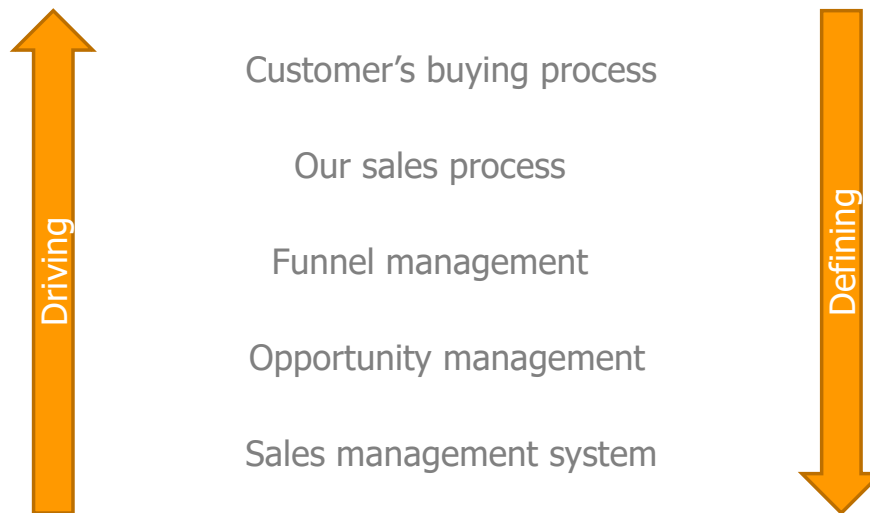23E50010

SALES FUNNEL MANAGEMENT

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SALES MANAGEMENT KEY CONCEPTS

Driving ↑

Customer's buying process

Our sales process

Funnel management

Opportunity management

Sales management system

Defining ↓

SALES MANAGEMENT KEY CONCEPTS

The sales management framework includes the following key concepts.

1. Customer's buying process
   - We need to understand the customer's buying process. Buying process is influenced by the maturity of the market (the more mature the market is, the later the buyer needs help from the seller), the complexity of the offering and the value of the solution.

2. Sales process
   - The sales process is defined to closely match and accelerate the buying process
   - The sales process definition includes the stages, internal and external sales tasks, sales tools definition to support the sales tasks, criteria for determining the stage of the sales process, and so forth

3. Opportunity management process
   - Opportunity management is the process of analyzing, deciding and acting on a sales opportunity
   - Opportunity management ensures that right information is collected, right actions taken on the right opportunities, and all this done very efficiently

4. Funnel management process
   - Funnel management is the process of managing the entire portfolio of active sales opportunities

5. Sales management system
   - Sales management system defines the different meetings (with reporting) to coach and manage individuals and the sales team

FUNNEL MANAGEMENT is about

Generating key performance indicators about the entire portfolio of sales opportunities for

- Analyzing sales efficiency (with conversion rates)
- Planning marketing and lead generation actions
- Forecasting sales

and

- Identifying opportunities needing attention

FUNNEL MANAGEMENT FRAMEWORK

Lead generation

Opportunity selection

Get missing information, build relationships, seek commitments

Information, commitments, requests

| Funnel management process | → | Opportunity management process | → | Selling process | → | Buying process |

Opportunity information

Opportunity plan

Information, relationships, commitments

SALES MANAGEMENT   **SELLER**   **BUYER**

GROUP DISCUSSION

Why and when is sales funnel management needed? Or is it?

Prepare to share your findings with the rest of the group

FUNNEL MANAGEMENT HIGHLIGHTS

|	
WHAT?	• Analyze sales efficiency (with conversion rates) • Plan marketing and lead generation actions • Forecast sales • Identify opportunities needing attention
WHY?	• Generate enough leads to feed the funnel • Direct sales and marketing activity to accelerate the funnel • Understand reasons for win/loss at different stages of the funnel • Improve overall sales efficiency • Forecast short term, medium term, long term sales
WHEN?	• When the number of active sales opportunities is large • When the duration of the sales project is long enough to allow intervention • When planning and preparing requires accurate sales forecasting
HOW?	• Compare actual sales funnel to target • Determine sales funnel SHAPE, VALUE and SPEED • Decide on actions

Funnel Management

Funnel management gives you the big picture of the situation. With the sales funnel, you can analyze the following:

1. Do we have enough opportunities going to meet our goals?
2. Are we doing enough lead generation to feed the funnel?
3. Is our funnel balanced, i.e. Do we have balanced number of opportunities at every stage of the funnel?
4. What is our short term sales result?
5. What is our long term sales result?
6. Do we have opportunities which are not moving?

Sales funnel also drives production, resource allocation by representing our best available knowledge of the future needs.

Sales Funnel
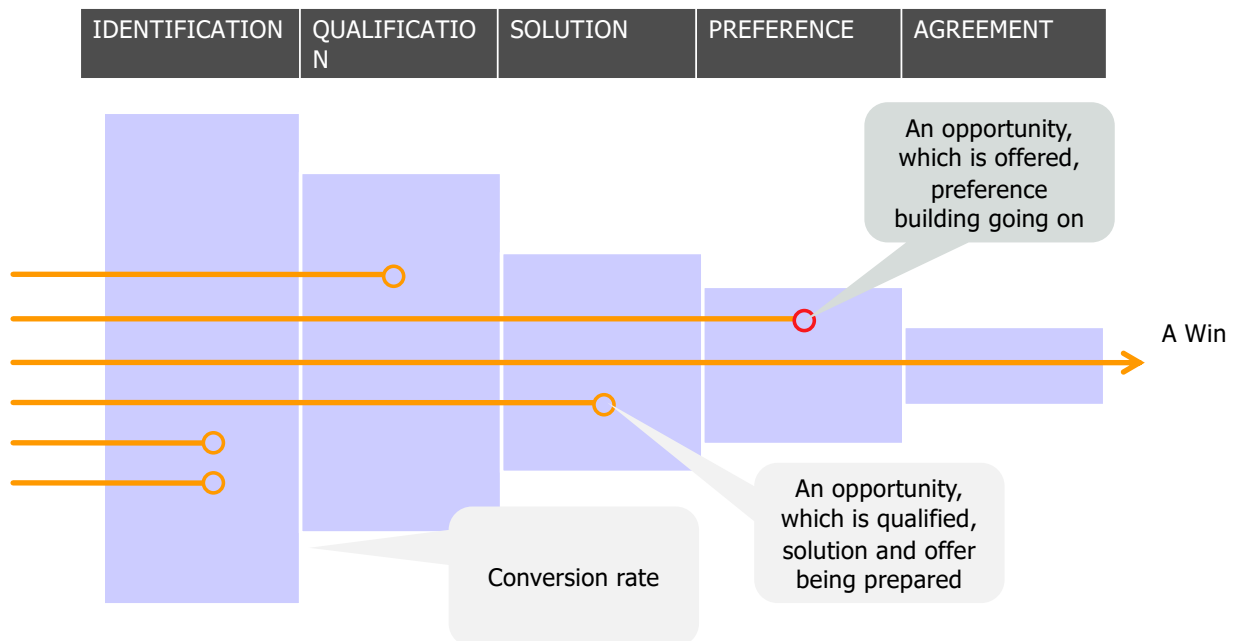
- A sales opportunity goes through five stages of development.
- The sales process is described by the activity focus, i.e. Build Solution
- The result of the sales activity is described as the sales funnel stage, i.e. Qualified Lead or Offer
- The criteria for an opportunity belonging to a given stage is described by the growing customer commitment.
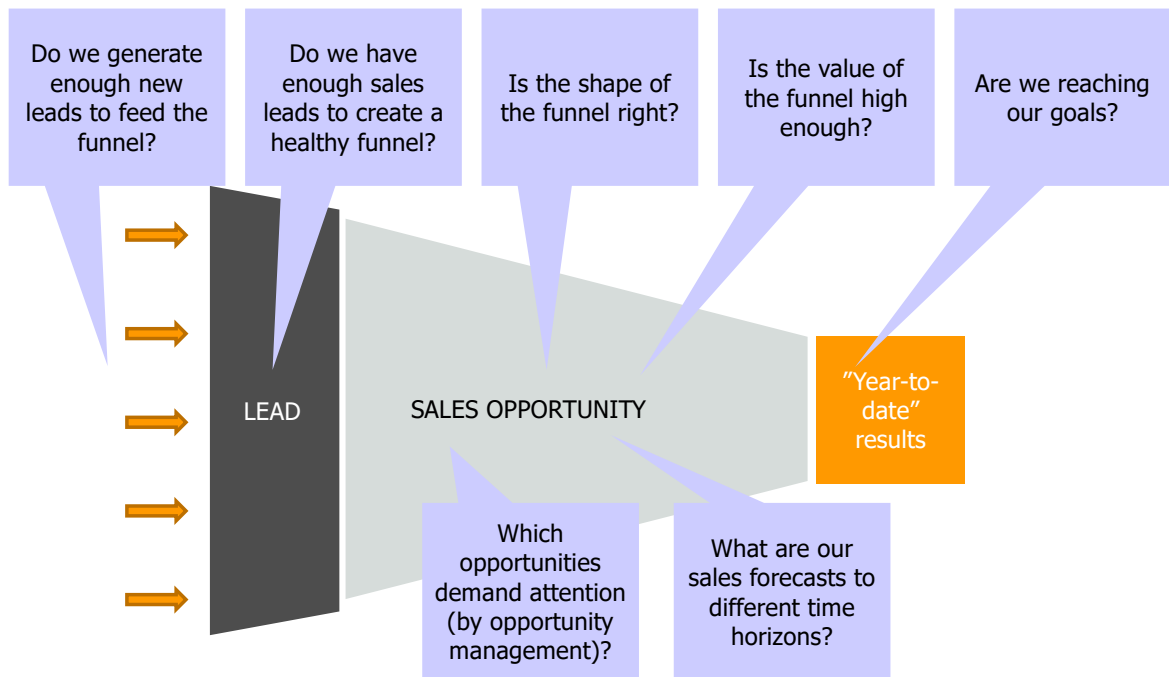
GROUP DISCUSSION

Let's discuss the following question for 5 mins:

You have a (large) number of active sales opportunities at different stages of the sales process

1. What information would you like have of this portfolio of opportunities to manage the "sales funnel"?

Prepare to share your findings with the rest of the group

These example questions outline the purpose of the funnel management.

SALES FUNNEL KEY CONCEPTS

- Sales funnel SHAPE
  - The funnel shape is determined by the "conversion %" between sales process stages
  - Low conversion % → wide funnel
  - High conversion percentages → narrow funnel
- Sales funnel VALUE
  - Sales funnel value is the sum of the sales values of all opportunities
  - Important to decide which funnel stages are included
- Sales funnel SPEED
  - For how long an opportunity stays at each funnel stage
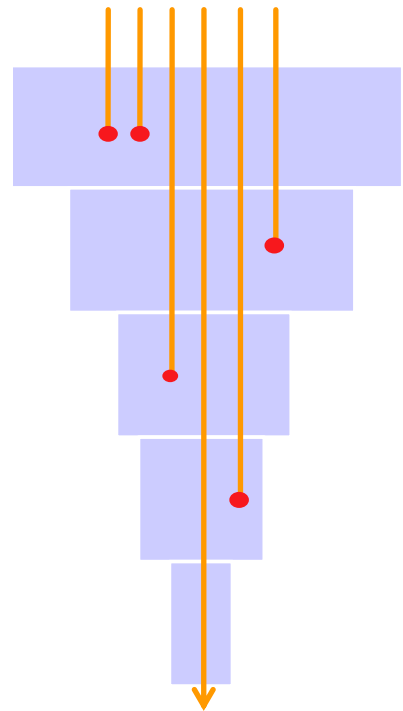
The funnel **shape** describes how effectively we are turning leads into sales. In the above example we concluded that we need five leads for one sale. Also we often track the conversion rates between the sales process stages. The conversion rate from final negotiations to won deal is called the hit rate. In the above example the hit rate would be 50%.

The funnel shape is determined by our effectivity in identifying and generating leads, our competitive position, the competition and the market conditions. Here we have three examples on different funnel shapes.

The funnel **value** is calculated as the sum of the values (order amounts) of all the active sales opportunities in the funnel.

Funnel value = sum of the order amounts of all the active opportunities in the funnel

In order to detect opportunities that are not progressing, we need to monitor the average time it takes for an opportunity to move through the funnel, from one sales stage to the next. As every opportunity is quite unique and customer's decision cycles differ a lot, the variation between opportunities is significant, but it is anyway useful to have an understanding on the expected times the opportunities remain at the different sales stages.

The funnel **speed** supports forecasting sales. If our forecasting horizon is shorter than the sales cycle length, we can use the funnel shape and the conversion rates to produce a statistical sales forecast.

GROUP DISCUSSION

- Why is wide funnel good?
- Why is narrow funnel good?
- What is an ideal funnel shape?
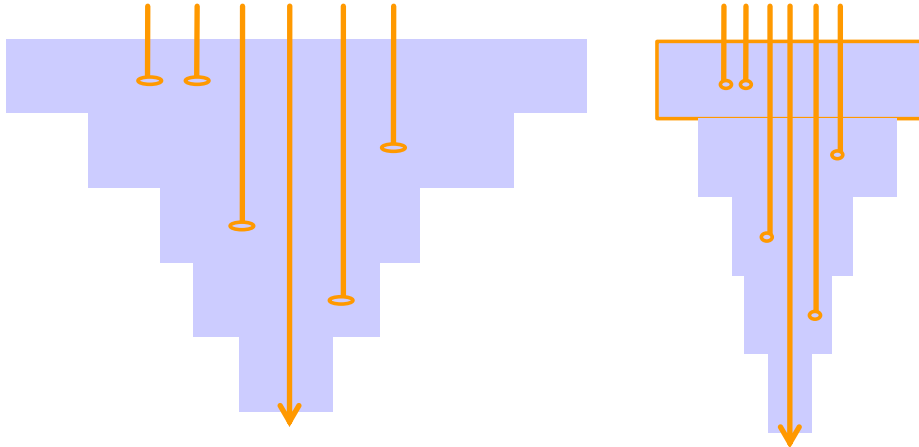
NARROW FUNNEL challenges

- Ineffective marketing activities
- Length of sales cycle unnecessarily long, high cost of sales
- Not involved in enough of the available opportunities
- Too much within "comfort zone"?
- Poor opportunity control

WIDE FUNNEL challenges

- Ineffective qualification of leads
- High cost of sales

IDEAL FUNNEL

- Cost of sales under control
- Involved in enough of the opportunities in the market place
- Effective opportunity
- management

PROBABILITY OF WINNING A SALES OPPORTUNITY

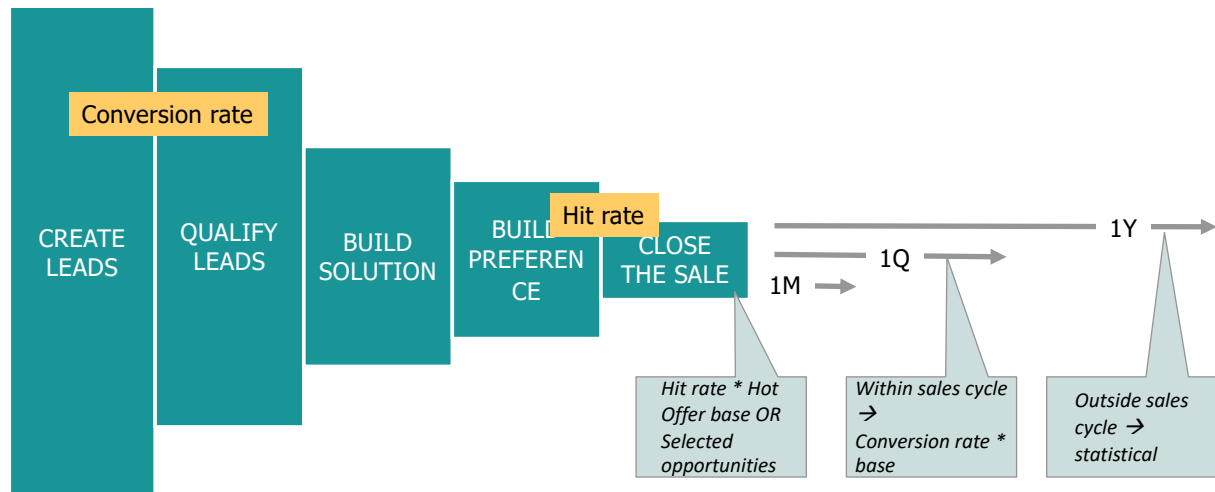|	WHY is this important?	HOW do we know?	WHAT do we do?
Where are they in their buying cycle?	• Customers are investing time, resources and money to progress their buying process • The further they in the process, the more likely they are to buy	• We need to decide, what are the "verifiable buying actions" that we would like to see happening	• We assign the PROJECT PROBABILITY depending on where they are in their buying cycle: • Assessing NEED • Defining SOLUTION • PURCHASING the solution
How likely are they buying?	• Customers buy, IF 1. Their reason to buy is strong 2. The solution is valuable 3. The decision makers are personally motivated to buy	• We have a set of test questions to evaluate the opportunity, SEE NEXT PAGE	• We INCREASE the probability, IF 1. Their NEED is compelling 2. The SOLUTION is valuable 3. DECISION MAKERS are committed (= they personally win)
How likely are they to buy from us?	• We win, IF 1. The overall solution vision is better fitting than competition 2. The solution value is higher than competition 3. The relationship to decision makers is better than competition		

SALES FUNNEL CRITERIA

What is this?	What opportunities belong here? Example criteria	Project probability	Examples of verifiable buying actions	Increase project probability, IF	Increase OUR probability, if
TARGET MARKET	• Any customer that meets our customer selection criteria	0%			
LEAD **0-5**	• We have decided to contact the customer OR • Customer has shown interest • We have a contact person	**0 – 5%**	• Inquiry		
QUALIFIED LEAD **5 – 25%**	• We have collected enough information (usually by meeting) to be convinced that the customer is likely to buy • We believe we have a solution • We have submitted a budgetary offer	**5 – 25%**	• Sales call with customer to understand the needs • Budgetary offer • Next steps agreed	• Customer has a compelling need	
OFFER **25 – 50%**	• We have contact to customer to refine the offer • We have contact to customer's decision makers • Our solution meets customer's criteria • We understand customers needs and solution criteria to say the project % > 50%	**25 – 50%**	• Offer submitted • Offer evaluation with customer • Next steps agreed	• The solution value is high	• WE has unique solution value, the overall solution is better than competition (in customer's opinion!)
HOT OFFER **50 – 75%**	• We understand customers needs and solution criteria to say the project % = 100% • OUR solution has unique value to customer AND • OUR relationship to decision makers is strong enough to convince us that OUR% > 60%	**50 – 75%**	• Offer refining with customer • Negotiation	• The decision maker's are personally motivated to buy	• OUR relationship is stronger than competitions • Buyinghistory
ORDER **90 – 100%**		**90 – 100%**	• Negotiation		

Sales Funnel

GATE 1: LEAD	GATE 2: QUALIFIED LEAD	GATE 3: OFFER	GATE 4: HOT OFFER
- In segment - Reason to buy - Contact	- Can offer - Solution value - Decision maker known	- Project % > 50 - KC % 10 - 100 - Contact to decision maker	- Project % 100 - KC % > 60 - Decision maker support

SALES FORECASTING

Conversion rate · Hit rate

CREATE LEADS · QUALIFY LEADS · BUILD SOLUTION · BUILD PREFERENCE · CLOSE THE SALE

1M · 1Q · 1Y

Hit rate * Hot Offer base OR Selected opportunities

Within sales cycle → Conversion rate * base

Outside sales cycle → statistical

Sales Funnel

- A sales opportunity goes through five stages of development.
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SALES FORECASTING CHECKLIST

	Y/N
Should the opportunity be included the forecast?	
• Is the win probability high enough?	
• Is the forecasted close date safely within the forecasting horizon?	
• Does the opportunity meet the funnel criteria?	
Challenge the Close Date	
• How strong incentive the customer has to decide within the expected close date?	
• Is the expected close date achievable from the current stage of the opportunity, i.e. is there enough time for sales process to achieve the expected close date?	
• How "hot" is the opportunity? How recently have we met the customer's decision maker? How is the sentiment?	
Challenge the likelihood of winning	
• How well does the win probability comply with the Opportunity Coaching?	
• What are our solution differentiators?	
• How strong is our relationship?	

FORECAST CHECKLIST

The forecast checklist provides the sales manager example questions to coach the sales forecast