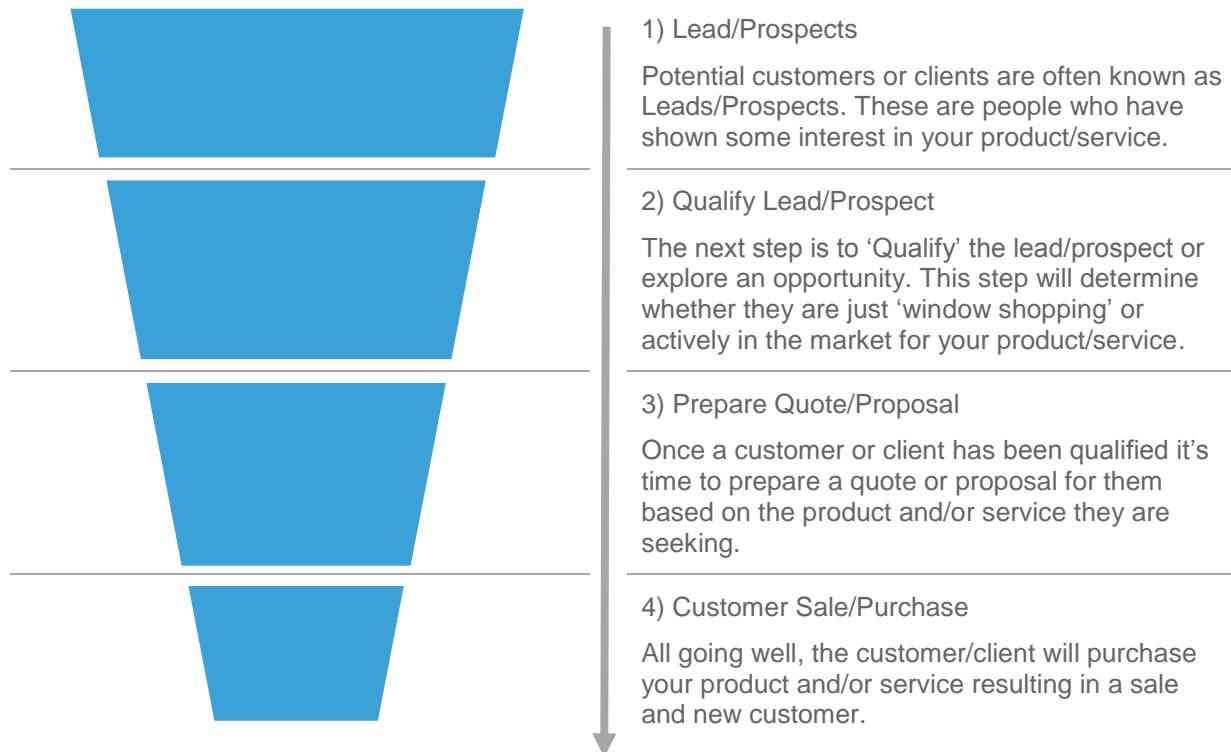


What is a ‘Marketing and Sales Funnel’?

A Marketing and Sales Funnel (MSF) is a visual representation of the steps required to sell products and/or services. The steps and terminology may vary slightly from industry to industry or within different work places, but the end goal is all the same – to get more business. To have a successful marketing and sales funnel it should be regularly measured and managed.



How do you measure using a Marketing and Sales Funnel?

There are four key metrics that measure the health of a funnel. These are:

- 1. The number of opportunities (#)** – this is the number of leads that have been qualified. You should also know the rate at which you are acquiring the opportunities.
- 2. Total possible dollar value (\$)** – this is for every deal in the funnel
- 3. Average time to process lead/prospect (days)** – what is the average time it takes to get a lead/prospect through to the purchase stage
- 4. Average percentage of sale conversions (%)** – what is the average percentage of successful sales or win rate

Some marketing and sales managers mistakenly believe that loading the top of their funnel with more leads will result in more sales. The true key to more sales is to load the top of the funnel with qualified leads and to nurture them carefully through the sales process.

$$\text{More deals} + \text{Bigger deals} + \text{Higher conversion} + \text{Less time} = \text{Bigger revenue \& profit}$$

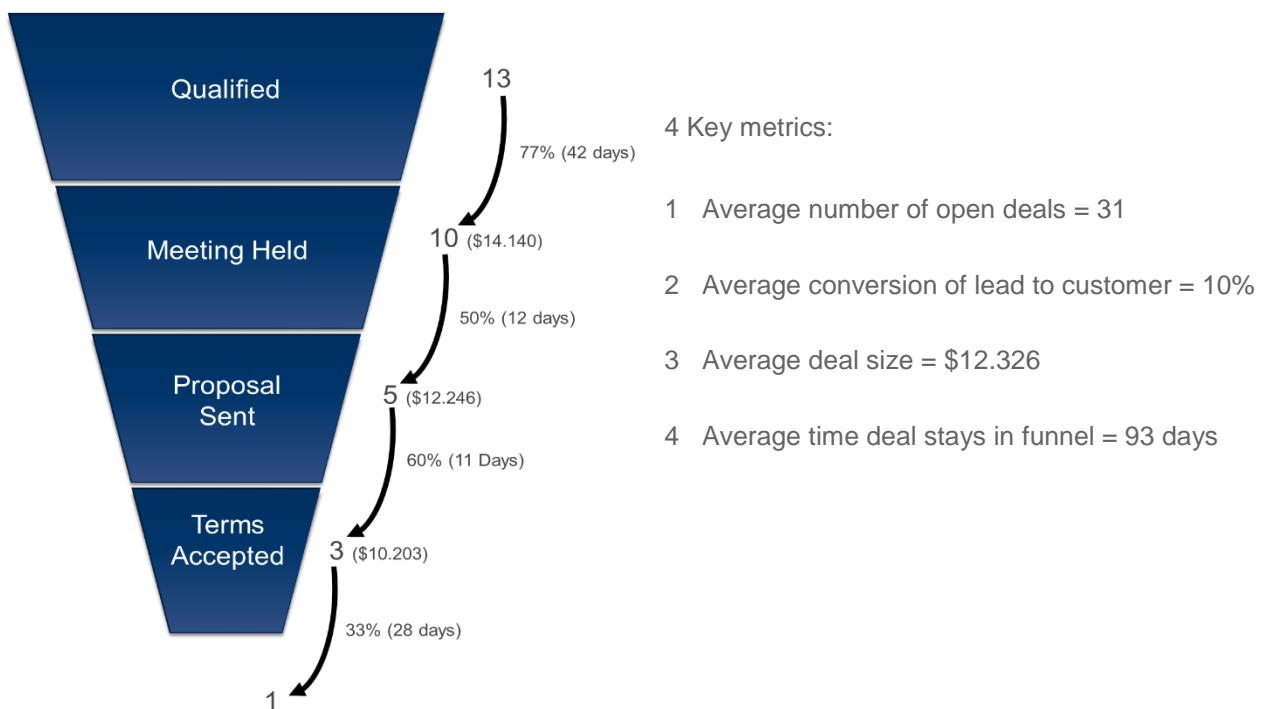
How do you effectively manage a Marketing and Sales Funnel?

Begin by determining the relevant funnel stages and metrics for your organisation. A funnel with three or four stages is usually a good place to start. This provides a beneficial standard measurement for ongoing results and upcoming trends. It is good practice to undertake this exercise at a minimum once per year.

The funnel below is for a Business-to-Business organisation that is selling consulting services, and usually meets with a prospect to understand their needs in detail before preparing a tailored proposal specifically for that prospect.

If the organisation collects enough relevant information via a web site form it may be possible have a 3-stage funnel.

Example: Business-to-Business Consulting Firm



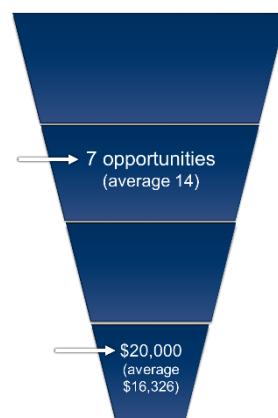
What can be measured can also be managed

If an organisation currently has only 7 opportunities in its first stage (when the average is 14), the company's sales manager knows that they must quickly obtain an additional 7 new opportunities in order to meet the numbers they have previously met.

Conversely, if the sales in their funnel reveals that the average amount of their existing deals is \$20,000 (up from \$16,326), this is a positive sign.

By looking at the business-to-business example on this previous page, you can identify additional objectives that can help this team improve sales. For example:

- Try to get deals faster from the first stage to second stage
- Put more prospects into the sales funnel, perhaps by increasing marketing activity or sales people
- Navigate more leads from 2nd to the 3rd to the 4th stage, because the team is losing 6 out of 9 opportunities between these stages.



Case Study: Business ABC

Business ABC provides HR Consulting Services to organisations that operate in the Not for Profit sector. These services include recruitment of new staff, leadership skill assessment and training in people leadership skills.

Over a typical month they send out 1,000 direct emails or letters to individual organisations.

Of the 1,000 emails, approximately 50 organisations respond by completing an online form or by telephoning the office to request a complimentary Leadership Skills Needs Analysis.

The Sales Consultant then calls these 50 and conducts the Needs Analysis over the phone.

At the completion of the call they invite the prospect to also receive a proposal based on the Needs Analysis.

Of the 50, 15 request a proposal to conduct a Leadership Skills workshop for their managers.

Of the 15, 8 decide to buy and they book a one day workshop. The fees for a workshop are \$5,000. This results in the Marketing and Sales activity generating \$40,000 of total sales.



Measuring this funnel

The following examples will show you how to calculate the conversion rates between each stage.

Stage 1	Send offers
Stage 2	Qualify respondents (conduct Needs Analysis and invite to receive a proposal)
Stage 3	Prepare proposals
Stage 4	Close the sale/confirm the order

It is very important to understand the conversion rates between the stages, and also between Stage 1 and Stage 4. What are the conversion rates between each stage? (This is usually expressed as a percentage figure). Example: Between the 4 stages

Stage 1	1000 offers made
Stage 2	50 request for more information. $50 \div 1000 = 5\%$
Stage 3	15 proposals are produced. $15 \div 50 = 30.3\%$
Stage 4	8 sales are confirmed. $8 \div 15 = 53.3\%$

Each workshop costs a client \$5,000 therefore \$40,000 in sales revenue has been generated (8 sales x \$5,000)

Managing this funnel

Assuming that nothing changes in the way the offer is pitched or the price of the proposal doesn't change, below are some examples of how we can increase the confirmed sales from 8 to 12.

Stage 1 – the sales team could increase offers sent from 1,000 to 1,500

Stage 2 – with 1,500 offers made, 75 would request more information

Stage 3 – with 1,500 offers made and 75 requesting more information, they would have 23 proposals produced

Stage 4 – with 1,000 offers made, 75 requesting more information and 23 proposals produced, they would end up with 12 sales.

To achieve the 50% increase in sales without using dramatically more resources and time, the method chosen needs to be seriously considered, i.e. devote more resources to each stage (or combinations of stages), change the pitch, change the way the needs analysis is conducted or provide a better explanation of the benefits to the prospective client.

Examples of how resources may be impacted on the stages:

- If it took 5 mins per offer made to pack an envelope or send an email, 1,000 offers would take 83.3 hours to complete ($1,000 \times 5\text{mins} \div 60\text{min} = 5,000 \div 60 = 83.3\text{hours}$)
- If this was increased to 1500 emails or direct mail it would take a total of 125 hours to complete this process. This is an increase of 41.7 extra hours ($125 - 83.3 = 41.7$)
- If the benefits of the offer were made to sound more attractive – the requests may climb to 75 (1,000 calls, emails or direct mail). This could be achieved with fewer resources than stage 1.
- This should then result in 23 proposals being produced equating to 12 sales with the only resources being expended being the production of 7.5 extra proposals.

The importance of the % changes between each stage gives the salesperson an idea of which area(s) to concentrate on in the most effective fashion.

Your sales funnel

Create a Personal Marketing and Sales Funnel with no more than 4 Stages for one of your sales people, using actual or estimated numbers to calculate the conversion rates.

Stage	1	Stage name		No. of activities	
Stage	2	Stage name		No. of activities	
Stage	3	Stage name		No. of activities	
Stage	4	Stage name		No. of activities	

Using the diagram below create a visual representation of the funnel including stages, activity numbers and conversion rates:

