TIME-BASED CLOSING STRATEGIES: THE HIGH COST OF PROCRASTINATION

Research by Dave Elkington, Ken Krogue, Gabe Larsen, and Bryan Parry of InsideSales.com Labs, with Dr. James Oldroyd of Brigham Young University

February 15, 2017

INSIDE
SALES
.COM

No part of this publication may be reproduced, stored in a retrieval system, or transmitted in any form or by any means, electronic, mechanical, photocopying, recording, scanning, or otherwise, except as permitted under section 107 or 108 of the 1976 United States Copyright Act, without the prior written permission of InsideSales.com. Requests for permission should be addressed to the Legal Department, InsideSales.com, 1712 South East Bay Boulevard, Suite #100, Provo, Utah 84606.

© 2017 InsideSales.com

All rights reserved, including the right of reproduction in whole or in part or in any form.

CONTENTS

IN BRIEF

One of the most common behaviors in sales is the period-ending push, in which reps are pressured to make extra efforts to reach quotas at the end of calendar cycles. Conventional wisdom dictates that the axiomatic jump in period-ending deal closures observed nearly universally is evidence of the effectiveness of these behaviors. Yet our analysis of over 151 anonymized companies and 9.8 million sales transactions demonstrates that this pattern may be costing the companies studied an estimated $98.02 million per year in missed revenue. This number represents a potential increase of 27.21% in revenue per company if properly addressed. Strategies executed at the end of calendar cycles often unnecessarily alienate potential clients with aggressive sales tactics and encourage sales reps to procrastinate activities or pull deals forward. These counterproductive and often unacknowledged practices can be overcome by behavioral coaching, sales skill enhancement, and improvements to pipeline management and forecast strategies.

EXECUTIVE SUMMARY

In a sales process, a sales representative educates a prospect to the point of decision. There is a constant struggle between when is optimal for the seller to have the prospect purchase (the optimal selling window) and when is optimal for the buyer to purchase (the optimal buying window). Typically, sales reps push prospects to buy in the current period due to compensation and company cycles grounded in time-based compelling events. Through multiple sales engagements, buyers have become educated on the tactics and strategies of the optimal selling window. These experiences, in combination with massive amounts of information, empowers the buyer to push for the optimal buying window that aligns with their time-based compelling events.

This consumerization of the enterprise sale reaches a climax as buyers define their place in the sales process, forcing sellers to follow the optimal buying window. Many executive management teams myopically focus on the increased deal flow of these trends and believe that these end-of-period efforts lead to valuable increases in the number of deals and associated sales revenue. Because of this, sales representatives are encouraged to procrastinate sales opportunities or pull deals forward, not understanding the full impact these behaviors have on company revenues. However, in expanding the data to look at end-of-period losses as well as deals, a different picture emerges—one that suggests a high cost for companies embedded in an end-of-period mentality.

Wanting to better understand the behaviors associated with the optimal selling and buying windows related to time-based patterns, we analyzed data from deals both won and lost across a two-year window. We focused on deal sizes (total dollar per contract) and win rates (deals won divided by deals won and lost[1]) of 9.8 million sales opportunities from 151 companies using data from the InsideSales.com HD Forecast™ product. Our analysis revealed significant patterns related to weeks, months, and quarters:

WEEKLY CLOSING STRATEGIES – RE-EXAMINE FRIDAY, CLOSE ON TUESDAY, DON'T WORK WEEKENDS

- Sales reps tend to lose more opportunities on Fridays than any other day. Tuesday is the day reps have the best rate of closing deals. Tuesday's win rate is 14.72% higher than Friday's.
- Sales reps are extremely ineffective at closing deals on weekends. Compared to weekends, weekday win rates are 72.79% higher.

MONTHLY CLOSING STRATEGIES - RETHINK THE END-OF-MONTH STRATEGY

- At the end of the month, reps appear to be pushing deals that are not ready. There is a 2.90x increase in number of deals closed at the end of the month but an 11.43x increase in number of deals lost.
- Reps are less effective at closing deals at the end of the month. Win rate decreases by 51.11% at the end of the month and deal size decreases by 34.50%.
- Inappropriate end of month sales behaviors cost companies millions. The decrease in deal size and win rate results in an estimated $98.02 million per year in lost revenue for the average company in our data set. This number represents a potential increase of 27.21% in revenue per company if properly addressed.

QUARTERLY CLOSING STRATEGIES – START THE NEW QUARTER STRONG

- The "end-of-month effect" is exaggerated at the end of the quarter. There is a 1.08x increase in number deals closed at the end of the quarter but a 1.77x increase in number of deals lost when compared with other ends of month that don't fall at the end of a quarter.
- Reps close at a more effective rate until the last week of the quarter. Win rate decreases by 12.26% at the end of the quarter compared with other ends of month. Deal sizes grow steadily toward the end of the quarter and are at their highest in week 12 then drop 11.51% in the last week of the quarter.

---

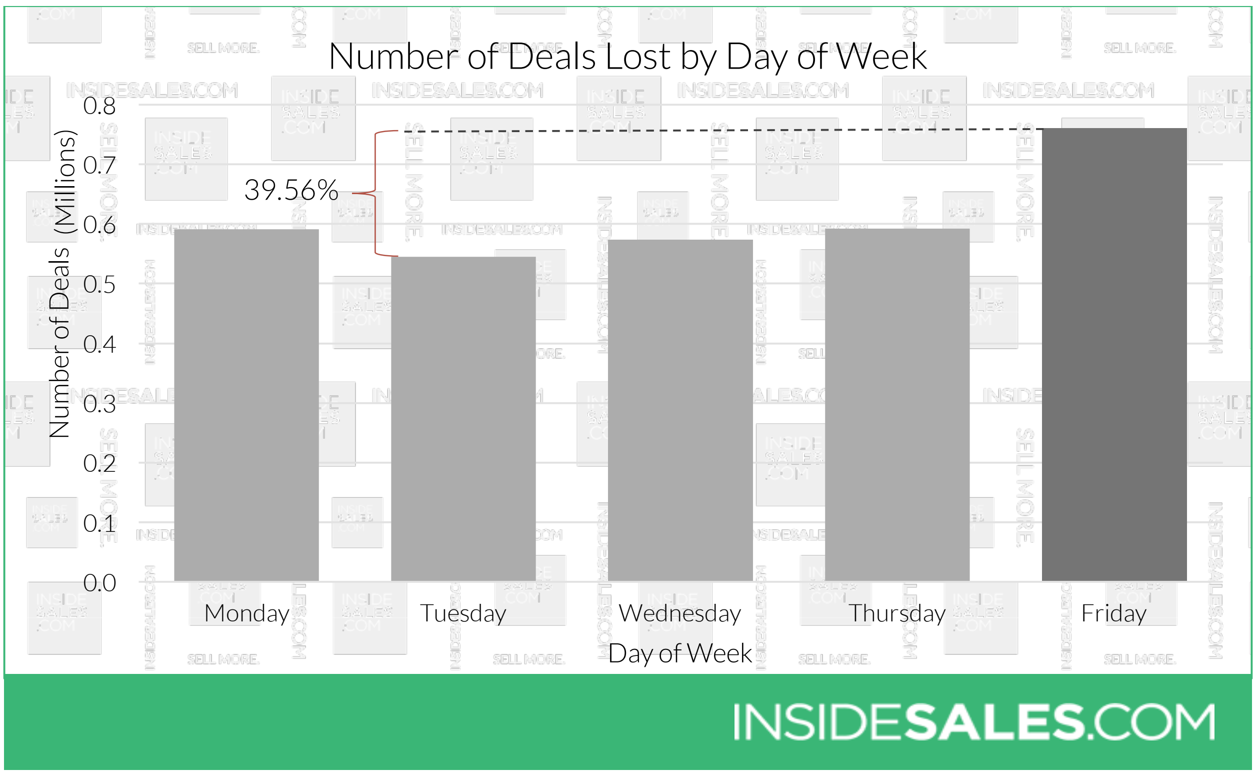
[1] Our Win Rate metric, deals won divided by deals won and lost, leaves out deals that carry over. This is different from Close Rate which is often calculated as deals won divided by total deals.

RESULTS

WEEKLY

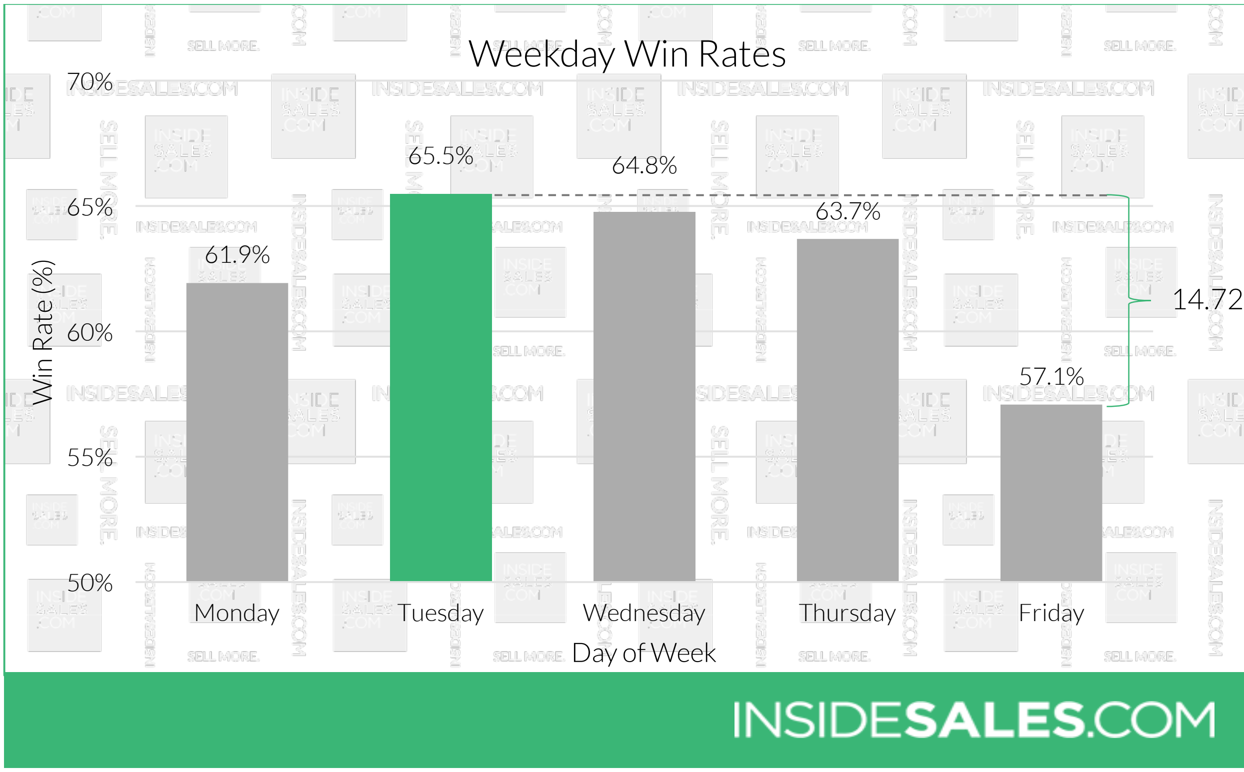
SALES REPS LOSE THE MOST DEALS ON FRIDAY

Over nine quarters, sales representatives lost 760,622 deals on Fridays. 39.56% more deals were lost on Friday than on Tuesday, the weekday with the lowest number of deals lost.



REPS HAVE THE BEST CHANCE OF WINNING DEALS ON TUESDAY

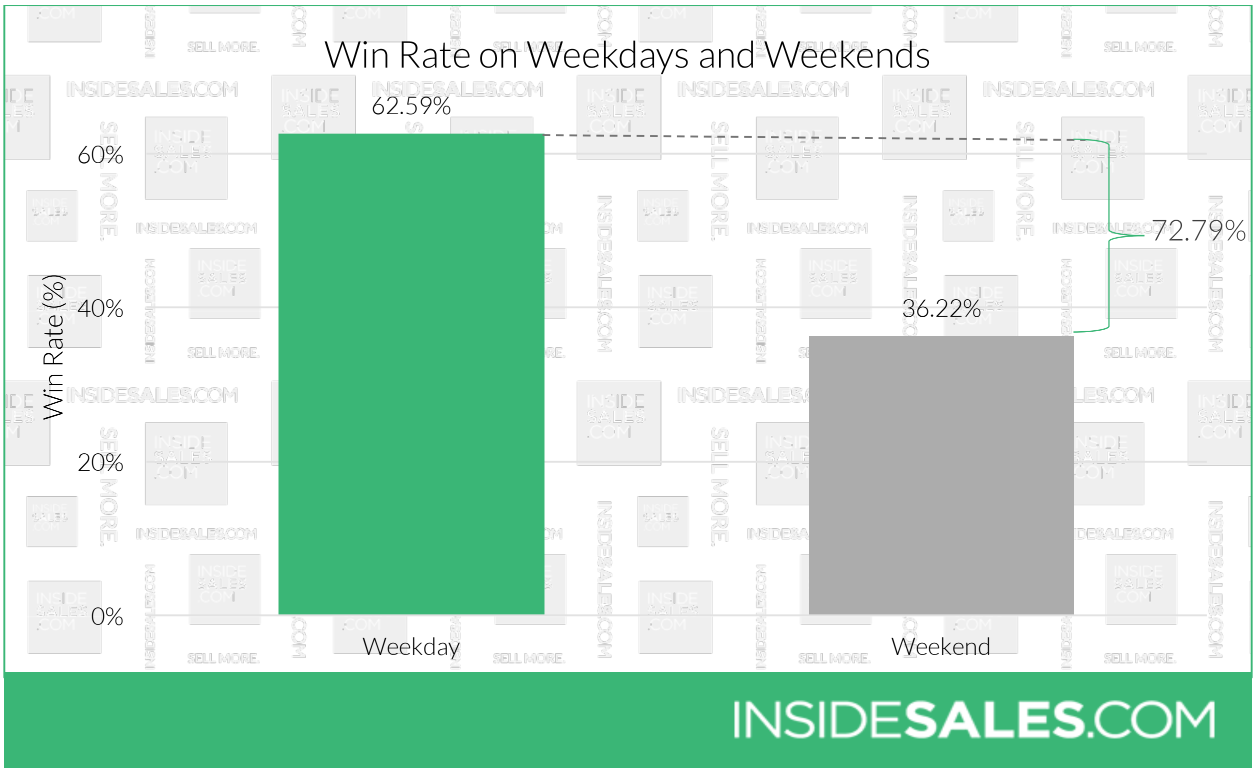
Win rates aren't dramatically different throughout the week with the exception of Tuesday and Friday. Tuesday's win rate is 14.72% higher than Friday's, which is the lowest of the weekday win rates.



WEEKENDS HAVE THE LOWEST WIN RATE OF THE ENTIRE WEEK

During the period analyzed, 29.63% of end-of-month days fell on weekends. This may lead some to believe that reps and managers should work weekends to close out a month or quarter, but the data seem to disagree.

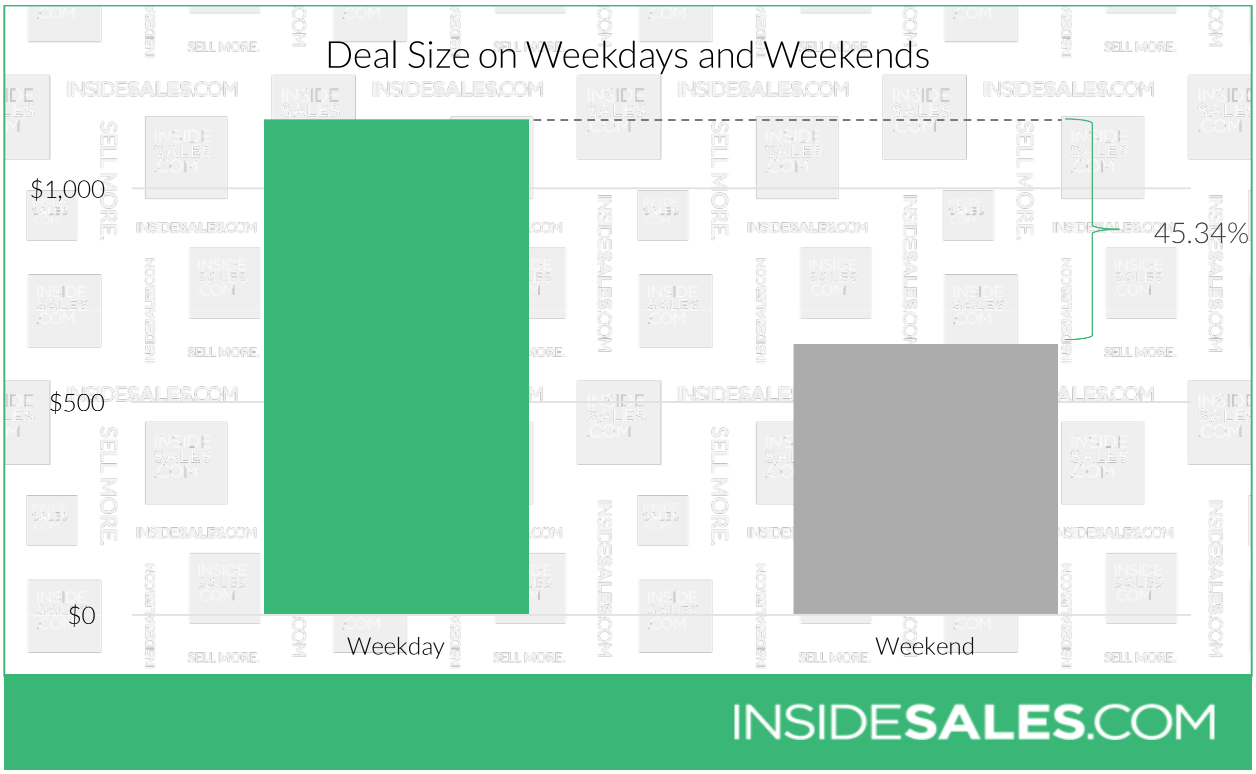
Saturday and Sunday have an average win rate of 36.22% while weekdays have an average win rate of 62.59%, which is 72.79% higher.



DEAL SIZE DROPS BY 45.34% ON WEEKENDS

In addition, the median deal size drops on weekends versus weekdays 45.34%. Saturday has the lowest median deal size of the entire week and is 31.03% lower than Sunday.

For comparative perspective, the difference in deal size makes weekday deal size 82.96% higher when compared against weekend deal size.



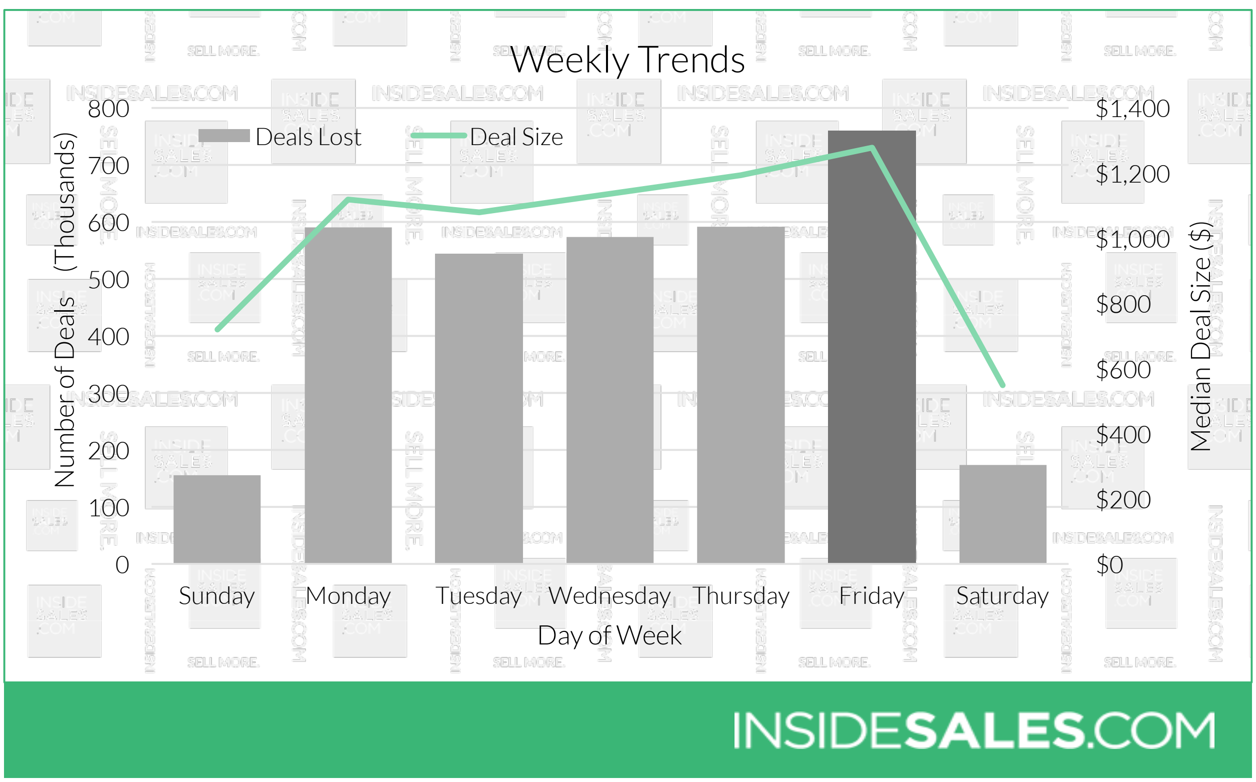
CONCLUSION: RE-EXAMINE FRIDAY, CLOSE ON TUESDAY, AND DON'T WORK WEEKENDS

Examining weekly trends revealed that Tuesday provides the best chance of closing deals (65.48% win rate) while Friday provides the worst chance of closing deals (57.08% win rate) during the week. We believe Friday experiences this effect because each week reps work toward progressing deals. When Friday arrives, reps tend to clean up their pipeline by clearing out deals to ensure better accuracy.

Weekends have the lowest win rates across all weekdays (36.22% average win rate). Some companies push their reps to sell on weekends when the end of the month falls on Saturday or Sunday, but those days bring little additional revenue for the effort required (45.34% decrease in deal size).

Recommendations:

- Maintain deals daily so spikes in the data do not occur.
- Encourage reps to not create imaginary Friday deadlines to close deals.
- Recognize Tuesday is the day reps have the best chance to close deals.
- Drive strategy and effort during the week rather than weekends to experience higher revenue achievement.



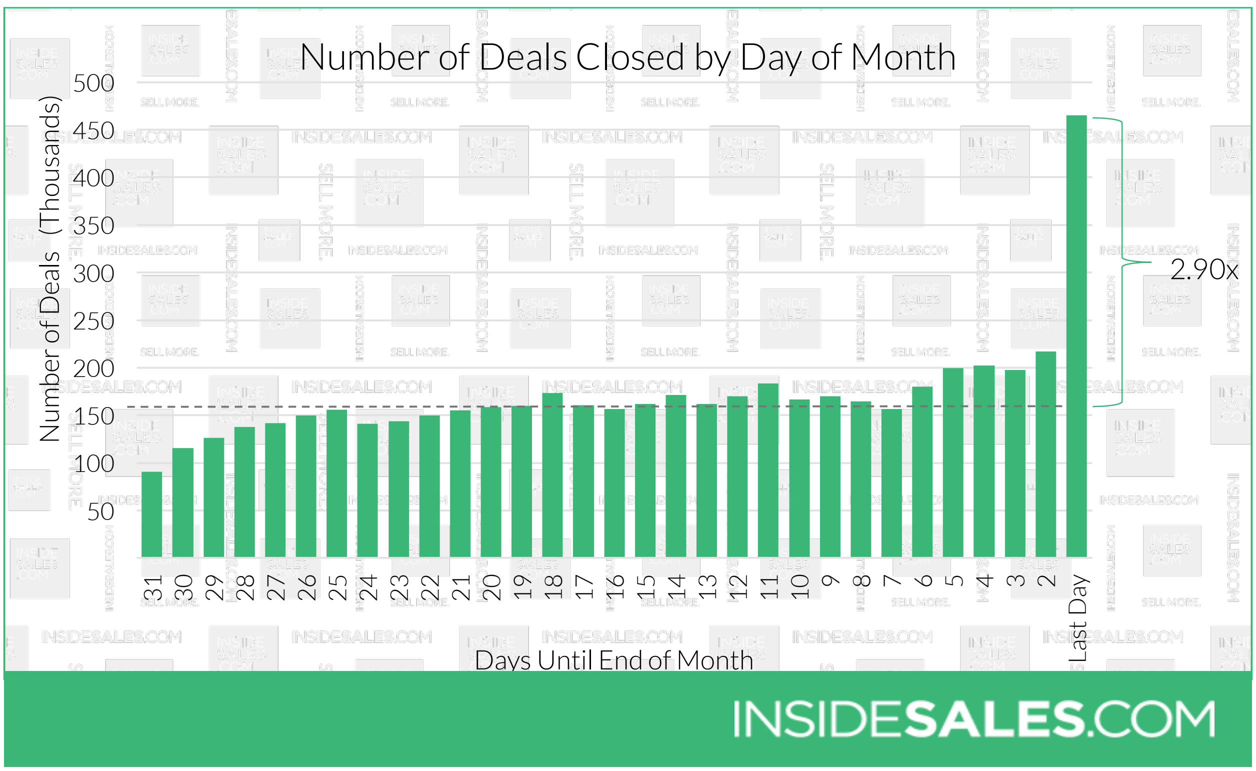
MONTHLY

THE NUMBER OF DEALS CLOSED INCREASES BY 2.90X AT THE END OF THE MONTH

The monthly pattern of deals closed by day shows sales reps are closing more deals at the end of the month – an obvious pattern for sales professionals.

Sellers have natural time-based compelling events at the end of the month. In addition, many sales cultures emphasize the end of the month because of monthly quotas. The last day of the month has nearly triple (2.90X) the number of deals closed compared to the rest of the month. This confirms the idea that sales reps close more deals at the end of the month, but it also begs the question: Is it the best overall strategy for the company? When analyzing the number of deals lost, the answer may be no.

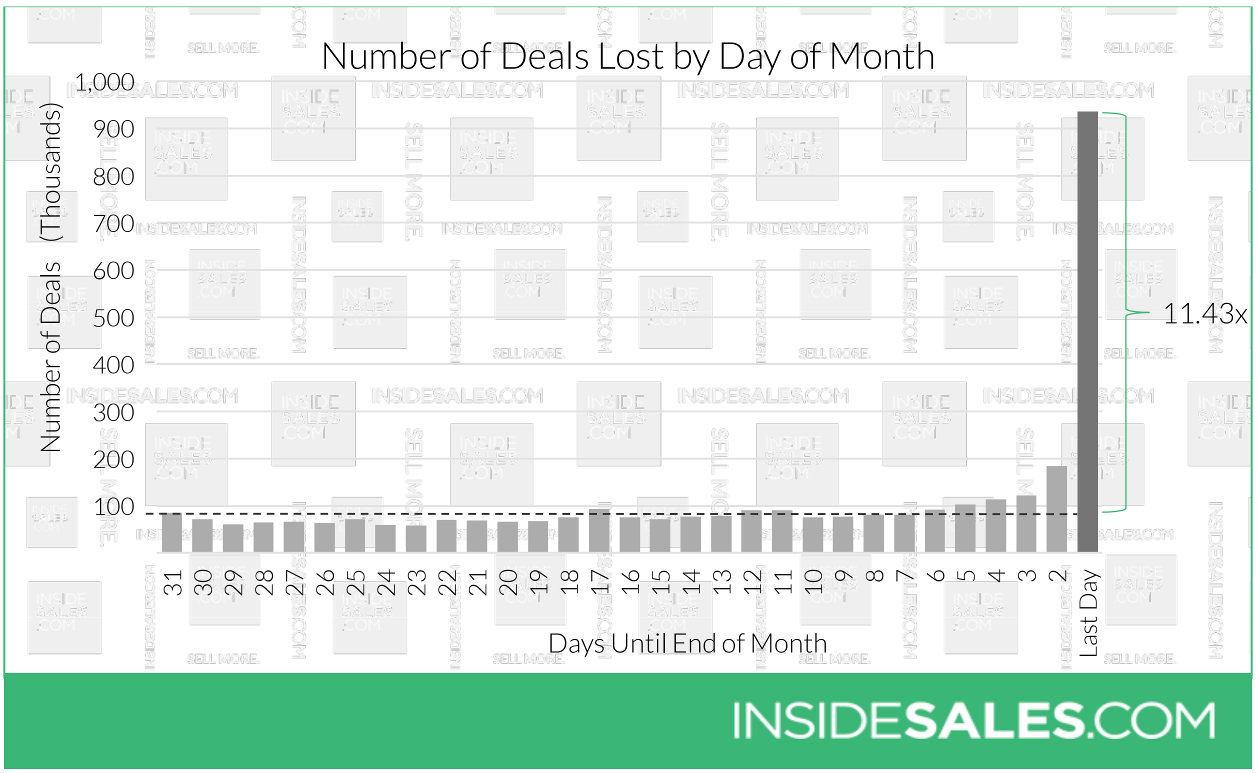
Interesting to note, this end-of-month phenomenon increases noticeably five days before the last day of the month.



THE NUMBER OF DEALS LOST INCREASES BY 11.43X AT THE END OF THE MONTH

When we look at the deals that were lost, we see an even bigger spike than we saw with deals that were closed. The last day of the month has 11.43x more deals lost compared to the average from the rest of the month.

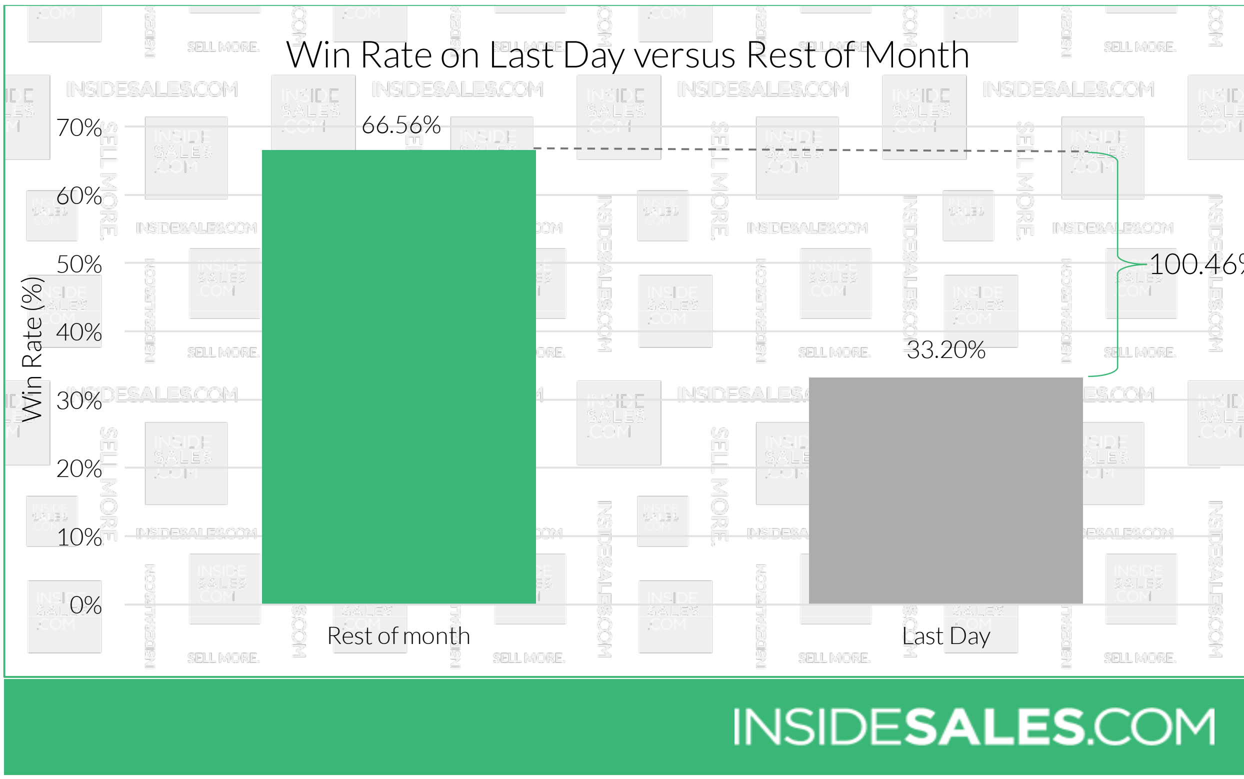
This end-of-month effect begins five days prior to the last day of the month and seems to linger slightly two days after the month ends. This may be due to sellers forcing buyers into a decision, rep pipeline maintenance, or simply deals being lost.



WIN RATES DROP IN HALF AT THE END OF THE MONTH

In comparison with the rest of the month, the last day sees 51.11% drop in win rate. Win rates during the month are 100.46% better than on the last day of the month.

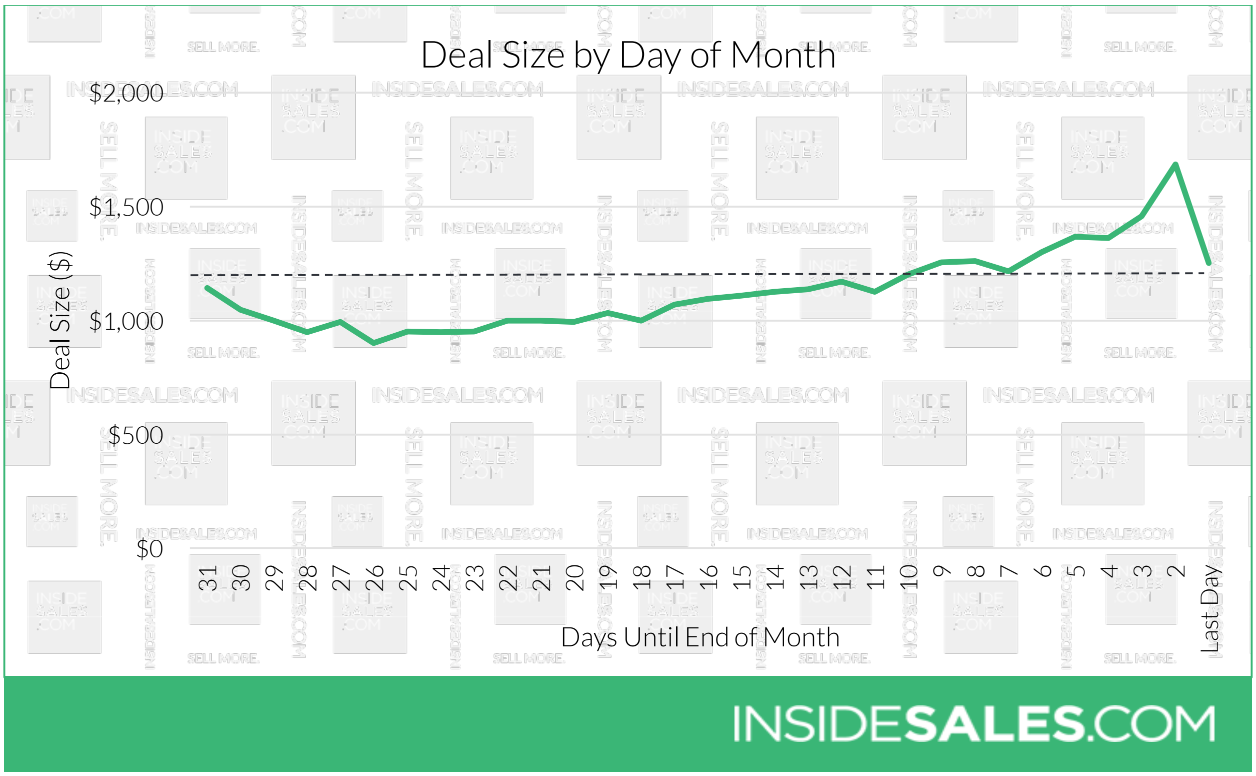
Even though closed deals increase by 2.90x at the end of the month, the 11.43x increase in the number of deals lost makes the end of the month a much less effective sales period.



DEAL SIZES DROP SIGNIFICANTLY THE LAST DAY OF THE MONTH

Deal sizes increase throughout most of the month before dropping 34.50% on the last day.

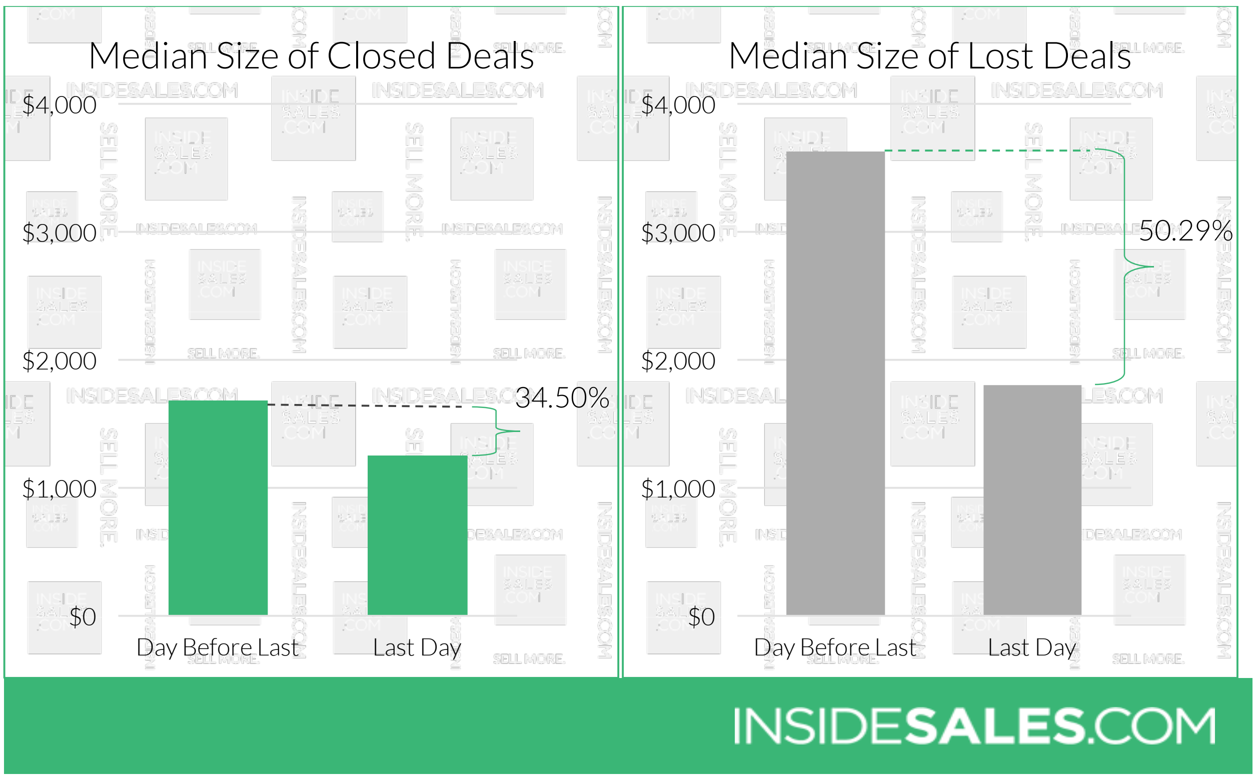
Procrastination of attempting to close until the last day of the month seems to have devastating effects on the size of the deal that is won. This may be a consequence of reps' pursuing easy wins on the last day or giving dramatic discounts to larger deals.



DRASTICALLY DROPPING DEAL SIZES AT THE END OF THE MONTH IS INEFFECTIVE

As already stated, the size of closed deals decreased 34.50% at the end of the month, indicating reps were willing to significantly negotiate to meet sales quotas.

The size of lost deals also decreased the last day of the month by 50.29%, showing that the dramatic price cutting strategy of discount-aggressive sales reps, is less effective.



DEAL SIZE AFFECTS THE BEST TIME OF THE MONTH TO CLOSE

For smaller deals, the time with the best chance to close deals (highest win rate) may be near the beginning of the month, but as you look at bigger deals, the time to close with the highest win rate may be closer to the end.

In either case, the last day of the month has a lower close rate.

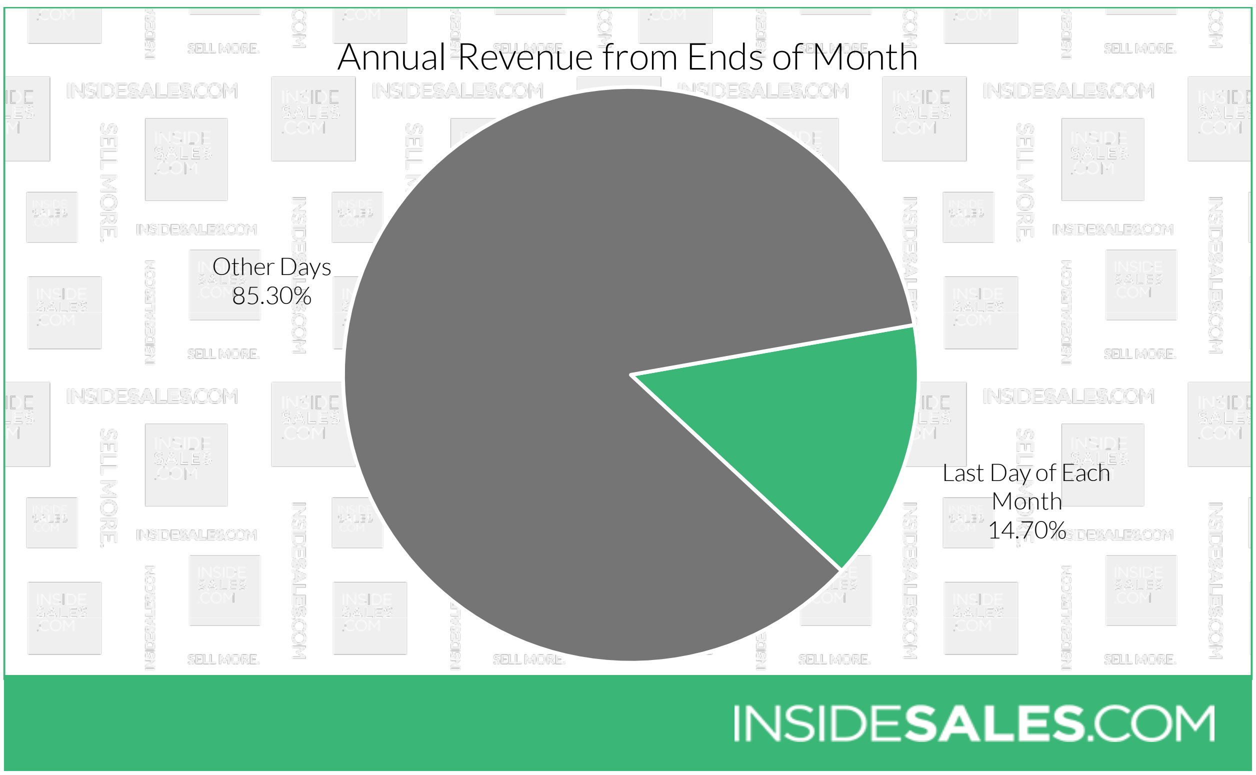
The table shows the win rate for each day of the month for each tier of deal size, with the highest and lowest for each deal size tier highlighted (green and red, respectively).

Days Until End of Month	Deal Size							
	$0 - 5K	$5K - 20K	$20K - 50K	$50K - 100K	$100K - 300K	$300K - 500K	$500K - 1M	$1M +
30	55.5%	47.7%	42.3%	40.0%	35.8%	33.4%	33.7%	31.0%
29	67.7%	53.9%	46.7%	42.4%	37.9%	35.7%	34.9%	29.7%
28	74.1%	58.9%	50.4%	46.8%	42.1%	37.8%	35.4%	33.8%
27	74.6%	59.2%	51.4%	47.7%	41.9%	35.5%	36.4%	36.6%
26	74.5%	59.8%	51.2%	47.4%	42.0%	38.5%	39.0%	36.4%
25	77.1%	60.0%	51.0%	47.8%	41.2%	36.4%	35.5%	33.3%
24	76.1%	57.3%	48.6%	44.2%	38.1%	32.1%	29.2%	30.1%
23	77.0%	61.0%	51.9%	48.4%	41.2%	33.2%	32.3%	31.5%
22	77.3%	62.1%	53.8%	49.8%	44.2%	39.1%	36.0%	34.3%
21	73.6%	59.9%	53.0%	48.7%	42.7%	34.4%	34.7%	32.2%
20	75.8%	59.5%	51.9%	47.6%	42.6%	35.6%	35.5%	33.5%
19	77.3%	61.4%	52.0%	48.1%	41.8%	38.3%	34.7%	34.1%
18	77.3%	60.7%	51.8%	46.2%	43.0%	38.0%	37.3%	31.6%
17	78.0%	58.6%	47.5%	41.9%	38.7%	33.5%	37.1%	31.9%
16	69.7%	56.6%	45.6%	40.7%	36.1%	30.8%	31.1%	30.0%
15	74.4%	59.0%	50.8%	46.7%	41.0%	36.0%	34.0%	30.4%
14	76.2%	61.5%	52.0%	48.5%	42.7%	37.9%	40.1%	35.2%
13	76.6%	61.1%	51.5%	47.7%	42.2%	37.0%	38.3%	37.0%
12	75.2%	58.6%	50.1%	45.9%	40.8%	36.0%	35.0%	37.5%
11	72.6%	57.2%	49.2%	44.6%	39.3%	34.1%	35.4%	30.9%
10	75.1%	57.1%	49.0%	44.3%	40.1%	35.3%	31.9%	34.1%
9	75.8%	59.9%	52.8%	49.0%	45.0%	41.2%	40.3%	39.6%
8	76.2%	60.1%	53.4%	50.0%	46.1%	44.1%	46.6%	41.7%
7	74.7%	57.1%	51.2%	50.1%	45.8%	42.3%	44.0%	43.3%
6	73.2%	56.3%	49.6%	46.8%	42.9%	38.2%	40.4%	41.8%
5	74.0%	58.1%	49.8%	48.0%	44.0%	40.6%	42.3%	46.3%
4	73.8%	58.2%	51.3%	49.3%	43.8%	40.8%	43.7%	43.1%
3	72.0%	55.4%	48.7%	47.2%	42.9%	39.7%	38.7%	40.5%
2	67.6%	54.0%	51.0%	50.5%	47.6%	45.6%	46.1%	46.6%
1	58.7%	47.2%	46.3%	46.7%	45.7%	44.0%	46.4%	48.3%
Last Day	34.9%	27.7%	29.4%	31.9%	33.8%	35.0%	37.3%	37.4%

END-OF-MONTH DECREASES IN WIN RATES AND DEAL SIZES COST AN ESTIMATED $98.02 MILLION ANNUALLY PER COMPANY

The 151 anonymized companies sold a combined $54.40 billion annually, averaging $360.26 million each.

For comparison, we analyzed 1.4 million sales transactions that were either closed or lost on the last day of the month and we found the average sales revenue was $4.42 million—over quadruple the money earned on an average day. Based on this, $52.99 million worth (14.71%) of annual revenue comes from just the last day of each month in the year. Companies may believe an end-of-month push is beneficial. It boosts revenue and helps meet quotas, but it may not be the optimal strategy.



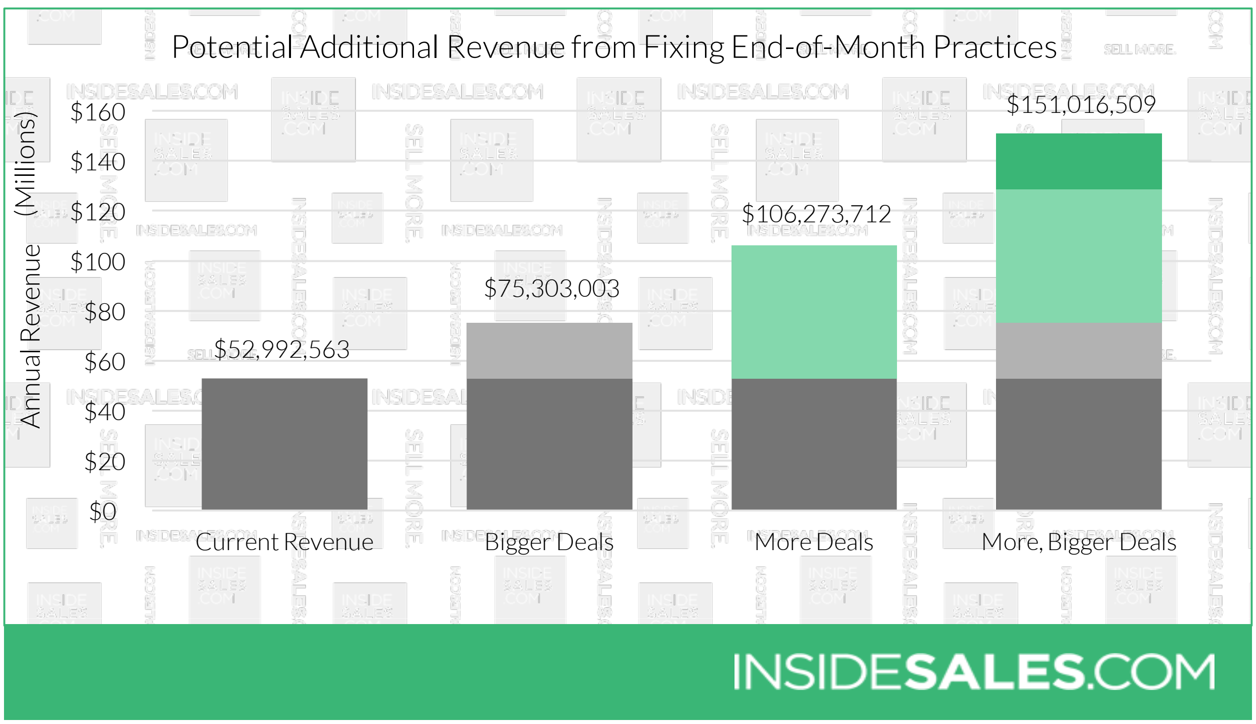
If we look at a few hypothetical situations, we can get an idea of how the last day of the month *could* look if the win rate and deal sizes didn't drop so dramatically:

SCENARIOS:

1) **Bigger deals:** We hold the win rate for the last day of the month constant (33.21%) and raise the deal size to the median for the second-to-last day of the month ($1,684). This scenario results in raising revenue by 42.10%, resulting in estimated additional revenue of $1.86 million per company per month or $22.31 million per year.

2) **More deals:** We hold the deal size for the last day of the month constant ($1,252) while raising the win rate to the average win rate for the rest of the month (66.56%). This scenario boosts revenue by 100.55%, resulting in an additional $4.44 million per month or $53.28 million per year.

3) **More, bigger deals:** We combine the best of both scenarios by raising both the higher win rate (66.56%) and deal size ($1,684) to see what impact they would have together. This doesn't just add the benefit of the two other scenarios, because more deals are closed *and* bigger deals are closed, there is a multiplicative effect rather than an additive one. This scenario results in a company increasing revenue by 184.98%, earning an additional $8.17 million per month or $98.02 million per year, which would raise the average annual revenue to $458.28 million.



CONCLUSION: RETHINK YOUR END-OF-MONTH STRATEGY

Sales reps push prospects to buy at the end of the month due to compensation and company cycles grounded in time-based compelling events. In comparison with the rest of the month, the last day of the month sees a 2.90x increase in the number of deals closed. Unfortunately, this end of month push increases the number of deals lost by 11.43x when compared with the rest of the month. This makes the win rate on the last day of the month an abysmal 33.21% -- half of what it is for the rest of the month.

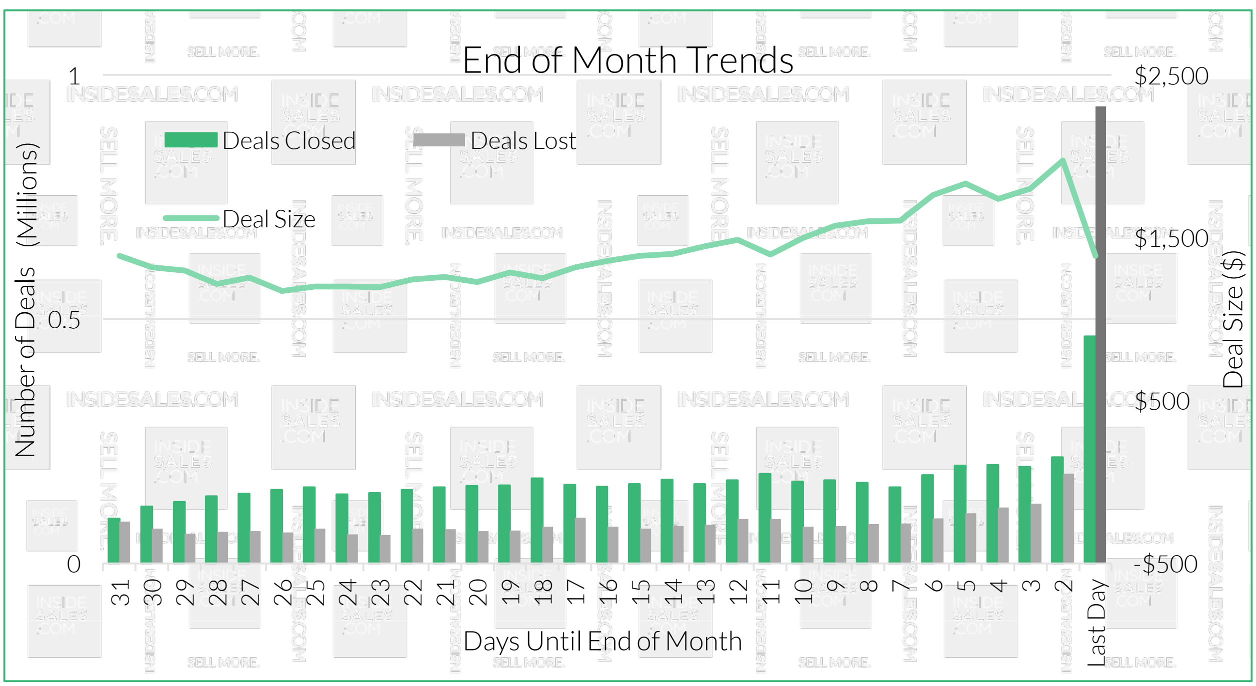
This typical end-of-month strategy pushes deal sizes to drop by 29.63% from the previous day as customers learn that they can negotiate a better price and reps have a green light to do whatever is required to close the deal.

The decrease in deal size and the number of deals lost results in an estimated $98.02 million in missed revenue annually per company studied.

Some experts believe that the solution to this problem is to change incentives and sales practices to align with closing deals earlier in the month but the behaviors studied in this data set lead us to believe the same behaviors would result whenever time-based compelling events are present.

Recommendations:

- Put limits on discounting options and raise prices for future month purchases.
- Create other urgency events other than the end of the month.
- Coach reps and managers to push the right deals to the next month to maximize revenue.
- Include compensation multipliers to encourage full price sales.

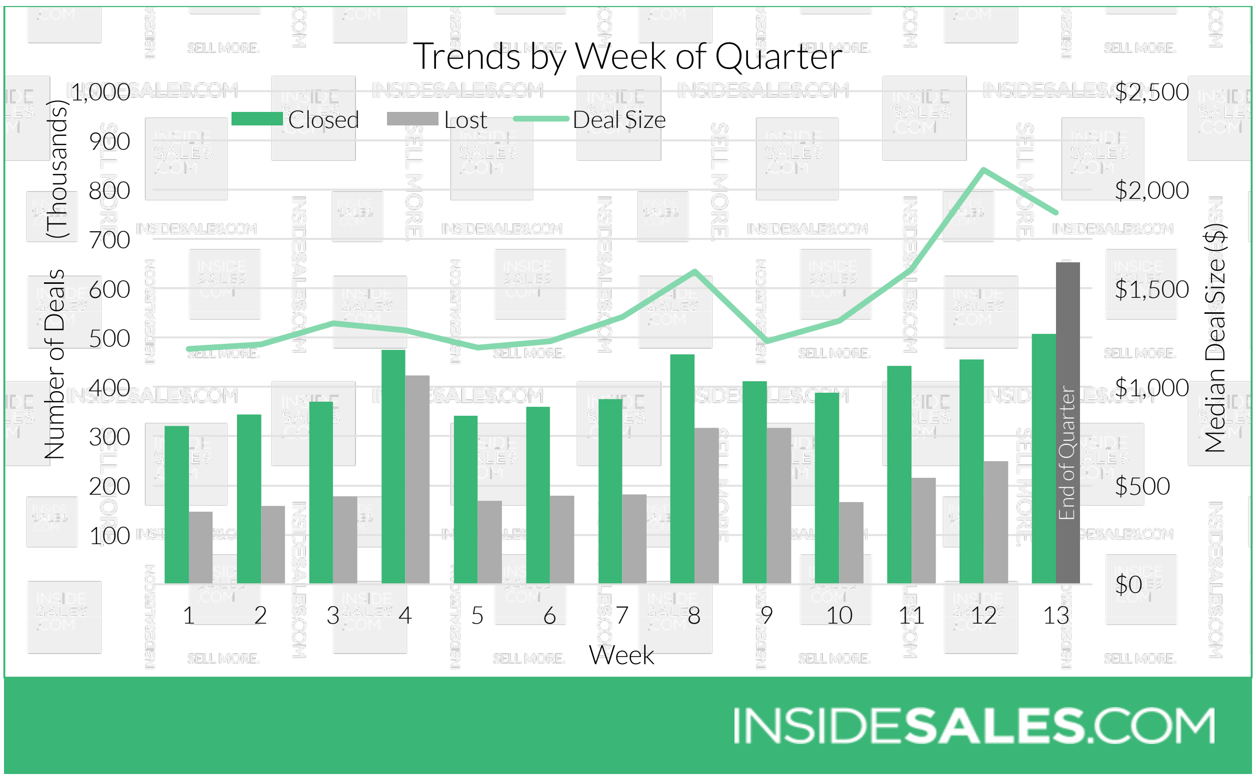


QUARTERLY

QUARTER-END TRENDS FOLLOW MONTH-END PATTERNS

The data show end-of-month patterns with peaks at the end of month one (week four) and end of month two (week eight). While there is an obvious increase in activity to meet quarterly quotas, we still see more lost deals (1.77x) than won deals (1.07x) when compared with other ends of month.

Deal sizes grow steadily toward the end of the quarter and are at their highest in week 12 before they drop 11.51% in the last week of the quarter.



Recommendations:

- Put limits on discounting options and raise prices for future quarter purchases.
- Create other urgency events other than the end of the quarter.
- Coach reps to push deals to the following quarter to maximize company revenue.
- Include compensation multipliers to encourage full price sales.

ABOUT THE RESEARCH TEAM

DAVE ELKINGTON

David Elkington has a rich background in technology, venture capital and corporate development. As founder and CEO, he has led InsideSales.com to strong year-over-year growth, David has been active in the evolution and definition of the inside sales industry and speaks regularly. He is co-author of the groundbreaking Lead Response Management industry study, done in conjunction with James Oldroyd, PhD (visiting Research Fellow at M.I.T.). David has co-authored articles that have appeared in Harvard Business Review, Kellogg School of Management, Forbes, and other academic and industry publications. He is recognized both locally and nationally as a leader and entrepreneur in the cloud computing and inside sales/remote selling spaces. David serves on the board of ProvoTechX, on the advisory board of the American Association of Inside Sales Professionals (AA-ISP), and on the BYU CVLC advisory council. He has a background in computer science and holds a Bachelor of Arts degree in Philosophy from Brigham Young University, with minors in Business, Japanese, and Hebrew.

KEN KROGUE

Ken Krogue is the Founder and President of InsideSales. Ken has been intimately involved in the research performed by InsideSales.com since the first landmark speed-to-response study done with Dr. James Oldroyd while he was at MIT in 2007 and again with Harvard Business Review in 2011. Ken is a prominent thought leader in the inside sales space and second ranking person nationally in social selling strategies. Ken has been out of the research role for over a year with health concerns due to an automobile accident, but prior to that was a weekly columnist for Forbes.com and an international speaker. Ken has two new books due out.

GABE LARSEN

Gabe joined InsideSales with over 15 years of experience in revenue generation, from helping financial clients price and trade complex derivatives at Goldman Sachs to helping multinational organizations penetrate new markets at Accenture and Gallup. Gabe co-hosts the award-winning Sales Acceleration podcast and acts as Director of InsideSales Labs, where his expertise and research have helped more than 200 clients solve their biggest problems in the sales acceleration space.

Bryan Parry

Bryan Parry joined InsideSales in January 2016 as a Research Analyst. In this role, he is responsible for performing analysis to discover insights related to sales acceleration and the sales industry in general in order to support InsideSales' position of innovation. Bryan earned a bachelor of science in statistics from Brigham Young University.

Dr. James Oldroyd

Professor James Oldroyd is an associate professor of Strategy at the Marriott School of Management, Brigham Young University and the Ford Motor/Richard Cook Research Fellow. He received his Ph.D. from the Kellogg School of Management at Northwestern University in 2007. He has been employed as associate professor of management at SKK-GSB in Seoul, South Korea for five years and an assistant professor of international business at The Ohio State University for three years. He has published in outlets such as the Academy of Management Review, Organization Science and Harvard Business Review. He is actively involved in delivering custom leadership training courses for numerous companies including Samsung, Doosan, SK, Quintiles, and InsideSales.

APPENDIX

METRICS DEFINITIONS

Deal size: Total dollar amount brought in by each sales contract

Deals closed: Number of deals in a closed-won state

Deals lost: Number of deals in a closed-lost state

Win rate: $\frac{\#\ of\ deals\ closed\ in\ a\ period}{\#\ of\ deals\ closed\ and\ lost\ in\ a\ period}$