Improve Marketing and Sales Alignment and Your Company's Revenue

by Laura Patterson

Some of the most recent research conducted by CSO Insights and IDC suggests that marketing and sales alignment is more important than ever. The studies revealed these five worrisome tidbits:

1. Today's sales cycles are 25% long than they were a year ago.
2. In the B-B world, the sales process often involves seven decision makers from the prospective customers' side.
3. Only about 43% of sales reps made their quota in 2006.
4. Sales people can spend up to 40% of their time each week developing materials to support their sales efforts; this is approximately 2 days per week.
5. Less than 25% of CMOs and 14% of Senior Sales Executives are satisfied with their ability to optimize sales efficiency and effectiveness.

Marketing and Sales are really two sides of the same coin. They are both responsible for generating revenue for the company. Revenue is a result of relatively simple equation: Opportunities in the pipeline multiplied by the average deal size multiplied by the win rate and then this sum divided by the sales cycle time. This sum multiplied by all the sellers in your organization determines your revenue. Even a small increase in each of these can make a huge difference. The better marketing and sales are aligned, the more likely each of these components can be improved thereby improving the company's revenue.

For example, better segmenting and targeting can affect the number of opportunities, better differentiation can affect the deal size, a better understanding of the prospective customers needs, wants and purchasing process can improve the win rate and reduce the sales cycle. Therefore every company should evaluate how well their marketing and sales organizations are aligned and what they can do to improve this alignment.

Improving alignment can seem like a daunting task but there is already a common tool used by many companies that can help facilitate the process. This common tool is the sales funnel which is most often used by the sales organization to understand the flow of business opportunities. But the sales funnel has the opportunity to be so much more.

When developed properly, a sales funnel can serve as an important tool for improving marketing and sales alignment thereby improving both organizations' performance. Funnel management provides insight into which sales and marketing processes are effective and increasing deal flow, and insight into how efficiently opportunities are moving through the stages of opportunity development.

The first step to using the sales funnel for these purposes is to integrate it with the customer buying process. As a result, the sales funnel ceases to be merely a tool for the sales team. It has actually morphed into what should be called the buying pipeline. Why does this matter? A sales funnel suggests two things. First, the term suggests that this process is something owned by sales and not necessarily a shared responsibility across the organization. Yet, marketing plays a critical role in bringing potential buyers to the table. Marketing has the responsibility to identify, find, and secure profitable customers - that is opportunities. Marketing also provides segmentation, customer targeting, positioning, product offers and messaging to differentiate the company. Therefore, both the marketing and sales functions within the organization are essential to building the buying process. Second, it suggests a sales-centric rather than a customer-centric approach to the buying decision.

Building a healthy sales funnel starts by understanding your customers' needs and their buying process. Before we can explore what to change it helps to understand how the sales funnel is typically approach today.

Today, most companies define the sales funnel similar to the illustration below. They use the metaphor of a funnel, something wide at the top and narrower at the bottom to describe and monitor the sales process. Marketing programs are designed, developed and executed for the purpose of bringing potential customers into the funnel. The width of the funnel suggests the number of potential customers at various stages in the selling process and the height represents the amount of time the average opportunity stays in the pipeline before being converted to a customer. The funnel is then divided into stages that are intended to represent the state of the opportunity. These stages are often labeled with names such as contact, suspect, lead, qualified lead, prospect, etc. Qualified leads are further divided based on how quickly the sales team thinks the conversion will occur and are often labeled A, B or C or some other denotation

There are three things someone can quickly notice about this typical approach.

First, the funnel suggests that a lot more has to go in at the top of the funnel than what comes out at the bottom. That is, at the top of the funnel you have many people who you think might need your product or service, but to whom you've never spoken. At the bottom of the funnel, many sales and delivery steps later, you have people who have received delivery of your product or service and have paid for it. People drop away at each stage of a long sales process: Perhaps the ideal shape of the funnel really isn't a funnel at all. The ideal shape would actually look more like a pipe, where every opportunity that goes in at the front of the pipe would ultimately turn into a customer. While this isn't realistic, transforming the funnel into a pipe does provide a different point of view. A pipe suggests that different marketing programs may be needed at different stages along the way. And a pipe suggests that segmentation, targeting, and qualification are extremely important to the reducing waste and customer acquisitions costs.

The second thing that can be instantly noticed about the funnel is that it is based on stages defined by the company and not defined by the buying process. Developing a good pipeline requires understanding your customer's decision-making and buying process. Effective pipeline management is a reflection on your company's ability to not only identify the right opportunities and the needs of your prospects but to truly understand how they will go about making the purchase. Once you understand your customer's decision making and buying processes you can develop a strategy for managing the opportunity at each stage in the pipeline.

By transforming the funnel into a pipeline you can begin the journey of marketing and sales alignment. Before developing your sales funnel, before defining your stages, before investing in a sales force automation tool or CRM system, map your ideal customer's buying process. We call this engineering the buying pipeline. This first step ensures that you understand why and how your customer makes a buying decision. It is possible you will have to create more than one buying process map. Different segments may buy differently and different products/services may have different purchasing processes.

Once you've mapped the process, the second step is to define each of the stages using incremental behavioral commitments. What is an incremental behavioral commitment? Let's use an everyday real world example to illustrate the concept. When two people are both interested in finding a long-term relationship they begin the courting process. Certain demonstrated behaviors along the way indicate whether the relationship is progressing toward the ultimate behavior of saying "I do."

For example, showing up for the first date, the first kiss, introducing each other to best friends, to the family, saying I love you, actually proposing, and so on are incremental behavioral commitments. This behavior demonstrates to both people that the relationship is going from initial contact to ultimate deal. The question we have for you is whether you have a clear understanding of the specific incremental behaviors your customer's actually demonstrate that show they are moving their commitment to the relationship forward. Until you do, you cannot create the buying pipeline and until you do, you will not have a customer-centric funnel.

Fourth, once you have the behaviors defined you can group them into stages. These stages will become the foundation for how you classify the status of each opportunity. Marketing can now develop tools appropriate for each stage enabling the sales organization to appropriately engage with the prospective customer.

Used properly the buying pipeline serves as an excellent management tool. The idea behind pipeline management is that you can collect data throughout the process and continuously monitor multiple metrics, such response-to-lead rate and response-to sale rate. This data over time can then be used as a way to assess your marketing mix and evaluate the return on various marketing programs. The data can provide insight in which segments and mediums are performing; even what types of prospects are more likely to be qualified.

Pipeline management can also help identify where bottlenecks or gaps exist. For example, maybe there are too many contacts and the organization cannot process them quickly enough. Or there is a dearth of qualified leads indicating that the sales team won't be able to produce the needed number of deals. We can also use the funnel to compare our program's performance to industry standards. Pipeline management allows you to calibrate your marketing and synchronize marketing and sales efforts. It also allows you to take a more scientific approach to opportunity and customer development enabling you to understand what is happening in the buying process and where to make adjustments. Pipeline management is really about managing opportunities. Opportunities represent customers which brings us back to the need for a customer-centric approach to funnel management.

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