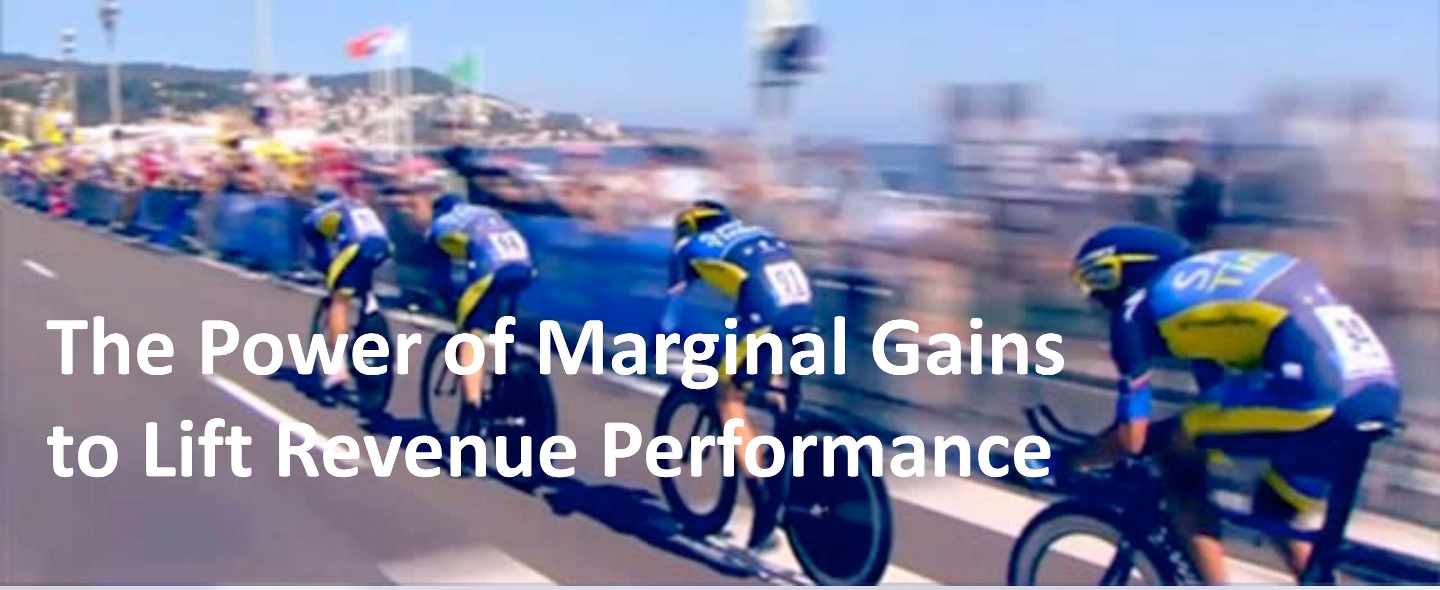


The Power of Marginal Gains to Lift Revenue Performance

These CEO's improved a few small things across their revenue creation, each by just a few percent. Look at what happened to their revenue results.

David Brailsford's is now one of the highest profile success stories in professional sport. In 2010 however, when he took on the job as GM and Performance Director for Team Sky, Britain's new professional cycling team, success seemed a very long way away.

Up until then, Britain was a perennial under-achiever on the world cycling state. Brailsford was tasked with changing that. His approach was staggeringly simple.

Brailsford championed a philosophy of what he called "marginal gains - the 1 percent margin for improvement in everything you do." He believed that if he could improve every area related to cycling by just 1 percent, then those small gains would add up to a remarkable overall improvement.

David and his team began with the obvious things: training programs, bike designs and weights, rider nutrition and the like. Then they moved onto the less obvious elements – those hidden beneath the surface. They started looking for 1 percent improvements in seemingly insignificant areas overlooked by other teams: improvements to the geometry of bike frames, tire inflation and resistance on the road surface, rider hygiene - even to the level of the pillows they slept on and how they washed their hands. No potential for improvement was considered too insignificant.

Brailsford was convinced that if he could harness these aggregated 1 percents, Team Sky could win a Tour de France in five years. They took three!

In 2012, Bradley Wiggins became the first British cyclist to ever win Le Tour. In that same year, Great Britain won eight gold cycling medals, 12 total cycling medals and set three world records at the London Olympics. Britain's coach? David Brailsford.

So phenomenally successful has the last decade been for British cycling it has been referred to by many as its golden age. So - what can David Brailsford and Team Sky teach us about making more revenue?

The Aggregation of Marginal Gains

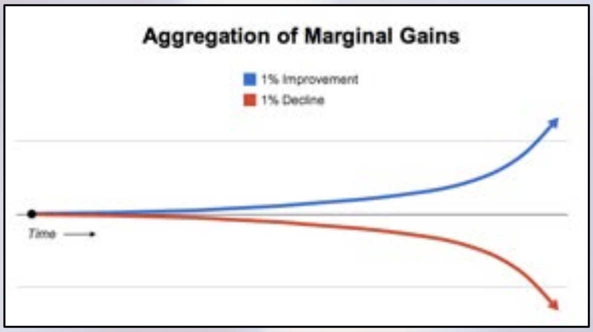
Business leaders frequently overestimate the importance of one defining moment and underestimate the value of making better decisions on a daily basis. Almost every habit that we have — good or bad — is the result of many small decisions over time.

How easily we forget this when we want to make changes. So often we convince ourselves that we can and should be like Steve Jobs – that change is only meaningful if there is some large, immediately visible outcome associated with it. Whether it is losing weight, building a business, or making a sale, we often put pressure on ourselves and our people to make some earth-shattering improvement that will change our world for the better as if in a single instant.

Meanwhile, improving by just 1 percent isn't notable - it isn't even *noticeable*. In fact it's frequently plain boring - and therefore it's more than often completely overlooked. But it can be just as meaningful and powerful. It also comes with way less risk – and cost.

Unfortunately, the same pattern also works in reverse. When you find yourself stuck with bad habits or poor results, it's usually not because something happened overnight. It's the sum of many small poor choices — a 1 percent decline here and there — made over time, that eventually appears as a major problem.

RPM Group International



For any decision, there is basically no discernible difference in outcome between making a choice that is 1 percent better versus one that is 1 percent worse. Either way, you won't notice much today. Or even tomorrow. But as time goes on, these small improvements or deteriorations compound until one day you realise you have a very big gap between where you are and where you thought you'd be. In fact there's a huge difference over time between slightly better or worse decisions. Small choices don't make much of a difference at the time, but add up over the long-term.

When things start slipping, even by only small amounts, They frequently go unnoticed because the immediate Impacts are often so small they're invisible. But it's the compound effect of keeping on going with those poor decisions, of never realising and taking action to get back on track that causes the biggest problems.

> **"Small improvements over time lead to stunning results. Why? Because consistency is the mother of mastery. And incremental improvements are the father of exceptionalism. "**
>
> **Robin Sharma**

You probably won't find yourself in the Tour de France anytime soon, but the concept of aggregating marginal gains can be enormously powerful in the world of marketing and selling. Most people love to talk about their successes as individual events. We talk about running a great campaign, closing a big sale or building a successful business or winning the Tour de France as if they are events. But the truth is that The truly significant things in revenue creation aren't stand-alone events at all, but rather the sum of all the often unspectacular, seemingly insignificant things we can choose to do 1 percent better or 1 percent worse. Aggregating these marginal gains makes a difference. There is immense power and massive revenue gains on offer by harnessing those small wins and slow gains.

Aggregating Revenue Performance Gains

In 2005 a small group of management consultants working on revenue improvement began exploring the effects aggregated marginal gains could have on corporate revenue generation. In the decade since, 135 organisations from 14 different industries and 4 different continents have proven that it works – to the tune of 24% compounding year-on-year improvements; literally billions of dollars of additional revenue unlocked mostly by small wins and subtle, unspectacular changes.

In 2005 the average corporate revenue pipeline converted 3.7% of sales opportunities into closed sales. By 2015 that figure has declined by 46% to a fraction over 2%. The other way to interpret that statistic is to say that 98% of corporate sales opportunities fail to turn into sales.

In fact, according to the 2014 Revenue Performance Index, 71% of sales leads fail to turn into appointments or calls, 74% of appointments or calls fail to progress to an offer being made to a customer and a staggering 86% of the offers that are made fail to result in a customer making a purchase. These dismal performance statistics horrify CEO's and Boards. But they should also provide hope – because of the power of aggregated marginal gains to deliver exceptional improvements, rapidly.

If 1% fewer leads fail to become appointments, and 1% fewer appointments fail to become offers, and 1% fewer offers fail to become sales, the overall yield of the system can improve by 12%. Turn those 1 percents into 2 percents and the system yield goes up by 24%.

Unfortunately the negative mirror image to this equation described earlier also holds true. One percent declines in those metrics can drive revenue down as easily as improvements can drive them up.

About RPMG

The Revenue Performance Management Group (RPMG) has been helping organisations around the world find and aggregate those small percentage revenue performance gains into double-digit year-on-year sales productivity and revenue system yield improvements since 2005.

To learn more about how our Revenue Performance Acceleration framework can do the same for your organisation, visit our website at www.rpmgi.com or email us at info@rpmgi.com.

RPM Group International