The Leaky Funnel

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Hugh Macfarlane (2003)

The Leaky Funnel uses the unusual technique of the business narrative to deliver its message on how fictional character Sue Hunt sets out as the new Chief Executive Officer of HardBits (a manufacturer of plastic beads) to improve the management and effectiveness of the sales and marketing function. There are two interesting processes that the reader should keep in mind as he or she reads through the narrative. The first process describes the interpersonal journey of Sue in reshaping the existing team of disparate functional silos into one where the management team operates with a common set of values and goals. The second process describes how the marketing mix strategies eventually adopted emerge through the often unpredictable interaction of the inter-functional team under Sue’s control.

Very broadly, the book divides into five discrete stages of Sue’s journey. Stage one (covering the chapters “A Beginning of Sorts” and “Hearing Voices”) examines the search for information and clues that is vital to understanding the marketing context in which HardBits operates. Stage two (covering the chapter entitled “Four Anchors”) focuses on a more detailed analysis of the kinds of common problems and barriers faced by organisations as they seek to build new business. Stage three (known in the book as “Mosaic”) focuses on understanding the customer decision making process, the value of sales opportunities at each process stage and the gaps in the process where opportunities are lost. Stage four (known in the book as “The Road and the Rubber”) seeks to tie the previous sections together into a cohesive and integrated marketing strategy. The final stage (chapter title “Come Monday”) provides the epilogue and reveals the full version of the HardBits Marketing Plan.

In Stage One (covering the chapters “A Beginning of Sorts” and “Hearing Voices”), Sue is set into a business context in which she has already formed a pre-conceived negative view of HardBits lack of customer-centric behaviour which evolved from her previous role as the CEO of one of the company’s customers. Through her own customer field visits Sue begins the search for information and clues as to the cause of HardBits poor performance. She soon realizes however, that HardBits is not such a poor performer after all and many of the problems are in fact due to the poor customer forecasting of requirements by customers themselves. To address this issue she takes on board the proposition that ‘Vendor Managed Inventory’ could be used as a value-added mechanism to improve delivery performance and provide a means of moving closer to the customer. Sue also takes on board the proposition that ‘Consultative Selling’ could be used as a method to become more customer-centric by being able to identify the different buying styles of customers. However, after four months of using these initiatives there was no significant improvement in sales. Sue then realizes that she and her team are focusing too much on the solutions rather than identifying and defining the problems. In other words “she had answers, but did she know what the question was?” She then set about interviewing all the senior managers to ask “what is stopping us from getting close to our customers and why we aren’t getting more new ones?” The major barriers identified from the interview process were: a lack of qualified leads and a lack of understanding of the customer buying process; a lack of brand positioning and differentiation strategy; a lack of integration between marketing and the sales process; a lack of time effective sales measures. Some insights into potential answers to these problems began to emerge through the interaction process between individual team members. For example, ideas generated by the group included: (1) using the SPIN selling model (Rackham1998) to identify qualified leads; (2) using Michael Porter’s Competitive Advantage Theory (Porter 1980) to identify the basis for HardBits competitive advantage; (3) adapting the positioning approaches adopted in Iacobucci’s edition of Kellogg on Marketing (2001) to position HardBits as an ‘Innovation Partner’ in the customer value chain.
Stage two (covering the chapter entitled “Four Anchors”) is essentially a more detailed elaboration of some of the barriers identified in Stage One and sets the scene for Stage Three. For example, it shows that there is no integration between the sales and marketing functions; that the buying process is ignored; that the marketing and sales tactics used are arbitrary and that current key performance indicators are either too late or measuring the wrong things.

Stage three (known in the book as “Mosaic”) produces a detailed mapping of the sales process for HardBits by activity and the time duration of each activity in the process. The concept of the sales funnel is to measure “each stage of the (customer) journey. How many make it from stage one to stage two? And how many of them make it to stage three, etcetera?” This mapping process allows leakage rates at each stage of the sales process to be estimated and strategies to be devised to ‘plug’ those leaks as they arise. It also allows the integration of the sales and marketing functions, with marketing ‘incubating’ each sales lead until it is warm enough to be passed on to the sales department. Likewise, those prospects which have ‘gone cold’ would be recycled back to the marketing department for further incubation. This kind of approach means that all the metrics need to be based around each stage of the sales process.

Stage four (known in the book as “The Road and the Rubber”) addresses the company’s overall differentiation strategy as one in which the marketing team will position HardBits as an ‘Innovation Partner’ in the customer’s value chain. The targets for this strategy will be selected Sales or Marketing Directors of the 1000 companies who are currently using plastics as a key component of their product development, but lack the ability to innovate substantially in-house. Sue and her team then identify the sales process in terms of the kind of activities that HardBits will have to perform at each stage of the process. They also build a three-year sales forecasting model which is centered around the assumptions and the steps identified in the sales process.

Overall, the main strength of this book is the conceptual treatment provided for the analysis of the complex, time protracted sale in a business-to-business marketing context. Of interest to academics and practitioners alike is the thinking process that Sue goes through as CEO of HardBits in building both her team and developing a strategy using the ‘Sales Funnel’ technique. Marketing is shown to be a process which emerges through the interaction of all the actors in Sue’s inter-functional management team. The major weaknesses of this book are: (1) the author’s failure to address any of the vast arrays of relevant articles and books written on business-to-business marketing and sales management, including the work of the IMP Group (Industrial Marketing and Purchasing Group) and all the literature written in the area of relationship marketing. (2) The author’s failure to provide any objective supporting evidence that the application of the sales funnel approach results in improved performance (both sales and profitability) over existing methods. This weakness is a general one relevant to many practitioner books on sales and marketing. Without objective evidence provided through either qualitative or quantitative research these kinds of books easily can be labeled as just an anecdotal experience relevant to one specific context. (3) There is a considerable amount of repetition and overlap between one section and another. (4) In terms of structure, the book would have been much easier to read if there had been a proper system of numerical chapter numbers and an alphabetical index at the end of the book. It is also worth noting that there are quite a number of software packages on the market which provide facilities for the measurement of sales opportunities using the sales funnel technique (e.g., ACT and Goldmine).

On balance, however, the detailed investigation of the activities involved in the sales process, and the integration of marketing strategies and tactics with those sales process activities, presents a rewarding insight into how the Sales Funnel technique can be woven effectively into a company’s marketing process.

References
www.imp.org This website provides access to articles covering the business-to-business interaction process developed by leading proponents of the Industrial Marketing and Purchasing Group

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