

# Managing the Sales Funnel



*OR...*

*Avoiding the  
Sales Drought*



**Brian Jeffrey**

Have you ever wondered how to determine the size of your prospecting pipeline? Do you know that the minimum value of the opportunities flowing through your sales funnel needs to be if you're going to make quota? Here's how to figure it out.

Enjoy the read.



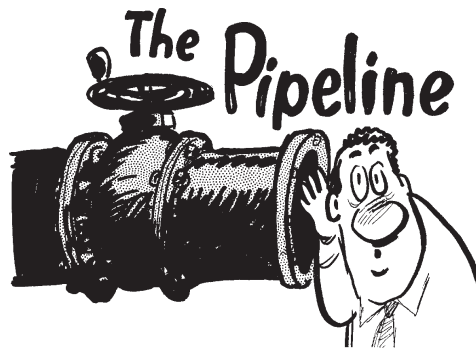
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# Managing the Sales Funnel

*by Brian Jeffrey*



Remember the old saying, "If you build a better mousetrap the world will beat a path to your door?" Well, it's not true! It doesn't matter how great your mousetrap is, if you don't get out and sell it, you'll end up with a warehouse full of mousetraps and no money in the bank.

One of the traps that many companies often fall into is thinking that because they obviously have a superior offering, customers don't need to be sold and should be beating a path to their doors. It's not good enough for us to simply have, what we consider, the better mousetrap. We must be prepared to proactively bring our ideas and products to the marketplace and to do that we must sell, not just wait for someone to buy.

## **Selling vs Buying**

If you walk into an automotive store and select a set of tires for your vehicle, and the salesperson gets them for you and completes the transaction (takes your money!), that's not selling, that's buying.

On the other hand, if the salesperson asks you why you selected these particular tires, takes the time to find out more about the type of driving you do, and then recommends a better value tire, that's selling, not buying.

If someone contacts you and asks for assistance with a particular challenge and ultimately becomes a customer, that's a buy and no selling is usually required, particularly if the caller was referred by someone you know. If that same person contacts you out of the blue and inquires about your products or services, a sales job lies ahead, particularly if the person currently uses a competitor's services.

### Marketing vs Selling

Many people confuse the terms "marketing" and "selling." Sometimes the confusion is based on a lack of understanding of the two functions and sometimes the confusion is deliberate. Here's a pair of definitions to set the record straight.

Marketing is the *indirect* process of creating awareness and/or interest.

Selling is the *direct* process of turning awareness or interest into revenue.

Typical marketing activities might be:

- Mailing out brochures and flyers
- Attending association meetings
- Maintaining a web presence
- Attending golf games
- Sponsoring events
- Holding seminars
- General schmoozing

Typical sales activities might be:

- Setting up an appointment to discuss a potential customer's (prospect's) needs

- Helping a prospect define his wants and needs
- Making a presentation to a prospect
- Exploring new opportunities with existing customers
- Signing up a new customer

## PROSPECTING FOR DOLLARS

Understanding how to sell isn't enough. In order to sell, you must have someone to sell to. That's where prospecting becomes important. If you're like most salespeople and are expected to seek out and find your own market, prospecting is the lifeblood of your long-term success. Without a continuing flow of good prospects, you'll soon dry up and die.

A salesperson with no prospects is like being all dressed up with no place to go.

A good prospect is someone who:

- needs what you sell,
- can afford it,
- and has the authority to buy.

### Definition of Prospecting

The continuous search for individuals or organizations who may need or want your products.

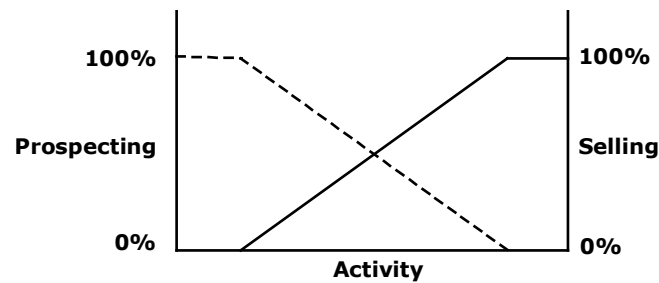
### How to "Find" Prospects

- Know what you're selling.
- Know who buys it.
- Locate sources of suspects.
- Maintain an active prospect list.
- Have a prospecting plan.

## Prospecting vs Selling

As salespeople, you should spend 100 percent of your time doing just two things — selling to prospects and finding prospects to sell to. These are probably the only activities that make money for your organization and yourself.

If you spend 100 percent of your time selling, you'll be spending 0 percent of your time prospecting, and if you're spending 100 percent of your time prospecting, you'll be spending 0 percent of your time selling.



A nice balance would probably be 75 percent of your time selling and 25 percent of your time prospecting. However in slow times this ratio will be reversed. You'll find yourself spending more time prospecting simply because you don't have as many people to sell to.

This 75/25 ratio is an ideal situation that will never happen. Unfortunately there are just too many other things that occur in a salesperson's daily life that takes time away from what you should really be doing.

On average, if you can get two to three hours a day doing what you're supposed to do—selling or prospecting—you'd be lucky. Whether you're stuck in traffic, stuck in a sales meeting, stuck in a training workshop, or whatever, it's all time taken away from your primary functions—selling and prospecting.

Surprising as it is, survey after survey, in both the U.S. and Canada, confirm that most salespeople only get two to three hours to sell, on the average, in any given business day.

This is just one more reason why knowing how to prospect and doing it properly and effectively is critical to your long-term success in sales.

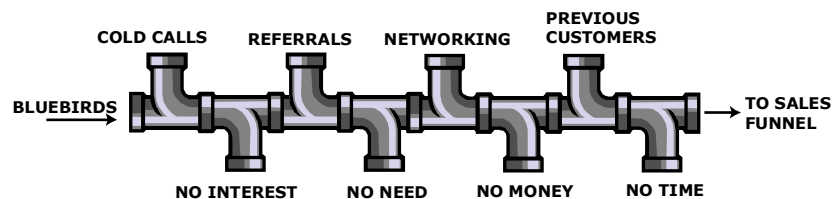
## UNDERSTANDING THE PROSPECTING PIPELINE

Not every prospect you talk to becomes a customer. In some types of selling, perhaps one in 10 prospects will turn into a customer. In other types, it might be one in 200. You need to know what it is for your particular type of selling.

Unfortunately, all prospecting pipelines are leaky and everything you put into the front end doesn't fall out the other end as a sale. You need to know how big a pipeline is required to survive, where the leaks are, and how to plug them.

### Prospecting Pipeline Ins and Outs

From the pool of available prospecting sources, you need to identify suspects, qualified suspects, prospects, and qualified prospects before you tackle the Sales Funnel.



### Calculating Pipeline Size

The size of your prospecting pipeline will depend upon the income you want or quota you must attain, your close ratio, value of a typical sale, the magnitude of your pipeline leaks, and a few other unknowns. Here's a simplified method for calculating the size of your pipeline:

- (1) Your sales quota  $\div$  Average sales value  
= Number of sales required to make quota
- (2) Number of required sales  $\div$  Close ratio  
= Number of qualified prospects
- (3) Number qualified prospects  $\div$  Conversion rate  
= Number of suspects

In the example below, the salesperson has a \$1 million quota, an average sale is \$10,000, his close ratio is 40 percent, and he converts every two suspects into a prospect (conversion rate).

$$\begin{aligned} \$1,000,000 \div 10,000 &= 100 \text{ sales} \\ 100 \div 0.4 &= 250 \text{ prospects} \\ 250 \div 0.5 &= 500 \text{ suspects} \end{aligned}$$

In our example, the salesperson has to have at least 10 suspects flowing into his pipeline every week if he is to reach his target. In actual fact, he will need more than 10 a week (see illustration on next page).

The sales exercise can be done using desired income in place of a sales quota and average sales commission in place of average sales value.

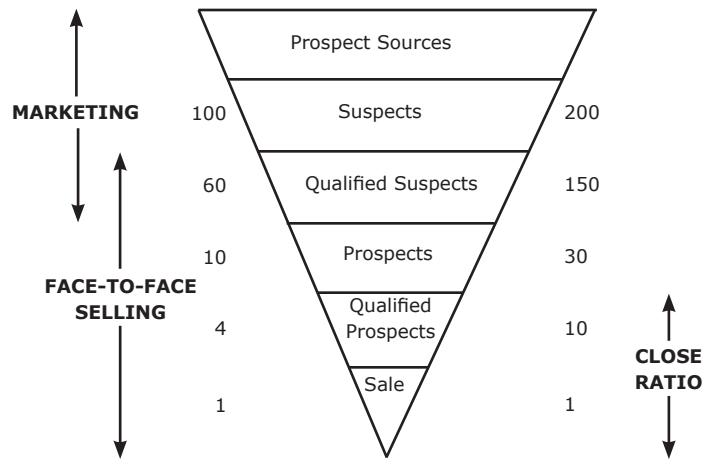
The formula isn't perfect or precise but it will give you a better idea of how many suspects you will need to find if you are to achieve your income goals.

### **Have a Prospecting Plan or Strategy**

Once you've determined the number of suspects you need a year, the natural tendency is to divide the number by 52 weeks. That would work if you could prospect all 52 weeks of the year. Two or three weeks of the year will be spent vacationing, and several more will be lost to meetings, crises, and the general evaporation of time that normally occurs in business. In actual fact, you probably only have 35 to 40 weeks in which to focus your prospecting activities.



In our earlier example of the salesperson who calculated he would need about 500 new suspects a year, he should be looking for 12 to 15 per week, not 10.



## THE SALES FUNNEL

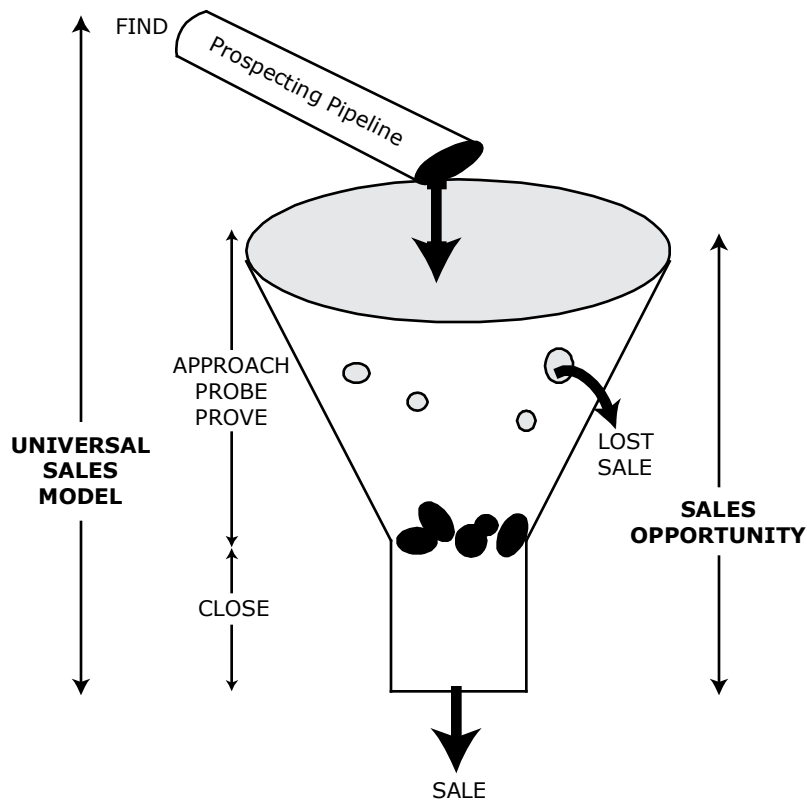
The sales funnel is just like a funnel you might use to pour liquid from one container into another. If you stop pouring the liquid into the top part of the funnel, fluid stops coming out the bottom. If you try to pour too much liquid in at one time, the funnel overflows and you lose some of it. You'll also lose liquid if the funnel has leaks. If you have some blockages in your funnel, the flow may stop or back up causing an overflow situation again.

So how does this work for sales? Simple. If you stop putting potential sales opportunities into the top part of the funnel, closed sales stop coming out the bottom. If you try to put too many sales opportunities in at one time, the sales funnel overflows and you lose some potential sales.

This can happen after a trade show or successful advertising campaign where you simply have too many leads to follow up in a timely manner. You'll also lose sales if the sales funnel has leaks. Leaks are simply lost sales that probably weren't going to happen in the first place.

A blockage in your sales funnel could be something as simple as the inability to get a proposal out in a timely manner, the inability to deliver on a specific date, or indecision on the part of someone in the company.

It would be nice if every sales opportunity you put into the top of the sales funnel poured out the bottom as a closed sale. The percentage of sales opportunities that actually end up closed is called your "closing ratio." A 25 percent closing ratio means that you get (close) one out of every four sales you start.



## Unclogging Your Sales Funnel

A lot of salespeople feel they are doing their job if they keep their sales funnel full to capacity. Not true. The job of a sales professional is to not just keep the sales funnel full, but to keep it full of “real” opportunities and not “wished/hoped” for sales.

Overly optimistic salespeople will dump almost any potential opportunity into their sales funnel just as long as the prospect is breathing. Just because someone is breathing doesn't mean they're a live prospect, it just means they're alive period! Unfortunately, your sales funnel can get clogged up with too many non, or poor, opportunities and you spend time spinning your sales wheels instead of focussing on business that you can close in a timely manner.

One way to minimize the sludge is to make sure that it doesn't get into the funnel in the first place. It's important to properly qualify the opportunity early in the sales process. Sharp salespeople not only take the time to properly qualify opportunities but they take pains to *disqualify* those opportunities that can result in wasting their valuable selling time.

## Separating the Wheat from the Chaff

Even the most efficient salespeople will find their sales funnel getting filled with sales sludge from time to time. You need to review what's in the funnel and take the time to separate the good opportunities from the bad and clean it up so the funnel is flowing effectively again.

How often you decide to clean out your funnel will depend upon how many new or potential opportunities are added each month. As a minimum, you should probably be cleaning up your funnel once a quarter, or even monthly, if you're doing the type of selling that generates a lot of potential opportunities.

## Sludge Cleaner

Outlined below is a relatively simple tool that will help you decide whether an opportunity is worth keeping in the funnel or not, and if it

is worth keeping, what priority you should assign to it. This method allows you to quickly assign a percent chance of closing the sale to each of your opportunities. Once you've assigned a percent chance of getting the sale to your opportunities, you then rank them in order to determine which opportunities you should be working on and which one you should let die a natural death.

All you need to do is look at each of your opportunities and check off the questions in four categories – price information, degree of urgency, funds approval, and competitive edge.

**Price Information**

- 10% Prospect has written quote or price information
- 5% Prospect has verbal quote or informal pricing information
- 0% Not quoted as yet

**Degree of Urgency**

- 30% High degree of urgency. Prospect *must* buy something now.
- 20% Medium degree of urgency. Prospect *should* buy something now.
- 10% Some degree of urgency. Prospect *may* decide to buy now.
- 0% No or low degree of urgency. Prospect *doesn't need* to buy now.

**Funds Approval**

- 30% Opportunity funded to or above our price.
- 20% High probability of funds approval.
- 10% Good probability of obtaining funds.
- 0% Funds not yet available and/or approved.

**Competitive Edge**

- 20% Sole source, no other competitors being considered.
- 10% Good rapport, preferred or favoured vendor.
- 5% Competitors still being seriously considered. Who and why?
- 0% Sale possible only with difficulty. Why?

You'll note that, at best, you can only have a 90 percent chance of getting the business. That's because you don't consider a sale 100 percent until the product/service has been delivered, installed, completed, paid for, etc., and you've done a follow-up to ensure the customer is satisfied.



After setting your sales priorities, first work on the opportunities that have the greatest chance of closing, regardless of the value of the opportunity.

Of course this system isn't a one-size-fits-all solution to the problem of sludge removal but it can be changed and modified to fit most sales situations. Take the time to make it fit yours and keep the sales moving.

### Monitoring Your Sales Funnel

Monitor your sales funnel monthly.

There is no magic number as to how many opportunities should be in your sales funnel at any given time but here are a few guidelines.

If your sales are generally of fairly high value, you'll have less opportunities than if the value is low (surprise!).

If you have a lot of internal mouths to feed, you need more opportunities in the funnel than if you only have a few staff (another surprise).

### Calculating Your Sales Funnel Flow Rate

Here's a more specific guideline for you. Let's assume that a salesperson is expected to bring in \$100,000 a month in sales and he has a proven forecasting accuracy of 80 percent. In other words, on average, he usually gets within 80 percent of his monthly quota. In this case, the sales funnel should have at least \$125,000 ( $\$100,000 \div 80\%$ ) worth of opportunities that are supposed to close in the current month.

So, if at the start of the month, this salesperson doesn't have at least \$100,000 to \$125,000 worth of opportunities that he hopes will close this

month, he won't make his quota unless he is incredibly lucky.

In this particular case, the sales funnel flow rate is \$125,000 per month.

### **Feeding the Funnel**

Just like your regular funnel can't go out and find liquids to pour into its top end, the sales funnel can't actively find potential opportunities. That's your job. It's called prospecting. And part of your job, particularly in slower times, is to keep a flow of potential opportunities flowing down through your prospecting pipeline and into the sales funnel.

Developing your prospecting pipelines is important to your long-term survival in sales. If you just wait around for the company to supply you leads, chances are you'll slowly starve to death, in a metaphorical sense. Surprised? You shouldn't be. Experience shows that the best salespeople are also the best prospectors.

## **TYPICAL PIPELINES**

It's not a good idea to just rely on one source of prospects — your company, for example. You need to develop your own. Some typical pipelines are networking (if done properly), associations, mailing lists, trade journals, old customers, existing customers, competitors (yes, competitors), and the Internet. These are just a few of the prospecting pipelines that the professional salesperson should be aware of. In fact we're going to tell you about twenty-five sources of prospects.

### **Sources of Prospects**

When searching for prospects, don't overlook the obvious. Sometimes you don't have to dig deep; you just have to look. Here are some common — but often overlooked — sources of prospects.

## *Publications*

### **Yellow Pages.**

Ideal for business-to-business-type sales leads. If you know what type of businesses use your product, here's an alphabetical listing of potential prospects.

### **Trade Journals.**

Many professions, trades, industries, etc., produce their own trade journals, newsletters, etc., all of which not only help you become more knowledgeable of the field but can also be a good source of sales leads.

### **Government Directories.**

All levels of government produce phone directories, departmental listings and other material that can be used for prospecting. Government records such as new business registrations, deeds, marriages, etc., are other sources that may be of value depending upon what you are selling.

### **Newspapers and Magazines.**

Articles and advertisements may provide leads or ideas. The advertisements also give you an indication of what the readers (and your prospects) are looking for.

### **Mailing Lists.**

These can be particularly useful if you can find one appropriate to your market. They can be purchased from a number of list firms such as B.F. Hunter, Info USA, and Dun & Bradstreet. If there is a particular magazine that is appropriate to your marketplace, you might see if you can buy or rent the subscriber list.

Some associations such as local boards of trade offer their membership lists for sale as well. Here's a hint for you. Start at the bottom of the list and work up. The people at the top, whose names start with A, B, C, etc, have already received too many calls while people near the bottom, those whose names start with T, U, V, etc, never get called.

**Trade Directories.**

Two of the more popular and useable ones are Fraser's and Scott's. Check them out at your local library to see if they might be suitable sources of prospects for you.

***Person-to-Person Prospecting*****Networking.**

There are a number of formal networking associations, such as breakfast clubs, whose prime purpose is to provide members with the opportunity to network with others who may be able to provide leads.

**Associations.**

Informal networking works well also. Go where your prospects go and join the associations they join. Find opportunities to mingle amongst people who can use your product. Chambers of Commerce, service clubs, charitable organizations, social clubs, even political parties all offer an informal forum to network in.

Sharp prospectors not only belong to the associations their prospects belong to, they take an active role in the association by becoming part of the association executive or offering to help on a committee.



**Trade Associations.**

Most industries have trade associations. Do more than just join. Get involved. Become president of the local chapter if you can. Raise your profile by being of value to your industry. That way you'll have prospects looking for you instead of you looking for them.

**Current Customers.**

If customers are content with the service you've been providing, they will be disposed to giving you referrals. Just ask!

**Past Customers.**

Search through your company's old sales records and make a list of all dormant or inactive accounts. Call to see if there's a way you can re-establish a business relationship with them.

**Suspects and Prospects.**

When someone says "no" to your proposition, ask him if he knows of anyone who might be interested in what you have. It can't hurt to ask.

**Other Employees.**

Sometimes the best source of leads is right under your nose. Ask around, you might be surprised.

**Other Salespeople.**

Non-competing salespeople may have ideas you haven't thought of. Offer to share ideas with others. They may see some obvious sources you've overlooked.

**Competitors.**

Strike up a mutually beneficial alliance with a competitor. Can you help each other without clashing in the marketplace. If so, do it.

**Suppliers.**

The people who supply you with the products you sell know what type of consumer buys them. Ask suppliers for ideas to help you sell even more of their products.

**Community Sports Organizations.**

A lot of business comes from people knowing people who know people. One really good way of getting to know these people is to get involved in your local sports organizations either as a participant or as a supporter. Whether you're taking your children, playing on a team yourself, or officiating a sport, you can make casual contacts that may blossom into business relationships.

This is a great way to combine your personal interests and business together. When you get involved with these organizations, subtly let people know who you are and what you do. Don't push. If they like you, they'll seek you out when they need you.

***Other Prospecting Sources*****Internet.**

More and more companies are putting web pages on the Internet. These web pages can be a wealth of pre-approach information. Search engines like Google can uncover an incredible pile of possible leads, almost too much.

**Trade Shows.**

Don't just talk with visitors to your booth. Talk with other exhibitors too. Don't attend trade shows as a visitor expecting to prospect the exhibitors. They're there to sell, not to be sold to, and handing them your business card is a sure way to annoy them.

**Libraries.**

While somewhat supplanted by the Internet, your local library can be an excellent source of leads. Use the Standard Industrial Classification, more commonly known as the SIC code to identify companies in the types of industries you work with. That should give you a long list of potential companies to call upon. Ask the people at the reference desk for assistance. They can be extremely helpful.

**Become an Expert.**

When you know more about your product than other people, you're an "expert." Read and study your field. Consider writing brief articles for trade journals or other applicable publications.

**Give Talks or Presentations.**

If you're good on your feet, consider giving short, informative talks to interested groups at their breakfast, luncheon or dinner meetings. Be careful your presentation doesn't come across as a sales pitch.

**Hold Seminars.**

Give or sponsor "free" seminars in your field. Be sure they have high-value content and low sales pitch. Always have additional information you can send to the participants if they give you a business card.

**Produce a Newsletter.**

It doesn't have to be fancy. A simple one-pager can get you a lot of mileage if you make sure the content is of value to the reader. Build up your own mailing list.

**Company-supplied Leads.**

These leads may be the result of a company advertising campaign or provided by the company's suppliers. This may seem like an obvious source of prospects but too many salespeople don't seem to think so. In fact, while it's believed that 45 percent of industrial sales leads turn into a sale for someone, only 13 percent of the inquiries ever get followed up.

## OUTSELLING THE BIG GUYS

You all have competitors who are bigger than you are and who have the resources to really market their services. While this is true, they often suffer from size and complacency. Just being big doesn't make you successful. Being large can also slow you down and make you less responsive to your client's needs. Also, large companies can become complacent and take their customers for granted.

So, how do you outsell the biggies? First and foremost, continue to provide excellent service and products. Always be prepared to go the extra mile for your customers. Secondly, avoid complacency. Always be selling. Always be searching for the next opportunity. Keep your sales pipelines and sales funnel flowing.

## FINAL THOUGHT

Remember, the sales opportunities that flow through your sales funnel cause money to flow into your company and that income builds a strong bottomline and continued business success.



## ABOUT THE AUTHOR

**Brian Jeffrey** is a sales management consultant and former sales trainer with over 40 year's experience. He's the author of *The Sales Wizard's Secrets of Sales Management*, *The 5-Minute Sales trainer*, 18 ebooks, and over 100 articles on selling and sales management.

Brian provides sales management consulting, coaching, and mentoring to business owners and sales managers. He has had many sales successes (as well as a few spectacular failures) and has learned what works, what doesn't, and why — information he readily shares with others.

Find out how Brian helps companies maximize their sales at **[www.Quintarra.com](http://www.Quintarra.com)**.

