

A Guide For
Executives

What CEOs Must Know About
The Sales Learning Curve



INSIGHTSQUARED

Introduction

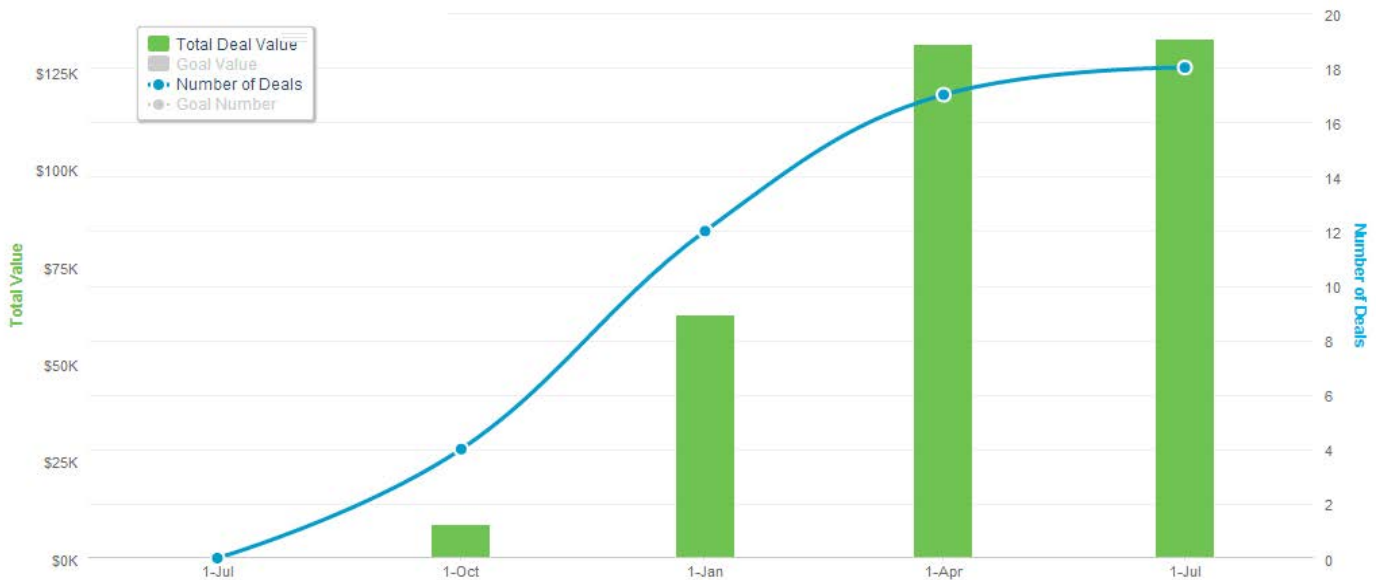
In 2006, Mark Leslie and Charles A. Holloway published a well-received article in the Harvard Business Review titled “The Sales Learning Curve.” The article explained the common problem of new-product launches and the tendency for young companies to ramp sales efforts before they’re truly ready.

In this Whitepaper, we take that influential article one step further. What can CEOs do to set their companies up to climb the Sales Learning Curve? How can they fight their instincts to scale quickly and allow their product (and market) to evolve at the right pace? Read on to find out the answers to these questions and set your company up to grow at the right pace.

What CEOs Should Know About the Sales Learning Curve

“An innovative product does not arise fully formed from a flawless development process. It emerges from the give-and-take between all departments involved in its creation – purchasing, manufacturing, operations, planning and the factory floor. The same is true for the sales strategy that will bring the product to market. It, too, is an iterative process, one that involves all the departments that face customers.”

-- “The Sales Learning Curve,” Harvard Business Review, July 2006 by Mark Leslie and Charles A. Holloway



The launch of a new product is an exciting time for any company, but is also a confusing one. How should you market the new item? How many sales reps should you bring on to sell it? What type of buyer should you target? Many companies, tempted by the promise of quick profits, choose to table these questions and instead quickly grow their sales team and start selling the new product as fast as possible.

Understandable as this approach is, most experts believe that it is actually likely to stunt sales in the long run. Why is this the case? The most widely accepted theory is that a new product requires patience -- patience to identify the right buyer profile, patience to craft the right messaging, and perhaps most importantly, patience to use customer feedback to tweak, iterate and improve the product.

This theory was most famously presented in the aforementioned article and has become a touchstone for growing companies around the world. According to the article, most companies fall prey to an all-too-common temptation to “immediately ramp up sales force capacity to acquire customers as quickly as possible” once they launch a new product.

Why doesn't this approach work? The short answer is that this aggressive sales approach doesn't leave time for companies to truly perfect their product. Maybe they priced their product too high. Maybe they failed to add an essential feature. Perhaps there was no market for their product at all.

Whatever the reason, a failure to account for the sales learning curve is sure to lead a company to “burn through cash and fail to meet revenue expectations.” The launch of a new product is rarely a cut-and-dry process, and most companies learn the hard way that a successful selling process requires a delicate balance of patience and data analysis.

This, of course, raises a natural question: How can your company overcome the sales learning curve? This may seem like a complicated question, but it actually boils down to a fairly straightforward strategy that we spell out in 5 simple steps about prioritizing learning about the new product over short-term revenue -- which means improving and adjusting your product (as well as your marketing and sales messaging) throughout the early part of the sales process.

The key to doing this is to resist the temptation to quickly ramp up sales of the new product, and to instead focus on fine-tuning it (and your company’s understanding of it) as more information about its strengths, weaknesses and product-market fit become apparent. Or, as the HBR article puts it, “As customers adopt and use the product, the organization [should modify] both the offering and the processes associated with making and selling it.”

Of course, this is easier said than done. How do you know why your product isn’t selling as well as you hoped? How do you know when to sit tight with the reps you have, and how do you know when to hire new ones to accelerate the selling process? Even more importantly, how can you be sure you have a market for your product at all? Read on for the five steps to help you navigate the sales learning curve.

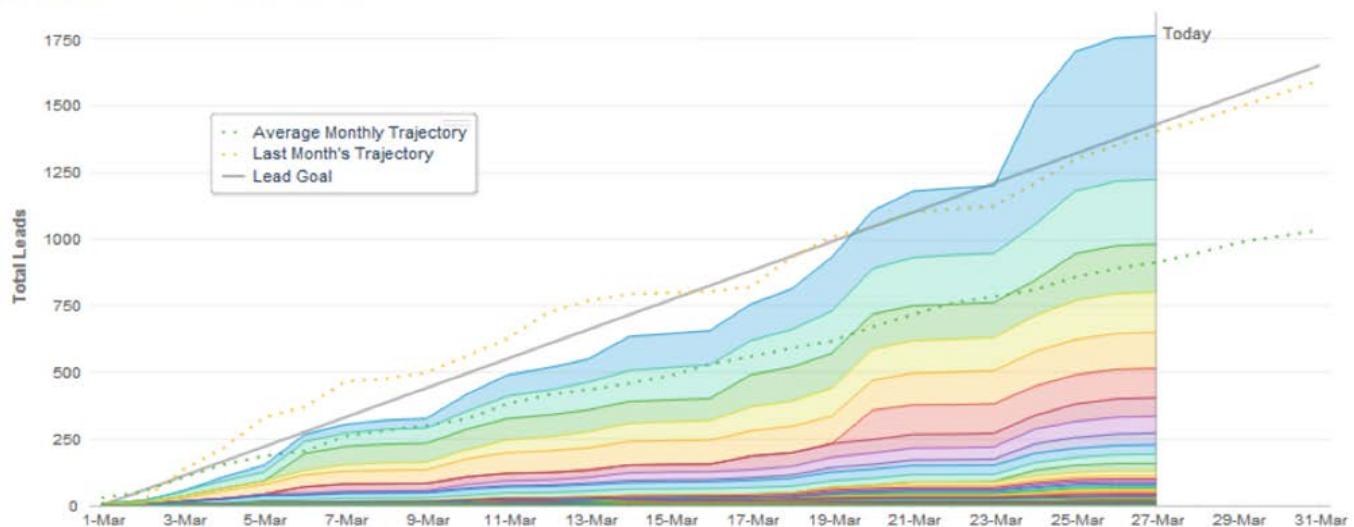
1. Lead Generation

First and foremost, you need to be sure there is a market for your new product, which means ensuring that you have enough leads to sell to. Before launching any product, it is imperative that you can be sure that you are not simply throwing it into a vacuum. Do you have enough potential customers to justify launching the product and training your reps to sell it?

In the chart below, it is clear that the company is generating enough leads to justify starting to sell a new product.

Are we on track with lead generation?

1,770 ● leads this month (March)

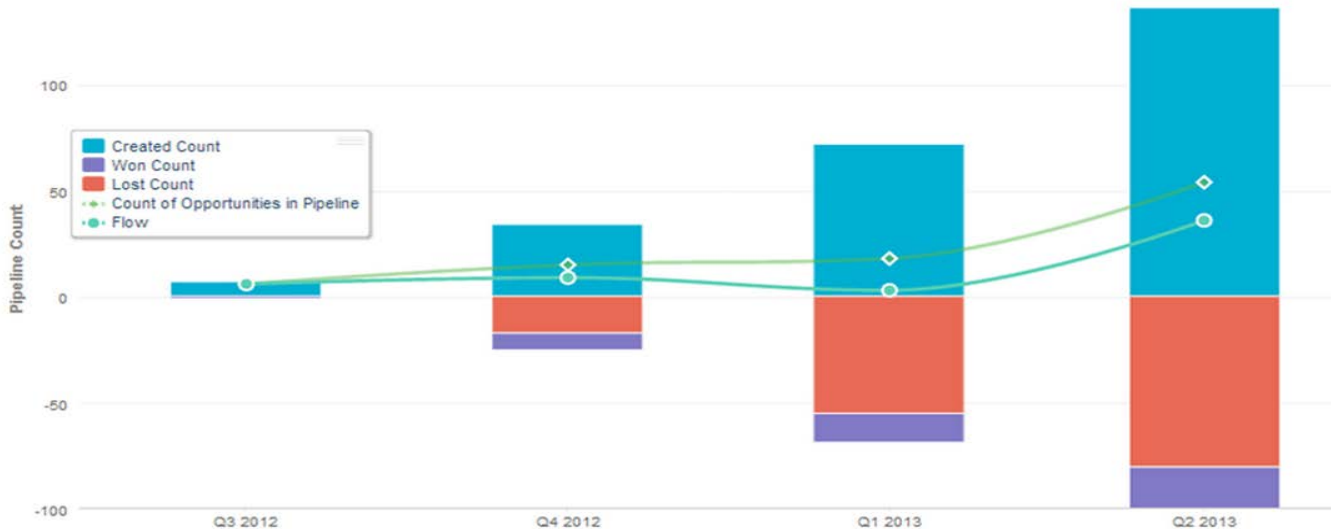


2. Opportunities

But this isn't enough -- you also need to ensure that your pipeline is not only growing, but also growing quickly enough to replenish closed opportunities. The chart below makes it clear that this hypothetical company is adding enough net new opportunities to create a sustainable pipeline for the new product.

Why is our pipeline changing?

249 opportunities created

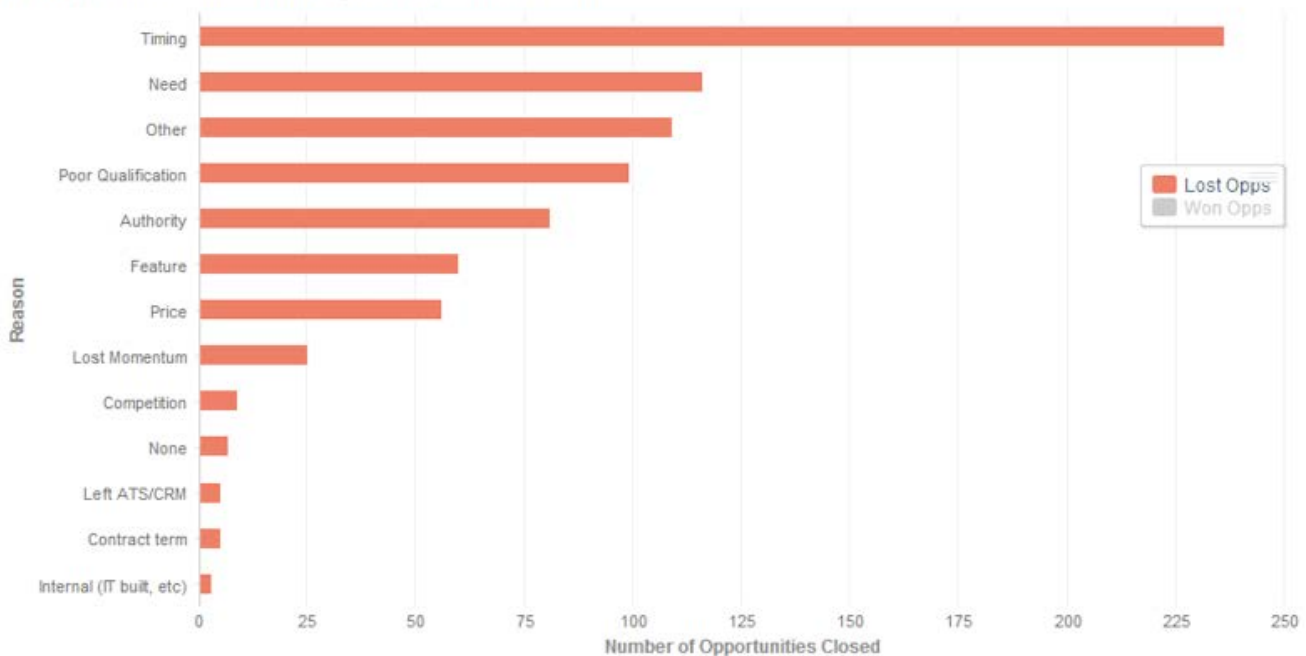


3. Loss Reasons

With the knowledge that you have enough leads and opportunities to start selling to, it is time to start analyzing your product's initial reception. The knowledge you gain from this will help you move along the sales learning curve by helping you identify shortcomings in your product or potential problems with its product-market fit. The next chart shows the common reasons that potential customers are giving for deciding not to purchasing your product.

Why did these opportunities close ?

236 Opportunities were lost to Timing in the previous 12 months



4. Sales Funnel

Once you identify the common reasons that you are losing opportunities, you can tweak your product (or overhaul it as the case may be) to improve the product-market fit. Are a large number of opportunities dropping out because your product is priced too high? Or because it doesn't add any new features or services to products offered by your competitors?

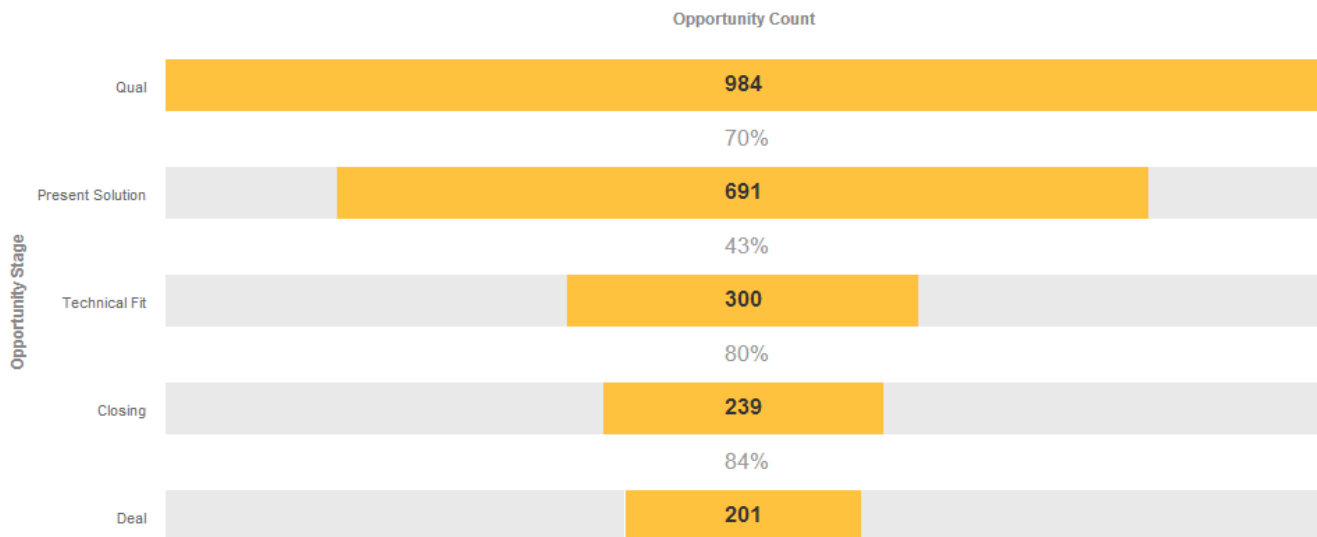
However, knowing why you are losing opportunities might not be enough to make it through the sales learning curve. It is also important to know *when* you are losing opportunities, as this information can help you identify weak areas in your sales funnel. In the example below, you can see that this company is losing a large number of opportunities at the "Present Solution" stage, which means that their product might not be adequately impressing potential customers.

What are our conversion rates for closed opportunities?

Custom Last This To Date Trailing

7D 30D 90D 12M

20% win rate for opportunities with close dates in the previous 12 months.



With this information, you can identify whether your product is truly ready for the market.

5. Iterative Process

The final component of making it through the sales learning curve unscathed is checking to see whether the adjustments you've made are having an effect on your conversion rates. Ideally, every adjustment you make to your product and messaging should have a tangible (and positive) effect on your conversion rates.

After every round of iterations and improvements, you should check to make sure your conversion rates are improving. As the HBR article states, only by using data to help you improve your product and your messaging will you be able to truly improve your product-market fit and give your new product the best chance to succeed in the marketplace.

Hopefully this whitepaper has helped you better understand the Sales Learning Curve and how CEOs can avoid scaling too fast and jeopardizing their companies' long-term success.

#1 for Salesforce Analytics

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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. If you want to see how InsightSquared can help you, request a FREE trial today.

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