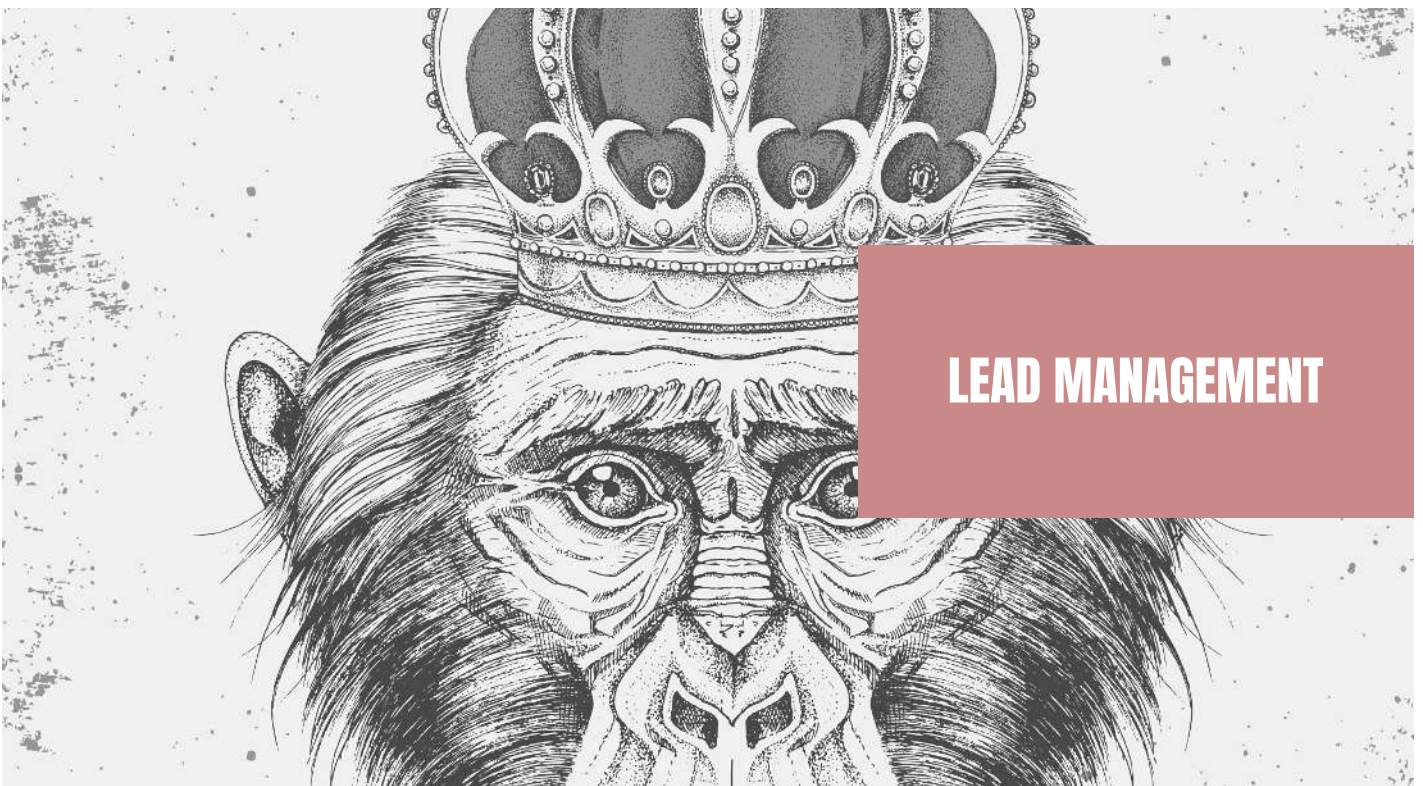


8 STEPS OF THE MARKETING AND SALES FUNNEL

by Stephan Wenger



FROM A POTENTIAL CUSTOMER TO A WON CUSTOMER

You will learn how to define interfaces between departments and to agree on common aims. This article covers 8 steps from a potential customer to a lead and ultimately to a won customer. The funnel concept describes the journey from marketing to sales. To streamline this process, it is necessary to commonly define the different funnel steps. The alignment of responsible departments is the base for a streamlined, output-oriented organization. This article builds on the AIDA concept. From attention to interest. From desire to action. This groundwork concept is still valid and provides a robust structure to build a modern marketing, lead management, and sales channel.

The sales and marketing funnel concept is a fundamental principle of marketing theory. A model that shows a potential customer's journey, from the first interaction with a brand or product till the final purchase. This model is also known as the AIDA model, an acronym for four stages: Awareness, Interest, Desire, Action, published in 1925. However, the fundamentals have not changed. What Salesforce calls the "Customer 360" is a modern way to convert the target group into customers. The funnel concept builds the backbone for successful 360°-degree customer management—from a member of the target group to a won customer.

The AIDA concept provides an important base for details of the funnel concept. The figure maps the 4 stages with duties of the marketing and the sales department. This classic approach to marketing and sales is still often found in today's companies' organizations.

MARKETING, LEAD MANAGEMENT AND SALES

"All too often, organizations find that they have a marketing function inside Sales, and a sales function inside Marketing."

(Kotler, Rackham & Krishnaswamy, 2006)

The prejudice is that marketing is the creative and communicative department that spends money. Sales, on the contrary, is out in the field with direct customer contact, selling, and making money. Marketing and sales don't always get along.

Because of the Covid-19 pandemic, the fast push towards digitalization, and the high importance of customer-centricity, the fight between marketing and sales seems even more outdated than ever before.

An elegant way to solve this problem is to use Lead Management as an interface. The mutual definition of interfaces helps to streamline both departments. Therefore, Lead Management is the missing link between Marketing and Sales.

8 STEPS OF THE MARKETING, LEAD MANAGEMENT AND SALES FUNNEL

Based on the AIDA model and the three steps of the funnel concept, the following picture outlines a streamlined Marketing – Lead Management – Sales process. It includes 8 steps:

- Potential Customer
- Contact
- Cold Lead
- Marketing Qualified Lead



- Sales Accepted Lead
- Sales Qualified Lead
- Opportunity
- Sale

THE MARKETING FUNNEL

The classic marketing job is to raise awareness and spark interest. This can be done on a company level or directly for a product or service. The key question is where to generate awareness and how to spark interest. The target group, in B2B Marketing often the buying center, are per your definition of potential customers. A common concept to describe the target group are buyer personas. At this step, the target is defined, but there is no personal data available. The potential customer is unknown to the company.

Therefore, the consequent next step is to create a contact. A contact is a potential customer and member of the target group of which basic, personal details are known. This happens after a first engagement with the company and your content. The minimum information that marks a contact is the e-mail address. This is also referred to as a unique identifier and can be transferred to a CRM system. However, contact has not yet specifically expressed interest. His intentions, desire, and problem are blurry. Consequently, marketing aims to further engage with the contact to gather more information.

Caveat: CRM systems often use "contact" differently, e.g. for existing customers or fully developed leads. Be careful not to mix up terminology internally.

THE LEAD MANAGEMENT FUNNEL

A Lead, also called Cold Lead, is a contact with minimum contact information who asked about the product or service. Criteria when a contact converts to a lead strongly depends on the process definition. Typically, a lead is transferred to CRM, whereas a contact remains with marketing systems like the website. Common criteria for a lead are:

- Comprehensive personal data, including name, job title or company
- Multiple touchpoints with the company, e.g. downloads, webinars or contact forms
- Trigger signals such as "buy now" CTAs or "request for quotation" contact forms

At any rate, the lead status marks the end of the awareness phase. From a cold lead to a hot lead, lead nurturing aims to generate interest and convert the lead down the funnel. For details on whom to nurture and score a lead, read this article. Further, align your criteria with your company's aims and structure.

A hot lead is also called Marketing Qualified Lead (MQL) or Qualified Contact. An MQL reached a certain lead score, previously defined by Marketing, Lead Management, and Sales. This is a very important aspect because an MQL is a typical output KPI of Marketing and Lead Management. Cost per MQL helps to argue budget and shows the Marketing efficiency.

The third step of the Lead Management Funnel (fifth step overall) is the Sales Accepted Lead (SAL). The MQL is handed over to sales. Sales cross-check the defined criteria and reasons if the MQL is ready for the Sales funnel. If so, Sales accepts the lead and the MQL converts to a SAL.

THE SALES FUNNEL

The transition from the lead funnel to the sales funnel is defined by accepting a Marketing Qualified Lead and converting this MQL into a Sales Accepted Lead. At this point, the work for the sales team starts. The sales representative engages with the SAL and discusses key aspects of the case. These aspects are often referred to as BANT, an acronym standing for budget, authority, need, and time. If all criteria are met, the SAL converts to a Sales Qualified Lead (SQL). This qualification marks the start of the sales funnel.

In an early phase of the sales process, the sales representative further discusses the customer's needs and desires. An opportunity or, casually, "sales case" is worked on by the sales team. Comparable with nurturing a lead, the sales representative develops the opportunity by providing case-relevant information, USPs, and ultimately, an offer.

Last, the final step of this journey is to close the deal and win the customer. This final step is the output KPI of the sales team.

HOW TO MEASURE SUCCESS

There are two approaches to do so:

- Measure absolute numbers

Each step and hence, each status can be measured in absolute numbers. E.g. how many leads were generated by marketing? How many MQLs were accepted by sales, etc. This perspective helps to measure the effectiveness.

- Measure ratios of absolute numbers

The absolute numbers of each step can be compared to the absolute numbers of another step. These ratios describe the effectiveness. The closer the ratios to 1, the higher the effectiveness. If you can convert 100 opportunities into 100 closed deals, your effectiveness is 100%.

Ratios also help to estimate how much input you need to meet a certain output aim. If your goal is to close 100 deals and your ratio to opportunities is 25%, you need 400 opportunities to meet your goal. This works back to e.g. how many contacts are necessary to meet your final aim.

SUMMARY OF: 8 STEPS OF THE MARKETING AND SALES FUNNEL

The sales and marketing funnel concept is a still valid, fundamental principle of marketing theory. It shows a potential customer's journey, from the first interaction with the company till the final purchase. AIDA-model, an acronym for four stages - Awareness, Interest, Desire, Action - provides an important base for further details of the funnel concept. Although strongly interlinked, Marketing and Sales often do not get along very well. An elegant way to overcome conflicts is Lead Management.

8 STEPS OF THE MARKETING, LEAD MANAGEMENT AND SALES FUNNEL



By combining the AIDA model with three phases of the funnel concept, it is possible to outline 8 steps from a potential customer to a won customer. These 8 steps are:

- Potential Customers of the target group or buying center are often described with the buyer personas concept.
- A Contact is a member of this target group with known, basic personal details. The first engagement with your company and content is required to obtain this information.
- The first step of the Lead Management funnel is called a Cold Lead. It is a contact that asked about a product and would share further personal details.
- Successful lead nurturing results in a high lead score and converts a cold lead into a hot lead. This status is also known as Marketing Qualified Lead (MQL)
- A Sales Accepted Lead (SAL) results from a successful conversion from the Lead Management funnel into the Sales Funnel. The lead meets the mutually defined criteria and was approved by sales.
- The first sales task is to further engage with the prospect and identify if the sales cases meet further criteria, referred to as BANT criteria (an acronym for budget, authority, need, and time). If this check is positive, the SAL converts into a Sales Qualified Lead (SQL).
- An Opportunity or "sales case" describes the attempt of the sales team to convince the potential customer to buy.

- The last step is a Sale. The positive closure of the opportunity marks the end of the funnel concept.

The effectiveness of each step can be measured in absolute numbers, e.g. number of Marketing Qualified Leads. The efficiency can be described with ratios of absolute numbers of two steps. A 10% ratio between MQL and SAL means that only one out of ten MQLs meet sales expectations.