



There is significant opportunity to dramatically increase sales effectiveness and results by managing the sales process in a counter-intuitive fashion



Leveraging the Sales Funnel

by

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Imagine, it's month-end, quarter-end, or year-end. Where do we, as sales managers, look for results? The first, and usually only, place where short-term results are going to come from is those sales opportunities that are already towards the bottom of the sales funnel, in the latter stages of the sales process. This only makes sense. It is extremely unlikely that we could take a lead, or an early stage sales opportunity, and close it quickly to make our numbers. Unfortunately, month-ends occur with the alarming frequency of every four or five weeks. Similarly, quarter-ends consistently demand our attention every three months. This clearly leads to focusing the time and attention of sales management to sales opportunities that are in the closing stages.

With the little time that sales managers have available between month, quarter, and year-ends, the focus *may* shift to sales opportunities that are slightly earlier in the sales process. On these occasions, attention is given to sales opportunities that are qualified and where time is being dedicated to building solutions and crafting proposals to present to prospective customers.



Focusing on the Latter Stages of the Sales Process

Our own research continues to support the conclusion that, in most organizations, sales management time is largely dedicated to late stage sales opportunities. We also see, in companies who have adopted sales methodologies such as Solution Selling¹ or Strategic Selling², this fixation on late stage sales opportunities is only heightened. After all, these selling methodologies are far more concerned with developing partnerships with prospects and building solutions than on cold calling, initial calls, and qualification. I should quickly point out that there is absolutely nothing wrong with partnering with prospects, discovering their latent pain, and formulating great strategy and proposals. However, these are not the only steps in most organizations' sales process. You only need to ask the question: "where did these prospects come from?" to see that there is likely a number of critical steps that come before understanding the business situation, proposing business solutions, and closing. These steps focus on developing leads and building the necessary credibility and trust with prospects who then may be willing to sit down with the sales professional to discuss areas of opportunity and challenges in their businesses.

There are some fortunate organizations with enough prospects that welcome discussions with their sales representatives, and that do not need to develop any further opportunities. This, in itself, could be a danger sign. The vast majority of businesses must acquire new customers in order to maintain, let alone build, market share. There is, therefore, a need to develop leads and to ferret out possible opportunities that would warrant a further investment in time and energy.

As an illustration, let's take a look at a simplistic sales process:

- 1. Lead Generation**
- 2. First Call**
- 3. Discovery**
- 4. Strategy**
- 5. Proposal**
- 6. Negotiate**

As described above, sales management attention in this case would tend to be on sales opportunities at step #5 and #6 at month, quarter, and year-ends and then, with any time left over, perhaps at step #3 and #4 to help resource and strategize. Our research shows that sales management attention is placed in direct and inverse proportion to the

¹ Solution Selling is a sales method originally authored by Michael Bosworth and now offered by Sales Performance International

² Strategic Selling is a sales method from the Miller Heiman Corporation



sequential steps of an organization's sales process. Herein lies the fallacy of where to place the focus to get sales results.

Moving the Focus Earlier in the Sales Process

The time and attention that sales management place in late stage sales opportunities must be balanced to a far greater degree by investing time to look at opportunities in the early stages of the sales process. This is counter-intuitive and yet, for reasons that we will share, this is where the real leverage is.

As a further example of how so little time is dedicated to early stage sales opportunities, look no further than Sales Force Automation systems and Opportunity Managers. We frequently work with organizations that do not even start tracking sales opportunities until they are at the equivalent of step #4 or #5 in the above example. Sales opportunities in earlier stages are even referred to as "above the funnel" by some selling methodologies and organizations, inferring that we have little or no interest in them.

We could draw many analogies to make the point of how ludicrous this is. How long does it take to run a marathon? Three hours? Maybe four, or five? Or does it? You can't just put anyone at the starting line of a 26.2 mile run and then expect to see him or her at the finish line a few hours later. To properly coach a marathon runner you need to focus on the training program for several months *before* the race itself. This is where the result is ultimately determined. In a similar way, in sales, it is by discovering the right prospects to pursue, and nurturing these opportunities, that we develop qualified sales situations that we can win and close. Also, the early stages of the sales process is when we have the greatest chance to influence how the purchase process will proceed.

Funnel Math

It isn't, however, simply for these reasons that we need to place a greater emphasis on the earlier stages of the sales process. The traditional sales funnel also has hidden within it some very interesting and revealing mathematics. The shape of the sales funnel clearly shows that we need more sales opportunities at the earlier stages to generate the requisite number of wins at the bottom. If we start to examine how much time we need to dedicate to selling activities, and how many sales opportunities we need, at each step in the sales process to generate just one order, a startling reality hits. To illustrate, we'll use the previously mentioned sales process.

The early stages of the sales process is when we have the greatest chance to influence the purchase process.



The following table shows, for each step of this particular sales process, the percentage of sales opportunities that are expected to successfully convert to the following step. It also shows the time that the sales professional would need to dedicate to a *single* opportunity at *each step* of the process. Using these baseline metrics, we can then determine how many sales opportunities we need at each sales process step to generate just one order.

Sales Process Step	Typical Activities	Time Required*	Conversion Ratio**	Total Sales Time***
1. Lead Generation	Cold calling, networking, research	0.2	2%	42%
2. First Call	Initial sales call, planning, travel, follow-up	4.0	20%	17%
3. Discovery	Sales calls, meetings, research, follow-up	25.0	80%	21%
4. Strategy	Account team and internal meetings	20.0	95%	13%
5. Proposal	Prepare and present proposal	10.0	35%	6%
6. Negotiate	Handle objections and close	5.0	80%	1%

***Time Required** - the number of hours required of sales time to successfully take one sales opportunity through this step

****Conversion Ratio** - the percentage of the total sales opportunities at this step that will successfully move forward to the following step

*****Total Sales Time** - the percentage of total time that a sales professional needs to dedicate to sales opportunities at this step of the sales process in order to maximize their results

From this example, we see that a staggering 42% of the *total* sales effort is needed for the first step of the sales process, even if it only takes 12 minutes of time for each single lead! When we conduct sales simulations and modeling sessions for clients we see similar numbers emerging, often even more dramatic than this example. Yet all this activity, critical to the overall sales equation, is largely happening “under the radar” in an unmanaged and unmeasured environment. To use another analogy, in the manufacturing process, this would be akin to placing little focus on raw materials or early stage processes and then trying to consistently turn out quality products - with whatever turns up on the line 75% of the way through the process!



If you look at the metrics in this example, you may think that your own lead generation process is different. Perhaps more than 1 in 50 (as represented by the conversion ratio of 2% at step #1) of your leads make it to first call. If that's the case, let's use a little more funnel math to model a very different lead generation process. Say, one in every five leads progresses to first call - a conversion ratio of 20%. Then consider, for leads of this quality, more research and work would be needed in step #1. To reflect this, we should increase the time required for each of these leads to two hours. Although a different set of metrics, this could well represent a real-life situation. Calculating the numbers for this new profile will show that *exactly* the same percentage of overall time needs to be dedicated to step #1, i.e. 42%.

Process and Precision – Does it apply to me?

The question that we are asked more than any other is: *does this level of process management apply to my own situation?*

Practice and experience show that a certain level of sales process does apply to every business-to-business sales organization. Working with clients, we analyze specific sales opportunities that have successfully closed and then we work backwards to see how they developed. Our clients are often amazed at the level of similarity that there is in how these sales situations developed.

Our research also shows that the closing ratios and overall cycle times largely remain in a similar range. There may always be the blue bird that really does fly in at the end of a quarter and takes only two weeks to close – but that is clearly an anomaly.

We would be the last ones to try to over-engineer a level of precision into the sales process when it is not relevant. Real life shows, however, that some basic operating metrics can be extremely useful when managing the sales process. Not generic rules-of-thumb, but numbers that actually reflect each organization's own unique sales environment.

No matter what you may be selling - from stir-sticks to Starbucks through medical appliances, to computer software - there is a series of optimal steps in the sales process, with a series of common metrics.

If this is still ruffling feathers and you believe that your sales process is radically different from these examples, I would ask you, before you cast these notions aside, to take a closer look. Our clients are often amazed to discover how many leads their sales force does churn through, how long it takes to get that first call and how many false starts there are in the sales cycle. Many sales organizations are finding that, for example, it is more the rule than the exception to have a first call with a new prospect cancelled or rescheduled. And, it isn't simply in the offices of Glengarry Glen Ross that we hear the cry for better leads!

It is also interesting to note that, in the example above, only one percent of time is actually spent on the negotiation step. This would then support an argument that it is far more effective to ensure that your selling team is equipped with good prospecting and qualifying skills rather than, say, negotiation skills. Again, a point that many business-to-business sales organizations find counter-intuitive, and frequently opposed to what they are actually investing in.



Gaining Leverage in the Sales Funnel

As sales managers we must place a greater emphasis on understanding and managing the top of the funnel. To accomplish this goal, we offer a five-step process.

1. Gain Visibility

- Get “under the covers” to see what is happening in the earlier stages of the sales process
- Where are new prospects coming from?
- What sales activities are currently being dedicated to generating new sales opportunities?
- Introduce a system to monitor and track early stage sales opportunities

2. Understand your own Sales Metrics

- How many leads are required to generate a working prospect, and then a closed order?
- How much time needs to be dedicated to the sales activity necessary to successfully move one sales opportunity through each of the steps in your own sales process?
- What percentage of time should optimally be dedicated to selling activity in each step of your own sales process?

3. Examine the System

- What is working, and what isn't?
- Where do the leads come from that are most likely to close?
- What do these “best” leads have in common?
- What do “bad” sales opportunities have in common?
- How early in the sales process can you tell if you are likely to be successful or not, and how?
- How quickly are “bad” opportunities qualified out of the funnel?

4. Establish a Baseline

- How many sales opportunities should a sales professional have at each step of the sales process?
- How long should it take to successfully move a sales opportunity through each step of the sales process?
- How much time should be dedicated to each step of the sales process to maximize results?



5. Start Managing

- At least on a monthly basis, conduct territory reviews with the emphasis placed on sales opportunities in the early stages of the sales process
- Manage and measure the activity that is, or isn't, being dedicated to the early steps of the sales process
- Discover what works and what doesn't in terms of generating good early stage sales opportunities
- Place an emphasis on, and ensure that the right amount of time is being dedicated to, sales activities in these early stages
- Gain a better understanding of what is changing, and why

Summary

Although organizations are more focused than ever on sales opportunities at latter stages of the sales process, the opportunity for increasing results lies in balancing this with an emphasis on early stage opportunities. Many organizations, and indeed sales individuals engaged in complex business-to-business selling, view these prospecting activities as somehow less important, or less desirable, than later stage activities. They are usually more focused on strategy, proposal development, and closing existing sales opportunities, than on finding new opportunities. The truth is, however, that the leverage in the sales funnel is actually to dedicate *more* time to finding good new prospects, and then work with them in the early steps of their buying process, so that you can distance yourself from the competition.

Although counter-intuitive, most sales professionals and sales managers will gain far greater impact in their overall results by shifting the focus to the beginning of the sales process than on trying to find more opportunities to *somehow* close in the short term.

If you would like to determine your own sales process metrics, Market-Partners will facilitate a ½ day confidential web-based workshop, using the proprietary eSP Sales Simulation and Modeling application. Simply contact us at salesmetrics@market-partners.com or directly on (707) 575-4712