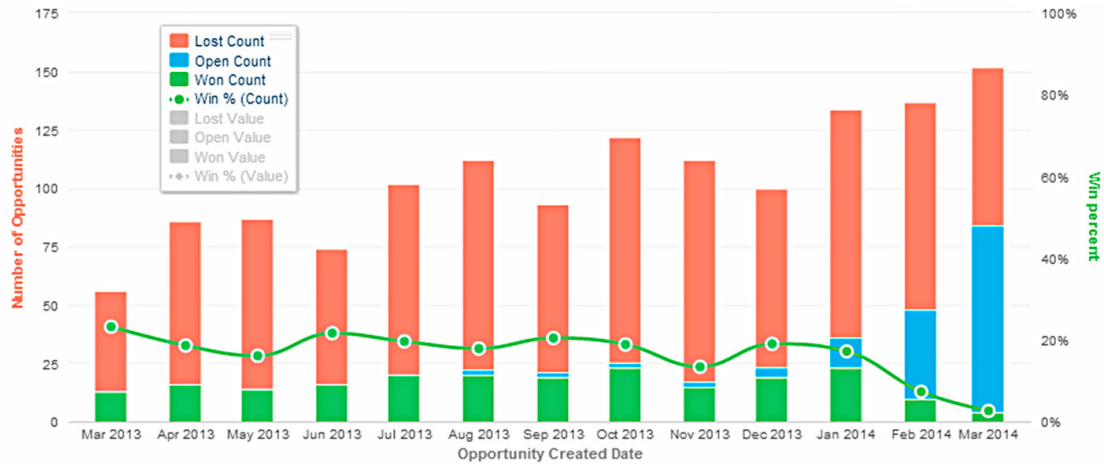
If specific individuals have much higher or lower consistent win rates, don't be too quick to jump to conclusions and criticize or compliment them. First look at their data to find out "why" & learn from it. For example, a rep who consistently has the highest win rate could really just be a sandbagger.

Look at all win rates to get the whole story. Example: win rates for word-of-mouth leads (Seeds), should be higher than marketing (Nets) or outbound (Spears) generated leads. It is also important to analyze your team's collective win rate, as this can help you spot larger trends in your win rate and potential problems in your sales process.

Win/Loss Analysis by Created Date

How many of our opportunities do we win?

16% created in the previous 12 months



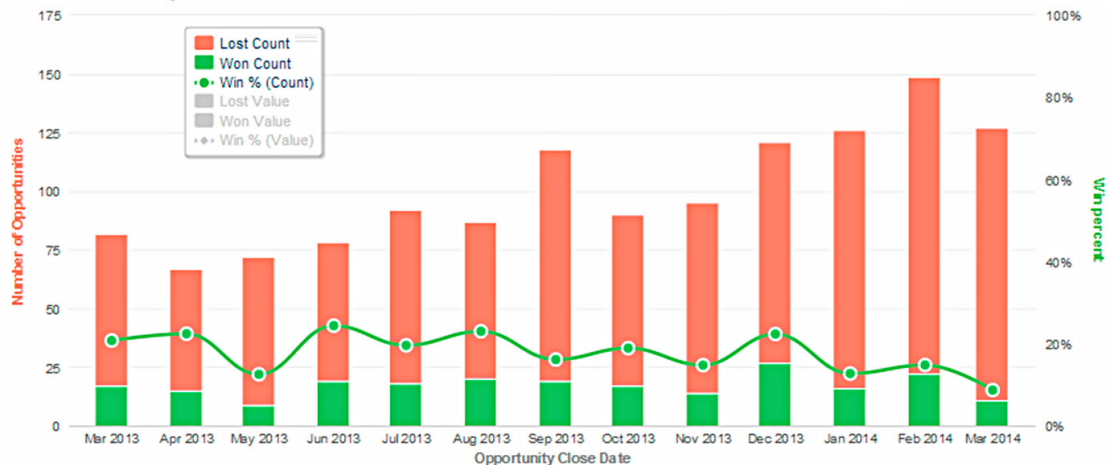
The chart above analyzes your team's win rate cohorted by created date.

In the chart above, each column groups all opportunities that were created during a given month, and then breaks them down by whether they were won (green), lost (red), or are still open (blue). The green line represents the win rate over the months. However, it is important to remember that this is a lagging indicator, and your team's win rate will be skewed down due to the open opportunities toward the right of the chart.

Win/Loss Analysis by Closed Date

How many of our closed opportunities do we win?

17% closed in the previous 12 months



This chart removes open opportunities and cohorts your win/loss by closed date. Again, this is a lagging indicator, but it gives you a better sense of your true win rate because it doesn't include opportunities that are still open. Because this chart covers a finite amount of time, it is more intuitive and straight-forward than the "by created date" chart on the previous page. And because this chart is less lagging, it is perfect for evaluating your team in real-time and conducting a post-mortem on the quarter that just ended.

However, it is important to remember that evaluating a declining win rate on a monthly basis may not be statistically significant. If you have a team with 300 sales reps, you probably have enough data to make this a reliable indicator, but if you are a startup with only 5 reps then you may want to look at this analysis on a quarterly interval. For an even more accurate analysis, you should also filter this data by deal sizes or even products. This way you can see if your win rate for your team is increasing for one category of deal sizes (SMB, for example) while declining for larger mid-market deals. Once you identify the trend, you can develop a strategy to improve your win rate.

5. Sales Cycle

A lengthening sales cycle can be the culprit for a missed bookings goal, so you should measure the average time (typically in days) it takes your reps to win a deal, and ideally **the duration each opportunity spends in every sales stage.**

This metric helps you gain insight into whether your open opportunities have a similar sales cycle pattern to deals you typically win.

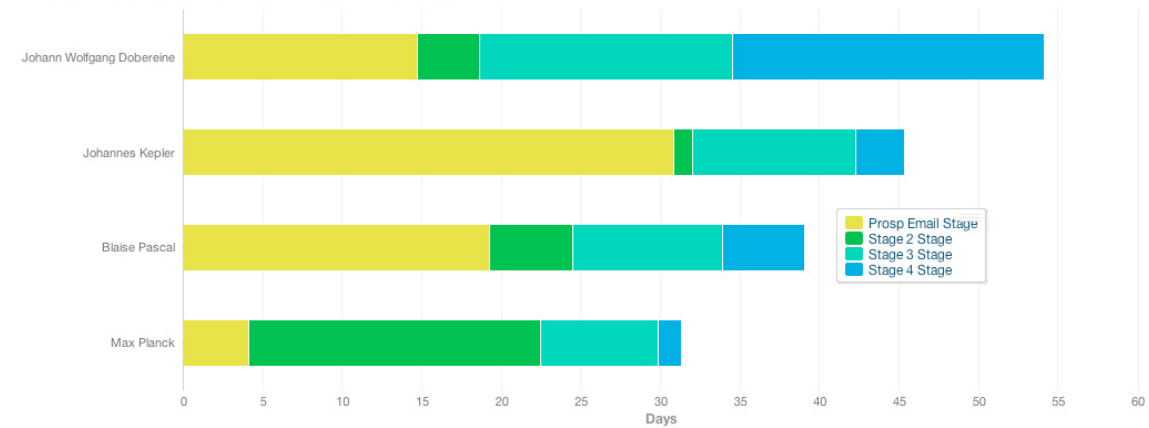
An opportunity has lingered in the same stage 3x longer than the average for won deals? Uh oh, flag it!

But faster isn't always better. Again, it's circumstantial. For example, if SaaS customers move too fast for their own good, and rush into a deal, they will later cancel their subscription and you will have a higher churn rate.

Sales Cycle per Rep

How long is the sales cycle for each employee?

47 days on average for deals won in the previous 90 days



[Export](#)

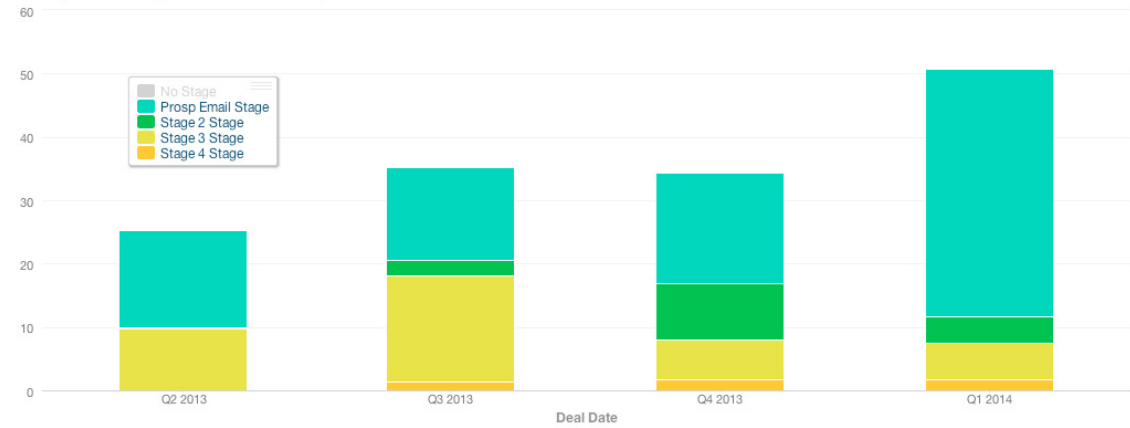
Opportunity Owner	# Completed Opportunities	No Stage	Prosp Email Stage	Stage 2 Stage	Stage 3 Stage	Stage 4 Stage	Total Days
<input checked="" type="checkbox"/> Johann Wolfgang Dobereiner	13	8.6	14.7	3.9	15.9	19.6	62.7
<input checked="" type="checkbox"/> Johannes Kepler	9	10.5	30.8	1.2	10.3	3.1	55.9
<input checked="" type="checkbox"/> Blaise Pascal	17	5.2	19.3	5.2	9.4	5.2	44.2
<input checked="" type="checkbox"/> Max Planck	3	10.0	4.1	18.4	7.4	1.5	41.3

The chart above shows each individual rep's sales cycle broken down by stage. If one rep has an especially long sales cycle, it could have prevented you from hitting your number, as deals that were forecasted to come in during the quarter may have been pushed to the next.

Historical Sales Cycle Over Time

How long is our current sales cycle?

53 days on average for deals won in the previous 12 months



Deal Date	# Completed Opportunities	No Stage	Prosp Email Stage	Stage 2 Stage	Stage 3 Stage	Stage 4 Stage	Total Days
<input type="checkbox"/> Q2 2014	44	5.7	15.4	5.0	11.0	8.7	45.8
<input checked="" type="checkbox"/> Q1 2014	38	10.3	38.9	4.3	5.8	1.7	61.0
<input checked="" type="checkbox"/> Q4 2013	46	17.2	17.4	9.0	6.2	1.7	51.5
<input checked="" type="checkbox"/> Q3 2013	28	14.9	14.7	2.4	16.7	1.4	50.1
<input checked="" type="checkbox"/> Q2 2013	9	37.8	15.4	0.1	9.8	0.0	63.1

The chart above shows how your sales cycle is changing over time. It also shows how individual stages have shortened or lengthened over time. If your team's sales cycle is getting longer, it means that you need to get more opportunities toward the beginning of the quarter so your reps have enough runway to close them in time.

Unlike the chart on the previous page, this one shows an overarching sales cycle trend for your entire team. This trend, while less specific and granular than the one that tracks individual reps, is crucial for evaluating the overall health of your sales process and for conducting a post-mortem about a missed number.



Conclusion

“Those who don’t know their history are doomed to repeat it.”

This saying might not have been coined specifically for sales, but it certainly applies. Any time you miss your number, you should look back and analyze precisely what happened, otherwise you risk falling victim to the same outcome again.

For sales, this means looking at the 5 key metrics we outlined in this eBook and determining which, if any, contributed to your missed goals. The revelations you unearth will ensure that you identify and remedy any of the lingering issues so that you can hit your number and grow sales next quarter.

Meet the Authors



Zorian Rotenberg

Zorian is a VP of Sales and Marketing at InsightSquared. He has been on management teams of several high-growth global software companies, ranging between \$8 Million to \$100 Million in sales, all growing over 100% annually. He was also the CEO of StarWind Software, a global software company with customers in over 50 countries. Zorian has been a speaker at a number of industry conferences and online events including the American Association of Inside Sales Professionals (AA-ISP), Inside Sales Summit, Chief Sales Officer (CSO) Insights, Mass Technology Leadership Council, The Conference Board, Heartland Technology Group, and B2BCamp among others. He has written for and contributed to The WSJ Accelerators Blog, Top Sales World, Salesforce.com blog, Revenue Marketing Podcast, DemandGen Marketing Report, OpenView Labs blog, and iMedia among others. Zorian has a degree in Finance and minors in Applied Mathematics and in Computer Science from Lehigh University and earned his MBA from Harvard Business School.



Mike Baker

Mike is a content writer and journalist who enjoys diving into complex issues and exploring the world of data-driven business intelligence. Before coming to InsightSquared, Mike earned an English degree from Oberlin College and wrote for several newspapers, websites and marketing firms around the country.

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About InsightSquared

InsightSquared is the #1 Salesforce Analytics product for small and midsize businesses (SMB). Unlike legacy business intelligence platforms, InsightSquared can be deployed affordably in less than a day without any integration costs and comes preloaded with reports that real business people can use. Hundreds of companies and thousands of users around the world use InsightSquared's award-winning analytics to maximize sales performance, increase team productivity and close more deals. Based in Cambridge, Mass., InsightSquared was recently named one of the "Best Places to Work in Massachusetts" by the Boston Business Journal. For more information, visit www.insightsquared.com.

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