The cost of losing

The truth behind the 30% win rate world-class sales teams celebrate—and how to improve it.

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Think about it: When can you celebrate a 30% success rate? For one, if you're a premiere hitter in the baseball Hall of Fame. For two, if you're on a world-class sales team.

That's about it. There are very few other fields where that batting average is the upper echelon of success... because almost no other field has a tolerance for a 70% (or higher!) failure rate.

Certainly no other org in a successful business would get away with that success rate, let alone celebrated for it.

Losing comes with the sales territory—or so we have come to believe, because sales is *hard*. There are so many reasons why an AE might fail to close any given prospect that we practically *expect* failure more than two-thirds of the time.

We can bucket these if we really want to assign reasons for failure:

- *The sales team is doing a poor job* with communicating, adding value to the conversation, understanding customer needs or following up.
- *The organization has failed* to train SDRs and AEs with thorough product and competitive landscape knowledge, equip them with consistent and effective processes, or unblock them from unproductive meetings and busy work.
- *The product doesn't satisfy customer needs* or create sufficient value (even, perhaps, compared to a competitor) clearly enough to justify the investment.

But let us presume that a successful sales organization has hired qualified team members, that its sales leadership is effective and that it offers a truly great set of products. The reasons behind such a low successful close rate may be none of those things. After all, even the world's greatest batter can't hit every pitch.

Yet the greatest batters aren't necessarily the best ones at hitting the ball. Rather, they're often the best ones at **identifying which pitches to swing at.**

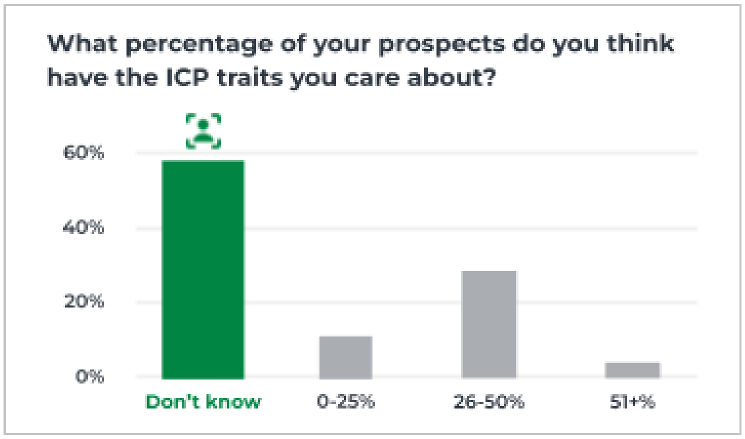
Imagine bringing that same selective philosophy to sales. There are a thousand ways to strike out with a prospect—but what if you could ensure, before even taking a swing, that you were targeting the best possible prospects? How many deals would you win if you could eliminate the prospects that simply give you no chance of winning in the first place?

Even if you change nothing else in your sales org, disregarding the accounts that don't fit your business—and targeting only the accounts most likely to close—can elevate your success rate and minimize the cost of losing that we all take for granted.

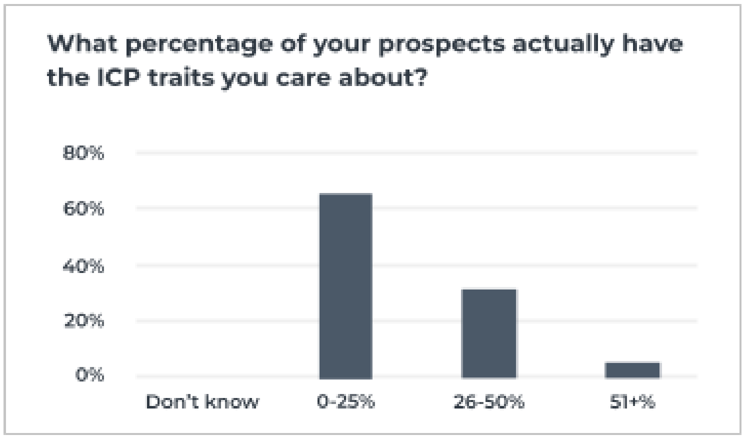
Problem

The cost of chasing the wrong accounts

The quickest way to improve the success rate for sales is to go after more best-fit prospects and fewer unknowns. Yet here's the harsh truth: Most organizations don't have a lot of confidence that they're targeting the right accounts.


What percentage of your prospects do you think have the ICP traits you care about?

Since so many organizations lack confidence that they're targeting their best prospects, it's no surprise that the numbers bear this out: **Only 18% of most organizations' pipelines are filled with accounts that match their ICP.**


What percentage of your prospects actually have the ICP traits you care about?

The majority of organizations have an aim—the percentage of accounts in a company's pipeline that match its ICP—of 25% or less. Flip this around: Their pipelines are 75% (or more) filled with accounts that *are not ideal customers*.

Those sales teams inevitably get stuck wasting time and resources on accounts highly unlikely to close in the first place (or renew if they do). If they manage that widely celebrated 70% fail rate? **52.5% of that is made up of accounts they never should have engaged with in the first place.**

This approach costs organizations time and money in sourcing, engaging with, nurturing and (if they're very lucky) closing the wrong leads. And this truly is costly:

- The **average base pay** for an SDR in the United States (as of September 2023) is about **$53,000**. For an AE, it's **nearly $70,000**. Squandering half of one SDR's time costs an organization more than $25,000 each year (without factoring in other payroll considerations); for an AE, it's $35,000.
- For the sake of illustration, let's say each sales team member costs the average of the two: $30,000 a year in squandered time.
- But the cost is more than pay and benefits. It's the total compensation, **plus expected ROI**.
- So let's say that the total monetary cost for a sales team member is $60/hour, with a goal of 10x ROI. Each hour that SDR spends chasing down poor-fit targets costs the company $660 in combined actual cost and opportunity cost.
- If, as we see, more than half of the prospects in a pipeline are poor fits, we can multiply that cost by easily 20 hours. We're talking thousands of dollars—maybe tens of thousands of dollars—of lost opportunity each week.
- But wait. There's also the bulk data cost that went into securing those poor-fit contacts—a budget line item that has ballooned over the last decade because companies are playing the number game of casting a wide net.
- None of this factors in the cost of losing shares of the TAM to competitors. While a sales team is spinning its wheels, real best-fit prospects need solutions. The longer the company takes to connect with prospects, the more likely they will close with competing organizations and implement other solutions.
- However, when sales team members are communicating with best-fit prospects, they'll still cost the organization base pay + benefits each hour but will more likely earn the organization positive return on that time—again, to the tune of thousands or tens of thousands of dollars a week. (Using the above numbers, the organization would net on average $540/hour, for probably 20 hours a week, simply by improving its aim.) Furthermore, each closed deal represents a greater share of the TAM that has signed with *this* company, and not with the competition.

Ineffective prospecting is the equivalent of giving SDRs busy work. Passing bad leads to AEs is almost the epitome of a wild goose chase. Yes, we see **calls to improve time management** for sales teams. And yes, time management is a critical skill on a team.

Yet we can't time-manage our way to a truly outstanding close rate. The best rep that ever lived can overcome only so many bad-fit obstacles. (And organizations shouldn't want to sell to those prospects anyway—more on that below.)

Of course, leadership needs to do all they can to unblock SDRs and AEs and maximize their time. That said, the best time management support that leadership can offer their team is to optimize the prospect list they're working with.

Solution

Reveal more meaningful characteristics in an ICP

A big part of the issue with poor-fit prospects is that traditional ICPs don't provide a truly insightful understanding of target accounts. Many companies today still rely heavily on demographics, firmographics and technographics. These have their usefulness—yet they are also incredibly superficial indicators.

The secret is to dig deeper.

B2C companies have figured this out. The giants don't rely on demographics to target their customers; they rely on a whole suite of psychographics that reveal an ideal customer's fit and readiness to buy. B2B companies need the equivalent for their prospects. They need **exegraphics**.

Exegraphics, in short, are meaningful insights into how a company executes its mission. A sales team can use exegraphics to evaluate what actually makes its best customers the best—on an operational, rather than a superficial, level—then use these indicators to find the best lookalike prospects out there.

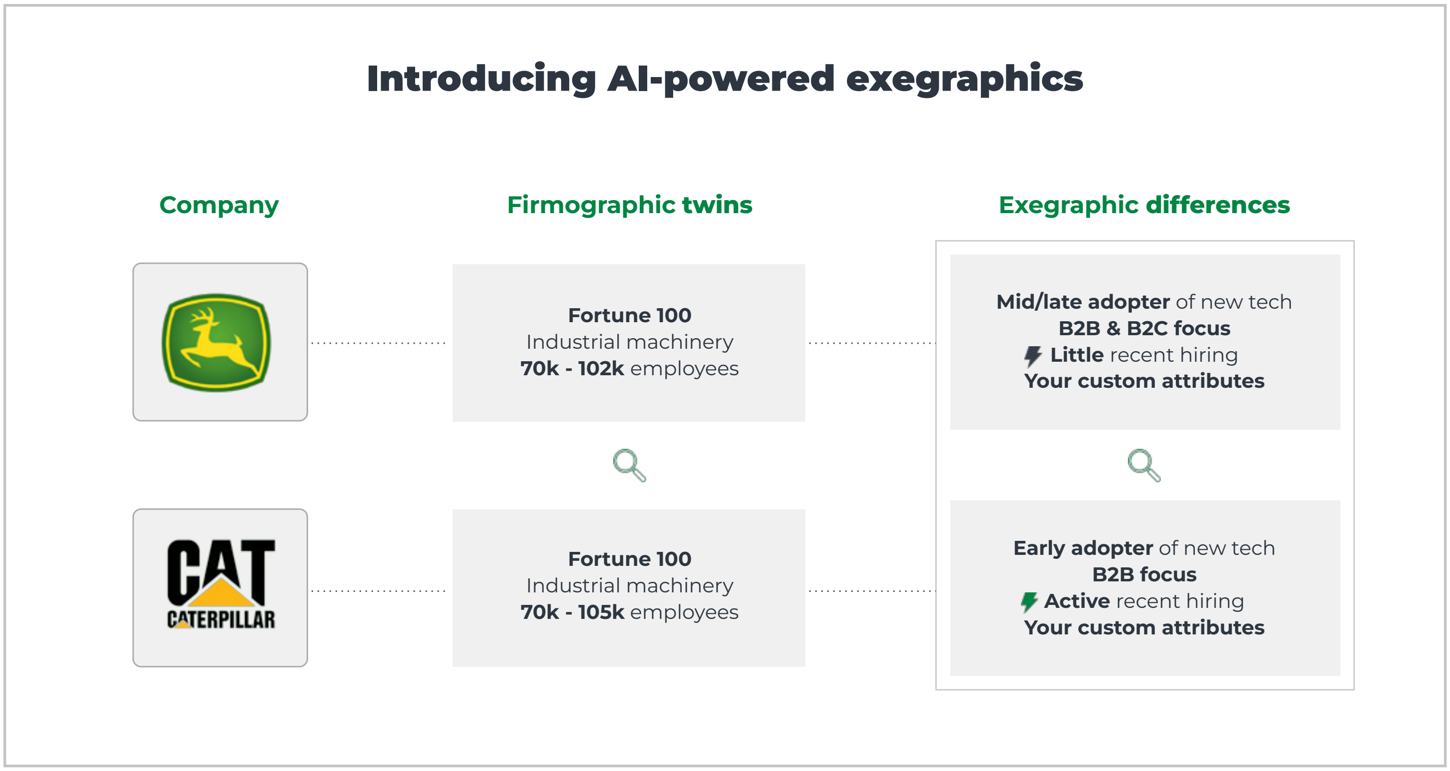
Using exegraphics in this way reveals, more predictively and reliably, which companies are signaling a strong ICP match. It also **streamlines the sales discovery process**. A team might have many thousands of accounts that fit a firmographic profile, and exegraphics whittle that field so the SDRs don't have to. Then, the SDRs can reach them with a messaging campaign that resonates with their internal operations.

Nicole Davolt
RevOps Strategist at
Intelligent Demand

> Exegraphics let us get a more holistic view of an account. When you look at just firmographics, you might have tens or hundreds of thousands of accounts that fit that profile. When you're conducting an account-based campaign, you need to narrow [your accounts] down to who will fit your ICP best and who acts just like your best customers—the ones that you would want to clone out hundreds of times if you could.

Plus, exegraphics are inherently dynamic. They shift as organizations shift. Whereas a traditional ICP can remain static for years, an ICP driven by exegraphics **evolves with your customers**. As the definition of your best customer shifts with each successful sale, so does the sales team's understanding of what makes best customers tick.

Here are some examples of exegraphics in action, along with the deeper, typically hidden characteristics they reveal—which your sales team can use to develop a more meaningful, relevant, actionable ICP:



Introducing AI-powered exegraphics

Company	Firmographic twins	Exegraphic differences
CAT CATERPILLAR	**Fortune 100** Industrial machinery **70k - 105k** employees	**Early adopter** of new tech **B2B focus** ⚡ **Active** recent hiring **Your custom attributes**

Company
Firmographic twins
Exegraphic differences
Fortune 100
Industrial machinery
70k - 102k employees
Mid/late adopter of new tech
B2B & B2C focus
⚡ Little recent hiring
Your custom attributes
CAT
CATERPILLAR
Fortune 100
Industrial machinery
70k - 105k employees
Early adopter of new tech
B2B focus
⚡ Active recent hiring
Your custom attributes

A better understanding of your ideal customers, at the deepest level, minimizes the pervasive problem of chasing the wrong accounts. It allows a sales team to maximize its resources and improve its success rate among prospects most likely to stick. With these more thorough insights, your team is better able to:

- Build very specific TALs that match your ICP—we estimate that this brings in 65% more net-new, five-star opportunities—and save your outbound team time researching for new accounts and making discovery calls. (We estimate that this saves 40% of their time spent on prospecting.)
- Personalize the selling experience by crafting messages that resonate with each prospect.
- Focus directly on the customer experience—because you'll know what problems they're likely facing.
- Clearly communicate the value you can provide them.

Cross-selling, upselling and product-led growth

If you're at a company that has a strong cross-selling, upselling or even product-led growth strategy, you might think you're exempt from going after the wrong accounts. After all, you've already landed the *right* accounts, existing customers you continue to sell to.

Yet even with these motions, you can target the *right account* with the *wrong strategy*.

Exegraphics, and a dynamic ICP, help a sales team understand:

- Which accounts to prioritize—so you don't over allocate energy to "squeaky wheels" and unconsciously neglect the most promising long-term relationships that you should handle with care (especially come renewals).
- Which accounts are best fits for which additional products and services. Afterall, if you think you're going to sell your existing customer base your new product just because they're already a customer, you're in for disappointment. (This "low-hanging fruit mindset gets companies in trouble, especially during M&As.)
- How to segment these accounts.
- How to get in front of them with the right message.
- How to emphasize organizational fit and cultivate substantive relationships

By looking at the exegraphic data of your customer base, you'll be able to see the hidden company characteristics behind your most successful upsells, cross-sells and customer growth. By **enriching your CRM with exegraphic data**, your team gains the ability to move more quickly and take more beneficial action.

Norman Gennaro
President of Global Sales & Field Operations at Zendesk

> This is where we leverage Rev—to think about what is the correct cross-sell motion that we want to put in place.

Problem

The cost of churn and selling to accounts that don’t fit your ICP

Alli Manning, **COO of Challenger Inc.**, says it best: Just because you can sell to someone doesn’t mean you *should*.

Sure, a deal is a deal, and revenue is revenue. But not all revenue is equal, and the cost of churn can get lost in an overemphasis on closing every possible deal.

Churn is an inevitable part of doing business. Customers choose not to renew for any number of reasons beyond your control. **A sampling of studies shows** that the mean churn for established SaaS companies selling largely to enterprise accounts is around 10% annually. This number is much, much higher—more like 5-7% mean *monthly churn*—for early-stage companies targeting primarily SMBs.

Various numbers get cited for “ideal” B2B SaaS churn rates, often in the **3%** to **5%** range. This tracks with our own research, which shows that sales teams selling to accounts they shouldn’t have targeted (that is, ones with poor ICP fits) account for about 75% of churn.

Each churned account brought in initial revenue but ultimately resulted in lost opportunity cost. With SDRs better equipped to focus on closing accounts more likely to renew, those high churn rates could be cut to a quarter of their size.

Instead, with industry standard churn rates, the losing continues.

B2B SaaS churn rate currently sits at 10-15%. The majority of those (likely 75%, by our research) are the accounts you sold to that you shouldn’t have. The cost of losing continues.

And it’s only exacerbated in tougher economic environments. For instance, a majority of SaaS companies in 2022 saw **lower retention rates** than they did in 2021, likely due to customers cutting back on subscription spends. At the same time, sales teams had to **do more with more limited resources**, making customer retention (and everything else) a harder proposition.

All this considered, it’s easy to take churn as a given. Yet while you cannot eradicate it, it is actually within your power to reduce it.

Solution

Prioritize accounts that match your real ICP to minimize churn

The easy response to churn is to react to it. The more powerful solution is to go on the offensive. A sales team can't do much to stop churn for the poor-fit customers it has already signed. But it can rethink the sales process to prioritize the prospects who are not only likely to close, but likely to renew.

This is the reason successful sales teams use exegraphic data to find true lookalikes to their very best customers: they want to identify targets who will stick.

But even those best-fit customers sometimes churn. And that's where a sales team can get really proactive. Exegraphics aren't only useful for identifying best prospects; sales and other RevOps teams can employ exegraphic data to **identify the traits and patterns in existing customers that signal their likelihood of churning** long before they hit that point.

Identifying those deep signals of churn means a proactive team can address an at-risk customer's needs, often even before the customer has realized any pain points. Perhaps they need to identify a better product fit; perhaps they need to bring in a product specialist; **perhaps they even need to expand the account** in order to continue providing value.

So, what do these churn-indicating exegraphics look like? Some examples we've seen in action include:

- Hiring trends, particularly hiring freezes
- A reduction in workforce in specific departments (such as IT, Sales or Marketing)
- Senior leadership changes
- Mergers, acquisitions and related activity

These are not *necessarily* indicators of impending churn. The real trick is to look at what characteristics are shared between ex-customers in order to identify current customers most at risk for churn—in the very same way that you identify best-fit prospects by examining the traits in common between your very best customers. Identifying churn, therefore, is a bit like inverse prospect-hounding.

Regardless of the particulars of customers' churn-prone patterns, getting out in front of those signals means that these accounts get to experience your RevOps team interacting with them as they scale, anticipating changes and tailoring products to their specific needs.

This responsiveness alone can help improve retention—though really, this process reduces churn by ensuring that your product continues to provide at-risk customers with significant returns, even in challenging times.

Problem

The cost of blindly entering a new market

In tough economic environments, especially when revenue teams are missing quota, new markets promise enticing possibilities for making up the difference. And, when sales are roaring, companies often look to untapped markets to spur continued growth.

Either way, the allure of new markets is undeniable. Also either way, there is significant risk involved in entering a new market—and more often than not, companies end up losing.

Despite the seemingly endless potential of venturing into new markets, doing so (and doing it well) requires serious investment of resources. It also divides a revenue team between the existing core market (including both new and expanding accounts) and the prospective market. This pulls sales team members away from the company's core focus and can end up neglecting the established customer base. Even worse, it can open up opportunities for competitors to enter your space and seize your customers.

Of course, this is not to say that sales orgs should never enter new markets. Doing so can be both strategic and fruitful—if organizations have the resources and the wherewithal to make smart decisions that minimize the risk.

Solution

Evaluate the market before you enter it

Starting fresh in a new market is different than starting cold.

Presuming that an untapped industry presents a sizable total relevant market (TRM) because it shares superficial characteristics with your existing market (or worse, that it promises significant TRM simply because it's untapped) is going in cold.

Evaluating how the TRM in a new market looks and behaves like your best customers—then going in only after determining that there is likely actual unrealized demand for your product? *That's* going in smart.

Exercise your ICP

Surprise, surprise: A revenue org's ability to assess a new market before making the call comes back to the quality and depth of its ICP.

Prospects across industries and markets will likely look nothing alike on the surface. Let's say, for instance, that a company that specializes in software solutions for medical providers is looking to expand into construction. These fields could hardly be more disparate, and the foray may well prove worthless.

But, what if the best customers and prospects in these industries share significant underlying traits? Each contains both small and large practices. Each experiences high turnover. Each undertakes expensive projects with complex billing procedures. Each relies on an extensive network of suppliers, equipment specialists and contractors. If thousands of points of exegraphic data uncover enough meaningful similarities in the internal operations of companies between two industries, there's more likely a strong fit worth pursuing. And if not? You've just saved months of time and money.

The short version of this lesson: The best customers in your existing market are the key to unlocking the best customer in a new one.

Identifying prospects who have the same characteristics as your best existing customers improves your aim when you target a new market. Improving aim minimizes your risk and maximizes your potential for gains.

In-depth ICPs, such as those driven by exegraphics, provide outbounding teams with candidates that they can convert into sales, with much less time spent out in the cold.

Take a SWAT team approach

Extensive market research can give a sales team a pretty serious leg up when entering a new market. But research alone cannot compare to a highly targeted, precise foray to test those theories on the ground with minimal investment and maximum speed.

That's why we call this the **SWAT team approach**.

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A revenue org doesn't have to fully commit itself to a new market in order to test it out. No need to leave behind the stronghold of its existing market either.

We recommend some key elements to this approach:

- **Staff it lightly, with high expertise.** A team as minimal as a BDR, two AEs and light (but not necessarily dedicated) marketing support can learn a lot.
- **Build collateral as needed.** With marketing support, create a lean starter set of collateral, then iterate on it as the team understands what it needs. They don't need a full suite of materials to get started.
- **Resist the inclination to over-pivot and over-invest.** It's tempting to think a team needs more support, more preparation, more planning in order to accomplish anything meaningful. It doesn't.
- **Be prepared to adapt on the go.** With a light and nimble team, that team should be able to pivot with lessons learned without having to revamp the whole approach. Those lessons learned, and learning them quickly, are the point of the SWAT team.
- **Target the accounts most likely to close.** Test out some of the absolute best-case prospects, according to an in-depth ICP. Don't "save" them for when the team has perfected the pitch. If they can't close enough of the best-fit companies in this new market, then it's not the right new market.
- **Test and learn quickly.** It's not just about closing deals (though that is the ultimate metric). Track engagement. Assess the conversations. See what needs to happen differently, and try it out. Assessing market fit typically takes a year to 18 months. A SWAT team should be able to get definitive answers in 3-6 months.

The primary reasons that entering new markets proves so costly are 1) that companies don't properly evaluate the market for fit, and 2) that they don't actually test the market before committing valuable resources to it.

With a SWAT-style approach, organizations can glean maximum insight with limited expense in funds, time and lost opportunity. You can make a truly educated call on whether to invest more heavily in a new market, or to divest completely—all but eliminating the cost of losing in a new market.

Final thoughts

There's a better way to drive sales than to play the numbers game. By equipping our revenue teams with the tools and support they need to become much more selective, we improve the quality of the leads they pursue and the customers they land.

Think of it like this: Babe Ruth earned a hit in 34.2% of his at-bats. He did that with pitchers trying their best to get him out. What would his success rate be if his manager could have eliminated half of the junk pitches and replaced them with meatballs?

That's exactly what sales and revenue leaders can do for their organizations:

- **Create more dynamic, in-depth ICPs** that reveal how your best customers operate internally—then use this insight to identify true lookalike prospects more likely to sign, renew and derive value from your product.
- **Prioritize and nurture existing accounts that show early signs of churn.** Keeping an active customer is more efficient than landing a new one. Equipping Revenue teams with the ability to identify and remedy pain points improves retention (and related revenue).
- **Enter new markets wisely** by thoroughly evaluating them for market fit (with your revamped ICP), then evaluate them strategically and quickly by employing a sales-team strike force.

We don't have to celebrate failure rates of 70-80% in sales anymore. We can do away with so many of the costs of losing by getting much more selective about how we win.

Start winning.

Learn how to close accounts with better precision.

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