The Power of Marginal Gain Theory For Driving Revenue Performance

Since 2005, 154 organizations used something called Marginal Gain Theory to tweak a few seemingly insignificant elements in their revenue creation equations. Their sales results afterwards have been staggering.

David Brailsford's name now has one of the highest profiles in professional sport. Yet when he was appointed as Performance Director for British Cycling in 2003, he was a complete unknown outside the narrow cycling fraternity, and barely known within it.

Before 2003, British cyclists had competed in every Olympics except for Moscow in 1980 which the British government boycotted. In 24 Olympics, they had won precisely zero gold medals, and were hardly considered a powerhouse of world cycling.

In 2004 in Athens, the first Olympics under Brailsford's control, Britain won two gold medals - their first ever. In Beijing in 2008 they won a staggering eight gold. Four years later In London they added another eight, setting five world records in the process. Rio in 2016 returned a slightly more modest haul of six. Twenty two gold medals in 12 years.

Along the way in 2010 Brailsford also took on the role as the head of the then new British-based professional team, Team Sky. Set the goal of having a British rider win the Tour de France within five years, Team Sky proceeded to win Le Tour in 2012, 2013, 2015, 2016, 2017 and 2018.

From the time he took over British Cycling in 2003, 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 one percent, then those small gains would add up to a remarkable overall improvement. And so they did!

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 one 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.

His results speak for themselves.

The last year or so has seen much commentary in the media to the effect that British Cycling's and Team Sky's extraordinary results were driven by performance-enhancing drugs. Maybe they were, but even if that's true (and it's worth noting that after millions of dollars and a Parliamentary Inquiry, it remains speculation), anyone who has seen Bryan Fogel's documentary Icarus will know that they most certainly weren't alone, and that the drug regime was another of the one percents.

But this paper isn't about cycling per se. Nor is it about the whys or wherefores of performance-enhancing drugs. Rather, it's about the lessons that CEO's and their sales leaders can take from the David Brailsford and the gold medal machine he built in British Cycling.

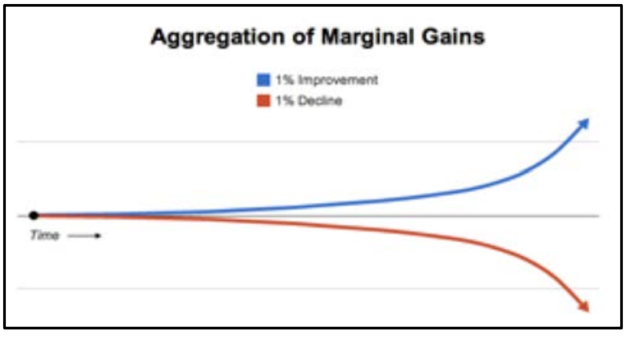
The Aggregation of Marginal Gains

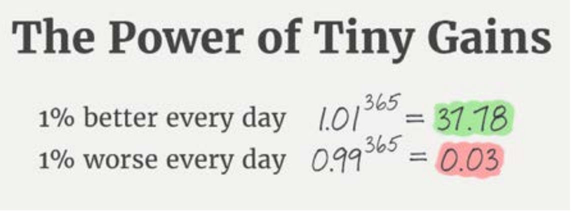
Business leaders frequently overestimate the importance of one defining moment and underestimate the value of making better decisions on a daily basis. Almost every habit that we have — good or bad — is the result of many small decisions over time.

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.





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 one percent better or one 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, 154 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 2018 that figure has declined by 48% to a fraction under 2%. The other way to interpret that statistic is to say that 98% of corporate sales opportunities fail to turn into sales. The process fails 98% of the time.

In fact, according to the 2018 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 one percent fewer leads fail to become appointments, and one percent 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 Marginal Gain Theory can do the same for your organization, visit our website at www.rpmgi.com or email us at info@rpmgi.com.