



Taking Control of A Volatile **\$ales** Flow

Where is the funnel sweet-spot?

by

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Does your business experience fluctuations in revenues? In one period, products / services are selling fast and easy, but the next period, the sales team can't seem to give it away.

To make matters worse, these fluctuations usually are erratic, as evidenced by the countless businesses that fall short of revenue forecasts. Not many things annoy a business owner or key management more than ramping up production, promotion, marketing, et al, of a product or service, only to have those efforts not succeed.

Naturally, every sales period has some degree of precariousness. An important client could go bankrupt or a big sale could fall through because of management changes at the client company.

On the other hand, sales of a product / service could unexpectedly takeoff because of an unexpected turn of events. Plus, there can be seasonal fluctuations and several other factors, not the least of which are client budgets, consumer spending influences, discretionary income, national economy, etc. that affect the sales period.

There is yet another type of instability that many business owners and sales executives seem to think is some kind of natural law. Whether your selling period is monthly or quarterly, revenues tend to be soft at the beginning and then at the sales period end, they often rise.

This constant fall and rise can be a huge problem if a large sales order failed to materialize at the last minute (that is, near the end of the selling period), causing underperformance of sales projections.

The anxiety of dealing with that has caused many companies to be, shall we say...creative; like misrepresenting the numbers by taking anticipated sales

and booking them in the current sales period. Cooking the books is not the answer.

Nevertheless, can a business actually achieve a consistent and predictable revenue stream through better management? Contrary to the predominant opinion of many sales executives, businesses can level out the unwanted spikes in their sales periods. Doing so, however, requires an essential alteration in how they prioritize their sales administration behavior.

The Pipeline Funnel

We have all heard the typical sales process referred to as a funnel: at the bottom are the transactions that are closest to being closed; in the center are other prospective sales in transition; and the top of the funnel and above are leads that show potential but need more follow-up.

The three sections of the funnel require different management. At the bottom of the funnel, the responsible sales representatives must remove all remaining obstacles in order to close the sale, i.e. meeting with the final decision maker, approval of specific financial terms, obtaining a purchase order or authorized signature, etc. Next, in the center of the funnel, the responsible sales representatives need to do important transitional, background work, i.e. identifying anyone at the prospective customer who could possibly veto the sale, scheduling demonstrations or test product, etc.

Finally, above the funnel, assigned sales staff must screen leads, identifying which leads should or should not be pursued, i.e. analyzing the fit between the customer's needs and the company's products / services. And finally, they also need to continue prospecting to ensure a quality stream of fresh leads.

Here is the problem question. Ask any sales executive, including company owners, how to place in priority, the three sections of the funnel, and the answer is typically; the funnel should be worked from the bottom up. At first, that approach seems logical; it's what everybody else does and the way we were all taught, right? Why not focus on the preeminent opportunities first and leave the less certain for last? But this order of priority is the fundamental cause of the sales spikes.

This is the usual results from a bottom-up sales management philosophy: the sales team closes important sales and is actively moving prospective business from the center to the bottom of the funnel. This is laborious and, when pressed for time, sales representatives just don't get around to creating a sufficient amount of fresh, prospective leads.

At some point though, the entire sales team begins to realize that the funnel is beginning to empty. The results; the anxiety I mentioned above, with the usual scramble to close sales, at any cost, i.e. over promise, discounts, etc. Sorry to say, a sales team cannot magically shove a prospect from the top to the bottom of the funnel. Especially for expensive products / services, that process can take months or longer.

Consequently, the business experiences a nose-dive in sales until it is ultimately able to advance new leads down the funnel, which sooner or later results in a sales upturn. History then repeats itself, as the sales team focuses on the bottom and center of the funnel, they again disregard the imperative pursuit of quality new leads.

The business must have a continuous flow through the sales pipeline, and the best way to achieve this is to reposition the priority of the three sections of the funnel in the following manner:

✓ Bottom: [close imminent client sales]

Note that still, the highest priority is to focus on the opportunities nearest to being closed. Taking into account the investment of resources, i.e. to move a potential customer from the top to the bottom of the funnel, it would be absurd to abandon that prospective business, leaving it to be poached by the competition. Those sales also supply the best return on future resources.

✓ Above / Top: The only way to guarantee that the prospecting for a quality stream of fresh leads above the funnel gets the attention it deserves, is for executive management to insist on its priority ahead of the activity associated with prospects in the center of the pipeline.

✓ Center: [Important transitional background work required]

Embracing this sales management philosophy will be at odds with several issues. To begin with, sales people in general don't like uncertainty and prefer to work on the path of least resistance. Moreover, they are inclined to focus on short term, at the expense of the long term. Compensation for working outside the pipeline funnel characteristically feels too far off. Finally, the fact of the matter is that sales people do not like the tough and sometimes thankless assignment of prospecting.

There may be only two types of salespeople: those who admit they don't like pounding the pavement, and those that say they do, but are in denial. Offer anyone two alternatives, working the center or *above* the pipeline funnel and they will always choose the center. Why? It is painless and more comfortable to take an existing client out to dinner, discussing imminent

business, compared to speculation on new prospects with the risk of multiple rejections.

So how do business owners guarantee that prospecting above the funnel is accomplished consistently? The answer is simple: properly develop sales operational policies and procedures that require work /time / production above the pipeline funnel, and then provide necessary training, implementation and mentoring.

Do not ignore the fact that no sales team can afford to neglect working the funnel's center either. Prospects or prospective sales in the center must still be administered to the bottom in order to eventually close those sales.

Be careful, one way or another, sales people somehow find time to work on customers in the center, even though working above the pipeline funnel is mandatory. Also, sales people always seem to be too busy to work at searching for and qualifying leads above the funnel, if not unconditionally required to do so.

Please don't interpret my statements as thinking less of sales people. After over 30 years as an employer and over 15 years of working with client companies in multiple industries across the country, I have learned the reality of business problems is due more to the weakness of executive management's know-how.

Telling the sales team how to manage their individual funnel is one thing, but getting them to do so can be another matter.

Pipeline and Funnel Management

First, salespeople must frequently track and document the status of their individual funnel and pipeline. In any given week, salespeople will allocate time differently, depending on the status of their deals in the pipeline and funnel. For example, one salesperson might devote 60% of his time at the bottom of his funnel, 10% in the center and 30% above. Yet another salesperson might have a completely different split. Neither is inherently right or wrong, in fact, the two salespeople might have an entirely different split for the next week as well.

It is important to keep in mind that the desired priority, i.e. working the pipeline and funnel from bottom, *above* and then center, is the goal.

Now, sales management can expose a number of problems by tracking and documenting the combined funnel of the entire sales team. An analysis may reveal a lack of progress through the pipeline, which suggests that the sales staff might be mistakenly categorizing prospects, i.e. believing potential

business is in the center of the funnel when that prospect is actually above. Or, if too small a number of prospects are making it into the pipeline, the company might have a problem properly utilizing preliminary data to forecast a fit between its products / services and the prospect's needs.

The company should likely take into consideration, dedicating more resources to above-the-funnel processes.

Formalizing and implementing funnel and pipeline management, I acknowledge is easier said than done for most sales managers. Salespeople can assert that they are already too busy to spend time tracking, categorizing and documenting their processes and customer status; except that just such a disciplined process is imperative, in particular when a properly led and as expected 'profitable business' must have a predictable sales period.

Case History

Consider a client of mine, an aerospace parts company that manufactures the products; sorry to say their sales forecasts as compared to actual sales has been all over the map, with an average forecast accuracy of 35%. In working with the owner and the client's Vice President of Business Development, I implemented as part of our 'Scope of Work', a program to coach the staff working in sales, marketing and customer service, the essentials of funnel and pipeline management.

First, criteria for defining and categorizing customer prospective business was, clearly outlined, and must be used prior to a prospect even being considered "in the funnel".

Next, funnel and pipeline appraisals were conducted every week. Within three months, the accuracy of the sales forecast had improved to 60%. With our other work, in due course beat 75%.

The new funnel / pipeline management procedures have saved our client tens of thousands of dollars a year, since now the manufacturing staff has better control of future production.

Application

If you would like to improve your company's attention to prospective customer processes above the funnel, a number of policies can aid in accomplishing that goal, i.e. every time a sales person closes a sale, they must prospect for or qualify another opportunity.

Many big ticket retailers (as well as other industries) teach their sales team to inquire about additional business immediately after making a sale. An opportune time to prospect for new or additional business is when a customer has just made a purchase. At that time, the buyer is feeling positive about the decision they have just made.

Another process is to devote a predetermined amount of time for specified prospecting above the funnel, i.e. reserve the first 15 minutes of each day for prospecting and qualifying leads, or make 5 daily attempts to generate and / or qualify a lead.

Within most businesses, the same salesperson follows a customer prospect from above the funnel until the sale is closed, supplying an uninterrupted relationship with the customer. Other businesses have different teams established exclusively for above-the-funnel processes. That activity is even occasionally outsourced, i.e. telemarketing, which acquires leads that the sales team then pursues. This is popular in the business-to-consumer sphere, and is gaining acceptance in business-to-business sales.

A business might consider isolating the sales team into those who focus on above the funnel and those who work on the bottom pipeline and center of the funnel.

For instance, compensation could be set up to reward the number of 'quality' leads brought in to above the funnel, which could be defined as a potential deal that has more than a 90% probability. Such statistics could be analyzed and determined without difficulty. Those working on the bottom and center could be rewarded in the standard fashion, i.e. commission on actual sales.

These sample policies have two key features; 1) to ensure the processes above the funnel are not ignored, and 2) freeing sales professionals to work on what they do best.

Despite the fact that revenues or cash-in flows are the means of support of any business, many owners and other executives are uninformed of the many facets of the sales processes. Some believe that landing a big sale is more chance, and only little discipline and expertise.

The truth is, the sales process is definable and repeatable, and it can be analyzed, planned and managed. Those who believe otherwise will continue to experience volatile spikes and downturns of the sales forecast versus sales actual.