Navigating the Sales Funnel: Understanding How Customers Buy

The purpose of this research project was to learn more about the buying process, from the vantage point of the customer, and to identify factors that increase or decrease the probability of a purchase. The results of the study can help salespeople and managers to better predict and influence the customer’s buying decisions by putting themselves in the customer’s shoes, rather than focusing only on their own sales processes.

Methodology

Forum conducted electronic surveys of 73 salespeople and 138 customers in June of 2005. The customers were responsible for making business-to-business purchases for large North American companies. Eighty (80) percent of the customer companies exceeded $500 million in annual sales. The customer companies’ industries included business and professional services, energy, financial services, government, health-care, high-tech, hospitality, pharmaceuticals, and utilities.

The customer respondents represented a range of corporate units (especially purchasing departments, and information systems and operations groups) and functions such as customer service, engineering, marketing, and sales. The products and services they purchased included computer hardware and software, consulting services, diagnostic equipment, hotel space, and even helicopters. The purchases, while diverse, all were products of a common buying process that involved multiple stakeholders and direct contact with a salesperson; none were Internet or catalogue purchases.

The salespeople we surveyed typically called on corporate managers, line managers, and executives, as well as purchasing agents. The median value of their sales, at $81,000, was lower than the median value of our customer sample’s typical purchase ($184,000). While the median value of the sales differed for our two respondent groups, we expect that the dynamics of the sales process were similar for both groups.

Why Are Forecasts Inaccurate?

When we asked salespeople why their forecasts are often wrong, more than 80 percent of them cited factors largely beyond their control, such as changes in the customer’s needs, budget, or decision-making process (40 percent); changes in the environment, market, and competition (31 percent); and their own company’s actions, such as setting targets too high or failing to stock sufficient inventory (10 percent). Only 19 percent of the salespeople cited their own behavior (failing to acquire sufficient information about the account or failing to engage in sufficient sales activity, for example) as a factor.

Four out of five salespeople said their forecasts become inaccurate because of factors beyond their control.
How can salespeople increase their accuracy in predicting sales in an uncertain and constantly changing business environment? The best starting place is understanding more clearly how customers view the buying process and what factors influence their buying decisions.

How Likely Are Customers to Buy?

We asked customers and salespeople to rate the probability of a buying decision at each point in the sales process, including initial contact (while the customer is obtaining information about the vendor, for example); first contact with the sales rep (on a phone call, for example); first face-to-face meeting with the rep; additional meetings with the rep; the formal presentation or proposal; and, finally, the vendor selection meeting.

A remarkable degree of alignment between customers and salespeople appeared in the way they viewed each point in the sales process. Not surprisingly, a buying decision was much more likely in the latter stages of the sales process than in the early stages; customers estimated their likelihood of buying at the proposal stage at about twice as great as at first contact (66 percent versus 34 percent).

We noted with interest, though, that the likelihood of a sale decreased when customers received their first call from a rep. A 38 percent chance of buying at the point of initial contact (visiting a website or reading a brochure, for example) dropped to 34 percent after the first call from the rep. We speculate that the reason is the first call from the rep introduces uncertainty; the customer loses the sense of control implicit in navigating a website, for example, and now must interact with a live human being—which may be positive or negative. Cold calls are often uncomfortable for seller and buyer alike. The messages for salespeople are: Be especially sensitive to the customer’s natural wariness in the first call; begin establishing a relationship; don’t expect a quick sale.

Exhibit 1: Customer’s Likelihood of Making a Buying Decision
Sales reps and customers rated each successive step, from first face-to-face meeting onward, as increasing the likelihood of a buying decision, although sales reps tended to be more optimistic than customers about the effectiveness of sales calls in boosting the chance of a sale. Salespeople rated the probability of a sale—even at the first meeting—at 48 percent (about 50:50).

The good news is that customers tended to agree on the relatively strong likelihood (40 percent) of their buying at the first meeting. (They didn’t consider the likelihood 50:50 until subsequent meetings.) Apparently salespeople’s eagerness to close a sale makes them think that they are farther along in the customer’s buying process than they really are.

The bad news is that these ratings represent customers’ and sales reps’ perceptions of the likelihood of making buying decisions; they don’t reflect actual behavior. It would be nice to think that salespeople might close one of every two opportunities; the reality is the hit rate is much lower. Even if a customer is enthusiastic about a solution and eager to buy, many other factors affect whether and when a sale takes place. Most corporate purchases involve multiple stakeholders (senior management, purchasing departments, technical experts, legal staff, and so on), all of whom must align before the company can make a commitment to purchase.

We also noted that, even at the end of the sales process, when a vendor is selected, customers and salespeople rated the likelihood of a sale at less than 80 percent. The implication for salespeople is that they must never be complacent—even when a sale appears certain—since the customer’s situation and needs often shift quickly.

**What Actions Facilitate Sales?**

We studied 12 actions that facilitate sales to determine the degree to which each one affected the customer’s likelihood of deciding to buy. Customers considered 10 of the 12 as influential (higher than 5 on a 10-point scale): especially the rep bringing in technical and support staff; the rep responding to an RFP; and the rep obtaining information about their company and its products or services. On the other hand, customers viewed unsolicited calls or letters as ineffective (lower than 3 on a 10-point scale).

**Exhibit 2: Activities That Facilitate Sales**

![Graph](image)
Sales reps’ ratings followed the same general pattern, although they tended to view each individual item as more influential than did customers. The greatest gaps between customers’ and salespeople’s perceptions appeared in the value of building a personal relationship, the rep inviting the customer to tour the rep’s facility, and the rep meeting with other decision makers.

One conclusion that might be drawn from the customer survey is that customers value activities in which they remain in control (collecting information, reviewing RFPs, gaining confidence in the solution by meeting with technical or support reps other than the salesperson, for example). They view sales calls and follow-up meetings as influential in the decision-making process, but they do not put the same importance on them as did salespeople. The implication for salespeople is that they must find ways to meet the customers’ need for information and confidence in their (the salespeople’s) company and its solutions, bringing in a technical and support team, for example, instead of relying too heavily on one-to-one sales calls.

These findings are consistent with previous Forum’s research that found that customers differ in the types of value they expect from salespeople; some value personal relationships, some value information, some value a combination of relationships and information, and some value neither. A common error salespeople make is assuming that all customers are relationship-oriented, when in reality many are more highly motivated by other factors.

**What Are the Do’s and Don’ts for Salespeople?**

We asked customers to identify what salespeople do that helps or hinders their buying process. Specifically, we asked what salespeople fail to do that would facilitate the sale, were they to do it. More than 80 percent of the responses mentioned four practices:

**Exhibit 3: What Salespeople Should Do**

<table>
<thead>
<tr>
<th>Practice</th>
<th>Sample Quotes</th>
</tr>
</thead>
<tbody>
<tr>
<td>Listen and respond to my needs (25%)</td>
<td>Don’t sell me your product. Solve my problem.</td>
</tr>
<tr>
<td>Present solutions honestly (23%)</td>
<td>Present your product in a simple manner. Don’t try to dazzle me or make your product look better by putting down the competition.</td>
</tr>
<tr>
<td>Follow up reliably (23%)</td>
<td>Stay in contact; return phone calls and e-mails.</td>
</tr>
<tr>
<td>Respect our buying process (10%)</td>
<td>Get to know my company as well as you know your product.</td>
</tr>
</tbody>
</table>

The theme that emerges from these responses is that customers value salespeople who focus on customers’ needs and who act in a way that builds trust and credibility. This involves the salesperson listening carefully to the customer’s problem and making an honest and direct link between the proposed solution and its benefits to the customer; and then following up with the customer and other stakeholders to ensure that commitments are kept.
Experienced and successful salespeople will not be surprised by these findings. We asked our salespeople to give advice to newer salespeople (see Exhibit 4); more than 70 percent of their responses related to listening (21 percent), persistence in following up (20 percent), honesty (18 percent), and demonstrating value (12 percent). In addition, the salespeople commented on the importance of building multiple relationships (14 percent).

**Exhibit 4: Advice from Salespeople**

<table>
<thead>
<tr>
<th>Category</th>
<th>Sample Quotes</th>
</tr>
</thead>
<tbody>
<tr>
<td>Understanding/Listening (21%)</td>
<td>Listen to your customers and find their needs. Proceed only if you feel you can match them.</td>
</tr>
<tr>
<td>Persistence/Regular contact (20%)</td>
<td>Be persistent without being pushy.</td>
</tr>
<tr>
<td>Honesty/Caring (18%)</td>
<td>Be a straight shooter.</td>
</tr>
<tr>
<td>Building multiple relationships (14%)</td>
<td>Relationships and references mean everything.</td>
</tr>
<tr>
<td>Demonstrating value (12%)</td>
<td>Understand the difference between features and benefits in order to effectively demonstrate your product’s value.</td>
</tr>
</tbody>
</table>

Based on the customer survey, we would add to this advice by noting that “persistence” is different than continuously pursuing customers who have no interest in buying; and “building multiple relationships” must be done in a way that respects the customer’s buying process. (Customers resent salespeople who go over their head or who contact end users without approval.)

**Mistakes Salespeople Make**

While few salespeople would disagree with the importance assigned to the practices that appear in Exhibits 3 and 4, in reality customers do not perceive the practices as consistently applied. Salespeople have a clear opportunity to differentiate themselves by heeding the advice of customers and avoiding making common mistakes. We asked about the biggest mistakes salespeople make, on the initial sales call and at any point in the sales process. More than 80 percent of the responses involved six mistakes, shown in Exhibit 5.

These responses are a mirror image of those depicted in Exhibit 3: What Salespeople Should Do; they underscore the importance of focusing on the customer’s needs, respecting the customer and his or her organizational processes, and building trust by following through on commitments.
Exhibit 5: Biggest Mistakes Salespeople Make (According to Customers)

<table>
<thead>
<tr>
<th>Mistake</th>
<th>Initial Contact</th>
<th>Throughout the Sales Process</th>
<th>Sample Quotes</th>
</tr>
</thead>
<tbody>
<tr>
<td>Don’t follow our buying process</td>
<td>15%</td>
<td>26%</td>
<td>Not understanding who the decision makers are</td>
</tr>
<tr>
<td>Don’t listen</td>
<td>18%</td>
<td>18%</td>
<td>Knowing what he has to sell and not relating that effectively to what I need to buy</td>
</tr>
<tr>
<td>Don’t follow up</td>
<td></td>
<td>17%</td>
<td>Not focusing on after-sale service</td>
</tr>
<tr>
<td>Act pushy/aggressive/disrespectful</td>
<td>30%</td>
<td>12%</td>
<td>Fast-talking or fast-selling; pushing too hard for a sale</td>
</tr>
<tr>
<td>Don’t explain solutions adequately</td>
<td>4%</td>
<td>10%</td>
<td>Inability to answer all questions</td>
</tr>
<tr>
<td>Call too often</td>
<td>17%</td>
<td></td>
<td>They harass me!</td>
</tr>
</tbody>
</table>

The Warning Signs

We asked salespeople how they know when the customer’s buying process goes off track. The responses of more than 80 percent of them related to these five red flags:

Exhibit 6: Red Flags

<table>
<thead>
<tr>
<th>Red Flag</th>
<th>Example</th>
</tr>
</thead>
<tbody>
<tr>
<td>Customer becomes disengaged (32%)</td>
<td>Customer stops returning your calls.</td>
</tr>
<tr>
<td>Competitive threats (14%)</td>
<td>You find a competitor’s literature in the customer’s office.</td>
</tr>
<tr>
<td>Unclear fit between solution and need (13%)</td>
<td>It seems too good to be true.</td>
</tr>
<tr>
<td>Price shopping (12%)</td>
<td>The customer only wants to talk price, not value.</td>
</tr>
<tr>
<td>Complex or disorganized buying process (10%)</td>
<td>Unexpected new roadblocks appear, when everything was clear before.</td>
</tr>
</tbody>
</table>

Conclusion

Salespeople work in a world of many factors beyond their control. However, they can increase their chances of success by better understanding their customer’s buying processes and the factors that affect the customer’s willingness to make buying decisions. Most importantly, they can differentiate themselves from competitors by focusing on doing things that the customer values—things that accelerate the customer’s decision-making process. Foremost among these things are practices such as building trust and credibility by listening to the customer’s needs, demonstrating value, understanding and respecting the customer’s buying process, and delivering on commitments.
Appendix

Sales Reps’ Biggest Mistakes at Initial Contact (Survey of 138 Customers)

- Don’t understand my business: 7%
- Don’t listen to my needs: 4%
- Don’t explain their solutions adequately: 17%
- Pushy/aggressive/disrespectful: 30%
- Cold calling/calling too much: 17%
- Don’t follow my company’s buying process: 15%
- Other (e.g., high price): 2%
- Making exaggerated/inaccurate claims: 7%
- Not following up: 6%
- Act too familiar: 3%
- Don’t know/respect competition: 2%

Sales Reps’ Biggest Mistakes at Any Point

- Don’t understand my business: 4%
- Don’t listen to my needs: 18%
- Don’t explain their solutions adequately: 10%
- Pushy/aggressive/disrespectful: 26%
- Cold calling/calling too much: 7%
- Making exaggerated/inaccurate claims: 2%
- Other (e.g., high price): 2%
- Don’t follow my company’s buying process: 30%
- Not following up: 17%
- Act too familiar: 3%
- Don’t know/respect competition: 2%
What Sales Reps’ Should Do More (Survey of Customers)

- 21% Present solutions honestly
- 22% Follow up reliably
- 24% Listen and respond to my needs
- 9% Respect our buying process
- 8% Other (e.g., provide demos)
- 7% Know my business and industry
- 6% Meet needs of my technical staff
- 3% Do homework/be prepared
- 2% Do homework/be prepared

Why Forecasts Are Wrong (Survey of 73 Salespeople)

- 27% Market/environment
- 19% Customer’s buying process
- 13% Customer’s needs/schedule changes
- 8% Customer’s organization/budget changes
- 6% Internal—Insufficient supply
- 4% Internal—Management expectations too high
- 4% Individual—Insufficient activity
- 4% Competition
- 15% Individual—Lack info
- 6% Internal—Insufficient supply
- 4% Competition
- 2% Do homework/be prepared
- 2% Do homework/be prepared
Biggest Red Flags (Survey of 73 Salespeople)

- Customer disengaged: 30%
- Competitive threats: 14%
- Price shopping/negotiation: 10%
- Complex/disorganized decision process: 6%
- Purchase is delayed: 5%
- Other (e.g., too good to be true): 2%
- Supplier's inventory problem: 2%
- Negative experience with rep's firm: 3%
- No budget: 8%
- Unclear fit with need: 11%
- Supplier's inventory problem: 2%

Advice to Sales Reps (Survey of Salespeople)

- Build multiple relationships: 18%
- Demonstrate value: 14%
- Persistence/regular contact: 20%
- Qualify-budget and need: 3%
- Know buying process: 3%
- Diligent prep and follow-up: 9%
- Demonstrate value: 12%
- Understanding/listening: 21%
- Honesty/caring: 18%
## Customer Survey (138 Customers)

### Customer’s Annual Revenue

<table>
<thead>
<tr>
<th>Revenue Range</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>&gt; $1 billion</td>
<td>66%</td>
</tr>
<tr>
<td>$500 million to $1 billion</td>
<td>14%</td>
</tr>
<tr>
<td>$250 million to $499,999,999</td>
<td>7%</td>
</tr>
<tr>
<td>$100,000 to $249,999,999</td>
<td>5%</td>
</tr>
<tr>
<td>&lt; $1 million</td>
<td>8%</td>
</tr>
</tbody>
</table>

### Customer Industry

- High technology: 29%
- Health care/pharmaceutical: 25%
- Utilities/telecommunications: 15%
- Business/professional services: 13%
- Other (e.g., government, manufacturing): 9%
- Hospitality/retail: 5%
- Energy: 2%
- Financial services: 2%

### Customer’s Function

- Corporate: 32%
- Other/unspecified: 30%
- IT/Operations: 18%
- Sales: 6%
- Purchasing: 4%
- Marketing: 4%
- Customer Service: 3%
- Engineering: 3%
Salesperson Survey (73 Salespeople)

Average Sales Price

<table>
<thead>
<tr>
<th>Price Range</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>&gt; $1 million</td>
<td>11%</td>
</tr>
<tr>
<td>$500,000 to $1 million</td>
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<td>14%</td>
</tr>
<tr>
<td>$50,000 to $100,000</td>
<td>18%</td>
</tr>
<tr>
<td>$10,000 to $50,000</td>
<td>39%</td>
</tr>
</tbody>
</table>

Typical Customers

<table>
<thead>
<tr>
<th>Customer Type</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Line managers</td>
<td>18%</td>
</tr>
<tr>
<td>Line executives</td>
<td>11%</td>
</tr>
<tr>
<td>Corporate managers</td>
<td>27%</td>
</tr>
<tr>
<td>Corporate executives</td>
<td>32%</td>
</tr>
<tr>
<td>Purchasing agents</td>
<td>34%</td>
</tr>
<tr>
<td>Other (including retail)</td>
<td>45%</td>
</tr>
</tbody>
</table>

Endnote


Authored by The Forum Corporation Research Team, with special acknowledgement to Tom Atkinson

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