The Funnel Principle Blog

A Breakthrough Sales Performance Ebook

Build a Better Sales Pipeline

By Mark Sellers

How To Hit Quota This Year And Every Year

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Do you know *your number*?

I'm not talking about your cholesterol (Have you had it checked though?) or the amount of money you need to retire.

I'm talking about something that is affecting you right now as you make the final turn toward the 2012 quota finish line – how big your sales funnel has to be to achieve your quota this year. This is *your number*.

Your number is key to your sales success because you don't have a 100% win rate. Unless your sales funnel is big enough you're not likely to hit quota this year.

For example, if you have a million dollar quota and you have a sales funnel full of a million dollars of opportunities at the beginning of the year you would need to win 100% of those opportunities to hit quota. If it's August and you have closed half a million toward your quota and you've got one million on your funnel is that number enough? Wouldn't it be great if you knew exactly how big *your number* should be?

How big your funnel needs to be, aka *your number*, depends on two things: your win rate for an average sized sale, and your quota gap. Quota gap is how much more sales you need to close to hit quota.

If you have a 50% win rate for an average sized sale your funnel needs to be twice as large as your quota gap. A million dollar quota gap means your funnel should have two million dollars of opportunities on it. *Your number* is two million.

If you have a 33% win rate for an average sized sale your funnel needs to be three times as large as your quota gap. A million dollar quota gap means your funnel should have three million dollars of opportunities on it. *Your number* is three million.

If you have a 25% win rate *your number* needs to be four times as large as your quota gap. That's four million.

You can't fool *your number*. The only way you'll consistently hit quota with a funnel that is smaller than it needs to be is if your win rate for the average sized sale goes up. Of course that can happen, but a dramatic increase overnight is not something you should bet the farm on. The mistake some sales people make is in not managing to their number, but rather managing to the quota gap.

I had a client who had a multimillion dollar quota, identified four sales he needed to win to hit his quota, and focused only on these four opportunities. When two of the four sales died so did his chances at hitting quota. He didn't manage to his number.

Ideally, you know *your number* throughout the year and you're building your funnel value (The Funnel Principle calls it TVR, Total Viable Revenue) to be as big as *your number*. If you don't know *your number* early in the year you run the risk of running out of time add enough TVR later. Then you miss your quota and you have to shave your head and sell your hair to a pawn shop in Vegas. Don't sell your hair to a pawn shop in Vegas.

So what can you do right now?

Most of you probably are running out of time to significantly add TVR to this year's funnel. Work your current early stage 1 and 2 opportunities to become TVR.

On the other hand for most of you it's not too early to build healthy TVR for next year's funnel. Start or continue to identify target accounts and key opportunities to add to your 2013 funnel right now. How cool would it be to start the year having a sales funnel that's as big as *your number*? That's not unreasonable to manage to. It takes foresight.

Finally, build a habit of inspecting your funnel every 30 days. We call these inspections Funnel Audits™. The Funnel Audit tells you how much TVR you have and if it's the same as *your number*. It is your leading indicator of funnel health. Knowing all the time if you have enough TVR puts you in the driver's seat to achieve quota.

The value of managing to this strategy is that you avoid the surprise of having a funnel that isn't big enough. You stay on the offensive. You give yourself time to take corrective action if necessary.

So don't wait. Go find *your number*. And while you're at it get your cholesterol checked.

Sales Leads: Follow the Cash

October 10, 2012

The fastest way to higher sales productivity is remarkably simple. Follow the money trail.

Money is the underlying reason that executives decide to buy your products or services or not. The faster you become proficient at following the money trail the more productive you or your sales people will be.

Let me give you an example. This past April eleven college conference commissioners from the Football Bowl Subdivision met at a fancy spot in Florida (no surprise) to decide to either keep the current BCS football playoff format or go to a four game playoff instead. Schools attending this conference included Notre Dame, Big Ten schools, and other schools that participate in the BCS.

What do you think drove the decision? Money. In this case, a lot of money.

It's reported that the current playoff system generates about $125 million from ESPN and ABC. Estimates of the bonanza from a four team playoff system are between $600 million and $1.5 billion.

In other words, this meeting lasted about 15 minutes which meant the athletic directors had a lot more time to play golf.

I tell my clients that they have to find out if the problem or opportunity that the customer has is financially compelling enough for the customer to commit money to change.

For example, if a prospect of mine tells me he wants to grow by $5M next year and is considering hiring me and my system to get there I ultimately need to know, is the desire to grow financially compelling enough to hire me or anyone for that matter? If the goal is a wish list kind of goal, but not life or death to his business, it's not really financially compelling. If there's a cost to his not getting there however, and that cost is unacceptable, then it's likely to be financially compelling.

When the person with financial authority (the PFA) for this purchase decides that the problem is so financially compelling that he or she authorizes a purchase or change in products or services to fix the problem that's called committing funding. It's the most pivotal decision in the customer's buying process.

I tell my clients **they have to ask the right questions** to find out if it's financially compelling enough to commit funding. What's the consequence of not reaching the goal? How big a deal is that right now? What does it prevent from happening? Does the consequence affect the right people – those that could authorize a change? One of my clients has been upfront with me regarding the consequence – he doesn't get his bonus if he misses the goal. He's hired me to make sure he hits the goal, because he likes his money.

I tell my clients they have to ask these questions **to the right people.** If I ask my client's manager of quality what's the consequence of missing the goal and he says it's important but not life or death to him personally, and I don't ask the guy who hired me the same question, I could end up walking from the opportunity and miss a sale. Another client of mine, the CEO, made it clear he wants the company to double in sales in 6-7 years. He's told me this goal is financially compelling enough for the business to hire me to help them reach it.

When my clients get good at following the money trail they learn to disqualify better. They aren't so eager for every opportunity to become a sale. And they're learning to have the courage to walk away. They save an enormous amount of time by not chasing bad deals. Add up all the 'going nowhere' deals that reps stop chasing and shift that selling attention to deals that have been qualified and you've got real dollar savings and higher productivity.

Follow the money trail and you'll create your own trail of depositing checks at your bank.

Sales Pipeline: How To Build A Healthy Sales Funnel

November 14, 2012

Do you know *your number*?

I'm not talking about your cholesterol level (I did have mine checked recently) or the amount of money you'll need when you retire.

If retirement is too far off or too painful to think about let me shock you into a reality closer to home – how big your sales funnel has to be to achieve your quota next year. Let's call this '*your number*'.

Your number is key to your sales success for a simple reason – you don't have a 100% win rate. Unless your sales funnel is big enough –*your number* – you're not likely to hit quota next year.

Building funnel health for 2012 is pretty much over. You need to turn your funnel health building to 2013.   If you haven't aggressively begun doing that already you could be in for an unpleasant surprise next year as you slowly discover the naked truth of your skinny, anemic funnel.

Let's use an example. If you've got a million dollar quota and you have a sales funnel full of a million dollars of opportunities you would need to win 100% of those opportunities to hit quota. A better way to ensure success is to have a sales funnel with more than a million dollars of opportunities on it. But how much more do you need?

How much you need, aka *your number*, depends on your win rate for an average sized sale. In addition to knowing *your number* you've got to know your win rate.

If you have a 50% win rate for an average sized sale your funnel needs to be twice as large as your quota. A million dollar quota should have two million dollars of opportunities on it.

If you have a 33% win rate for an average sized sale your funnel needs to be three times as large as your quota. A million dollar quota should have three million dollars of opportunities on it.

If you have a 25% win rate for an average sized sale your funnel needs to be four times as large as your quota. A million dollar quota should have four million dollars of opportunities on it.

There's an important safety tip to this strategy. It's not about 'filling your funnel'. It's about TVR – Total Viable Revenue. A sales opportunity on your funnel can be counted toward funnel value

(TVR) only if that opportunity has reached 'commit funding' stage.

You can't fool *your number*. The only way you'll consistently hit quota with a funnel that is smaller than it needs to be is if your win rate for the average sized sale goes up. Of course that can happen, but a dramatic increase overnight is not something you should bet the farm on.

Keep in mind that I'm using quota to make the point that on day one of your new fiscal year *your number* is a function of quota. But as you win sales throughout the year *your number* is a function of how much sales you have left to win to hit your quota. *Your number* goes down as you win sales. For example, in June if you're halfway toward hitting a million dollar quota *your number* is a function of the $500,000 you have left to win.

Here are a few things you should consider doing now:

One, determine *your number*. Start with win rate. Then divide the number 1 by the percent win rate to get a number we'll call the funnel factor. For example, a 25% win rate would get you a factor of four and a 50% win rate gets you a factor of two. Finally, multiply the remaining sales you have to close by your funnel factor. That's *your number*.

Two, commit time to aggressive prospecting. It's easy to neglect this part of selling because you don't feel the effect of the neglect until it's too late in the year when you discover that you don't have anything on your funnel. By then you can't do anything about it. It's like maintaining your car's good condition with regular oil changes and more to prevent it from breaking down on the side of the road later. Book prospecting time on your calendar for the next 30 days right now.

Three, build a habit of inspecting your funnel every 30 days. You sales funnel is changing all the time as you find and qualify and win and lose sales. Your funnel value is also changing. It's a leading indicator that puts you in the driver's seat for proactively running your territory.

The value of managing to this strategy is that you avoid surprises of having a funnel that isn't big enough to let your win rate do its job. You stay on the offensive. You give yourself time to take corrective action if necessary.

So don't wait. Go find *your number*. And while you're at it get your cholesterol checked.

Sales Pipeline Management

January 3, 2013

Several years ago Public Television sponsored a competition called Frontier House. Several families traded in their comfortable homes and modern day lifestyles to live a simulated life in 1880s Montana. This was no walk in the park, fake reality TV experience. From late spring to fall these families lived the frontier experience, Montana style 24/7.

The goal of the competition was to prove they could survive the coming winter. This meant stockpiling food in underground pantries they made with shovels; equipping the home to withstand the cold; chopping enough wood to heat and cook during the winter months. Without wood there's no fire. And without fire there's no heat and no way to cook foods. Like Jeff on Survivor tells us, fire represents life.

It was critical that the families correctly calculated their needs to get through the winter. Then they worked back from that to know how to spend their time every day preparing. If they calculated wrong, or worse just got lazy in their execution their 'lives' would be in jeopardy. Of course back in the real Montana it was no game. Surviving was the incentive.

A panel of historical experts judged the competitors on how well they prepared. In the end only one family won, but the judges said even this family would have barely survived.

If you think of your sales funnel as a pile of wood to keep you warm throughout the winter, the question is are you chopping enough wood to survive?

Just as a furnace produces heat only if it's full of wood your funnel produces revenue only if it has qualified leads that eventually close. Keep it full of enough qualified leads throughout the year and you achieve your quota.

The coming year is already here. Here are some strategies for keeping your sales funnel full and enjoying the fruits of that labor 12 months from now:

1. **Manage to Target TVR.** Measure the health of your funnel using TVR, Total Viable Revenue. TVR deals are only the deals that have reached a stage where the customer has committed to making a change or purchase. Working back from quota you can clearly define the Target TVR, that is how big you need your funnel to be. A $3M quota with a 50% win rate means your funnel needs to be $6M of TVR. As sales go up throughout the year the Target TVR goes down, but

the key is to manage to the Target TVR, not to your quota gap.

2. **Be selective in the opportunities you pursue.** Nothing improves sales performance efficiency like purging the deals that take too much time to win and are not worth winning in the first place. Winning the right deals takes no more time than winning deals that are not a good fit or profitable.

3. **Re-win the business you have at your best customers.** Like the couples who renew their wedding vows after 40, 50, or 60 or more years go back to your current, best customers and show them how much you appreciate their business. Show them the love! This is an annuity that you cannot afford to take for granted.

4. **Get into a Funnel Audit plan, do, check, adjust routine.** There's no better habit than one that commits you to a regular schedule of diagnosing your funnel and setting monthly action plans. Spotty diagnosis is a sure way for execution to suffer.

5. **Every time you close a sale commit time to replacing it with 3-4 new opportunities.** There's no better time to add TVR to your funnel than after you have closed a sale. You're feeling good, you can take the rejections, you've got energy. Get back out there and build funnel value now.