



Are Win Rates Valuable? (Part 2): Making Win Rate Metrics Work for You

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In Part 1 of this series we questioned the value of the skyrocketing win rate as a meaningful marketing metric. Part 2 takes a more in-depth look at win rates and how these metrics can be used to serve as a valuable measuring stick for business success.

The business environment is too complex for a single win rate metric to represent performance in a meaningful way

A metric (in business terms) is a standard of measurement typically used to assess efficiency, performance, progress, or quality. The win rate standard may be applied to a plan, a process, or a product. For proposal professionals win rates typically apply to the business development process or the success of proposals over time.

Win rates used for external marketing and sales promotion have become meaningless—largely because they are difficult to standardize and impossible to compare across companies. However, when used internally, win rates can be an effective tool for measuring the efficiency and effectiveness of capture management and proposal development processes. So how can the win rate metric be used to measure internal success?

Win rate variables

The business environment is too complex for a single win rate metric to represent the performance of a company, a business unit, or even a proposal center in a meaningful way. Consider the following variables that all have a significant effect on win rate calculations.

Emerging growth markets vs. mature declining markets. Growth industries have a larger, more diverse group of bidders (two to three market leaders, a number of emerging tier-2 challengers, and even more new niche entrants). Since the number of growth industry bidders is high, win rates for these industries are statistically lower. Declining markets, on the other hand, include more predictable commodity-based product and service offerings and usually produce no more than two to three bidders. Companies that serve either multiple industries or industries where market maturity varies significantly within an industry should track win rates for each market segment.



Large bids vs. small bids. The size of the opportunity your company pursues will directly and significantly influence your win rates. In general, the larger the opportunity, the smaller the number of qualified bidders and the higher the win rate. Very large single-award opportunities (>\$1 billion) typically have no more than two to four bidders and thus, higher win rates. Smaller opportunities (<\$1 million) can have scores of bidders that have the same or similar solutions and value propositions. Companies that target and propose bids that vary significantly in size should track win rates by bid size category.

Large IDIQ, blanket purchase agreements, or other multiple award vehicles that merely qualify your company to bid on future task orders are another story altogether. These pursuits almost always include large numbers of bidders and no immediate revenue (until future task orders are tendered to awardees). Tracking win rates for these large, non-revenue producing opportunities is important. And, it definitely requires a separate set of win rate metrics.

Incumbent bidders vs. new entrant bidders. No one is better positioned to win a re-compete contract than the incumbent bidder. Incumbents have in-depth knowledge and understanding of customer hot buttons, baseline solutions, risks and mitigation strategies, and potential areas for improvement and innovation. Win rates for incumbent contractors are higher than any other win rate category.

New entrant bidders are either: 1) betting that they can unseat the incumbent (because the bid is in their sweet spot) or, 2) making a strategic decision to pursue a low probability bid. Win rates for these new entrant bidders can be significantly lower than for incumbent bidders—especially if the new entrant lacks the budget or the resources to invest in the bid.

Unseating the incumbent usually requires a rigorous bid/no-bid process and additional investments in the capture and proposal development processes to ensure high levels of customer focus and to create a compliant and compelling proposal.

Low probability bids are a necessary evil for new entrants to make a lasting first impression with a new prospect. They can also serve as a vehicle for developing competencies in a new area. Some new entrant bidders submit proposals outside their strategic plan. But submitting a bid on every opportunity (“shotgun bidding”) with little or no qualification yields predictably low win rates.

Win rates for incumbent, new entrant, and shotgun bidding can vary greatly and should be tracked separately.

Must win (unlimited resources) vs. make do (resource constrained). Although many companies will state that a bid is a “must win,” few have the resources required to virtually *guarantee* a win. Most bids are resource constrained due to limited knowledge



of the customer, lack of sufficient subject matter expertise, competing priorities, insufficient bid and proposal budgets, or other factors. All things being equal, the larger the investment an organization makes (from identifying opportunities to best-and-final offers), the higher the probability of winning the deal.

Must-win proposals should be customer focused, responsive, innovative, artful, inspiring, easy to read, and easy to evaluate. “Make-do” proposals are often internally focused, non-compliant, self-absorbed, uninspiring, hard to read, and hard to evaluate. As a rule, make-do proposals use more boilerplate and, as a result, are less likely to win.

Consider rating proposals along the must-win/make-do continuum to develop a high-level classification of the resources invested. Take it one step further and develop a standardized (and more sophisticated) approach to assessing your estimated win probability at proposal submission. Track your actual bid and proposal costs (both internal and external) to determine a return on investment (ROI) for each bid.

Tracking win rates against estimated win probability and ROI provides significant insight into actual performance. It can also prove the validity and value of your current bid/no-bid decision-making and other proposal processes.

Competitive price-to-win (PTW) vs. internal cost plus pricing. Most proposal professionals agree that price trumps all other proposal evaluation factors. In fact, some pricing experts assert that more than 80 percent of awards are made to the lowest priced and technically acceptable bidder. As a result, bidding companies that invest more heavily in strategic PTW analysis that includes target customer budget, competitive pricing intelligence, high-probability competitor solutions, and other factors are statistically more likely to win.

Companies that base their pricing on internal cost plus pricing techniques using tactical bottom-up level of effort estimates usually come in second. Tracking win rates for competitive PTW versus other pricing techniques is likely to yield some interesting results and potentially have a significant effect on future bidding strategy and win rates.

You can't win them all....and you shouldn't!

It may come as a surprise, but higher win rates aren't necessarily better. The target win rate for your company depends on a number of variables. These variables will change over time as markets evolve, competition adapts, and the strategic positioning and product and service offerings of your company become more sophisticated. Establishing win rates that take these variables into account will help you strike a balance between the bids you pursue and the bids you win.



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So instead of focusing on a bogus win rate for marketing purposes, establish a meaningful set of internal baseline and performance metrics that are closely aligned with your business. Establish rules for consistent win rate metric calculations and adhere to strict audit procedures at every step. Set realistic goals for improvement and re-evaluate these goals often. Combine this discipline with a lessons-learned debriefing on every opportunity (win or lose) and win rate metrics are guaranteed to work for you.

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Still confused or looking for more detailed suggestions? Take time now to send feedback, comments, or questions about this or other challenging proposal issues to Chris at chris@rainmakerz.biz or call 202-255-2355. Visit www.rainmakerz.biz.