



“If winning isn’t everything, why do they keep score?”

Vince Lombardi

(June 11, 1913-September 3, 1970)

CLOSING NEW BUSINESS

The focus of the last two chapters has been on forecasting and driving results for products already in production with customers and for which you are receiving Purchase Orders (P.O.s).

Winning new customer programs is the lifeblood of any company. Driving processes that lead the team to close new business is critical for ongoing revenue growth, and is, therefore, another skill that must be mastered by any Sales Executive.

In this chapter we’ll present how to manage and drive your team’s effort to close new programs, to compensate for customer programs that are coming to end of life, and to provide for future revenue growth.

The 80/20 rule applies when reviewing new business opportunities. It is important to develop metrics and processes that focus you and your resources on winning high value customer programs.

Key Point: *Closing new business is essential to replace revenue from customer programs coming to end of life and to provide for corporate growth.*

There are many terms used to represent new business, examples include Design Wins, Qualifications, and Certifications. Whatever you call new business wins, the Sales and Marketing team has a large responsibility in closing these deals. In this discussion, the term “Design Win” will be used to indicate a new business win. In terms of metrics, a Design Win assumes the customer has approved/qualified the product and that first production orders have been placed.

The objectives for an effective methodology to drive Design Wins are threefold:

1. **Increase the odds of winning.** The process that customers go through to qualify vendor’s products is very dynamic. To win business, your team members must communicate regularly on strategy, resourcing, and on the status of actions that need to be closed. You should assume that your competitors are working this way.
2. **Prioritize Resources.** Engaging with Major Customers on new business is a resource intensive activity often requiring support across functional groups ranging from engineering to applications to quality. These scarce resources must be allocated thoughtfully to generate the highest return.
3. **Provide input to the Revenue Forecast.** Revenue from new products is an important factor when forecasting, even in the short term. Your

methodology must provide a way of judging revenue figures from potential new business into the overall revenue forecast.

Key Point: *An effective methodology for driving Design Wins ensures that effective strategies are in place, resources are properly allocated and potential new business is accurately judged into the revenue forecast.*

THE FUNNEL

The Design Win Funnel is a sales management concept that has been used for a very long time (see Figure 1 below).



Figure 1. Funnel graphic illustrating the flow of opportunities moving to close

Initially, a large number of unqualified opportunities (above the funnel) are qualified by the salesperson. An opportunity must be financially attractive and match the corporate product offering and roadmap to be considered qualified. Qualified opportunities then move through the selling process and either fall out the side as losses or the bottom as wins.

The topic of building strategies for individual opportunities will be covered in a subsequent newsletter. Our purpose here is to present a way to manage the live opportunities at a summary level for purposes of forecasting and managing the design win effort in the company.

Suffice it to say for now that dealing with customer questions and objections is a natural part of the selling process and those questions will be across a broad range of topics including technical, logistical, quality, reliability and finance. So, in addition to having a competitive product, applying the right corporate resources to resolving objections with a sense of urgency is a critical part of closing new business.



Figure 2 presents a simple design funnel using Excel. Column definitions are below.

<u>Customer</u>	<u>Sales</u>	<u>Prod. Line</u>	<u>Product</u>	<u>Volume</u>	<u>ASP</u>	<u>Ext Value</u>	<u>Total Value</u>	<u>Stage</u>	<u>Close</u>	<u>Actions</u>
Cust A	Prsn A	Prod Line A	Prod W	1000	\$ 100	\$ 25,000	\$ 100,000	2	12/10/11	Sampling
Cust B	Prsn B	Prod Line B	Prod X	1500	\$ 150	\$ 33,750	\$ 225,000	1	11/25/11	Presentation
Cust C	Prsn A	Prod Line A	Prod Y	800	\$ 75	\$ 42,000	\$ 60,000	3	1/10/12	Passed Eval
Cust D	Prsn A	Prod Line B	Prod Z	1200	\$ 50	\$ 60,000	\$ 60,000	4	10/10/11	Closed
					Total	\$ 160,750	\$ 445,000			

Figure 2. Example of a simple Design Win Funnel using Excel

In Figure 2, each row represents a specific customer opportunity. Looking at the columns, **“Total Value”** captures the estimate of the opportunity’s value for a specific time frame by multiplying the Volume (for the first 18 months of production) and ASP (ASP = Average Selling Price). For example, the Total Value of the opportunity with Customer A is \$100,000 calculated by multiplying 1000 units with an average selling price of \$100.

You’ll note I used 18 months as the timeframe for the Total Value calculation. You may want to choose a different value. A good rule of thumb is to choose a timeframe that captures something in the range of a third to a half of the average program life for your business.

The Total Value should represent your company’s share of the volume, not the customer’s total volume for the program. A good approach for judging this is to use your current share award for like products. In the case of a new class of product, this is simply a reasoned estimate of share based upon your customer relationship.

The column titled **“Stage”** represents the position in the selling cycle for that opportunity. These stages can be different from industry to industry.

For our example, Stages are defined as 1) Opportunity Qualified, 2) Product Samples Delivered, 3) Evaluation Testing Passed and 4) Design Win or 5) Design Loss. These stages are appropriate for high tech component businesses such as semiconductors. To define stages for your business, choose those concrete milestones that an opportunity will pass on its way to closure.

“Expected Value” is a calculation of **“Total Value”** multiplied by a percentage weighting based on that opportunity’s stage position in the selling process (as noted in the column titled **“Stage”**). The weighting percentage obviously will increase as opportunities pass more milestones on their way to becoming wins.

For our example I assumed that 15% of qualified opportunities, 25% of sampled opportunities and 70% of opportunities that have passed the customer’s evaluation will eventually turn to Design Wins. The opportunity with Customer A is in Stage 2 so the Total Value is factored by 25% for an Expected Value of \$25,000.



The total Expected Value for your Design Funnel can be a surprisingly accurate view of its value if you collect the historical data and tune your percentages accordingly. The Expected Value provides a good crosscheck to the new program revenue that is currently in your Revenue Forecast.

The column titled “**Close Date**” is the salesperson’s best estimate of when the customer will award the business to a supplier. My strong preference is to use receipt of the first production purchase order as the metric for a Design Win. It is a clear and unambiguous validation that all criteria required for the customer to place an order have been satisfied.

The column titled “**Actions**” allows a few words to define the next key Action Item.

The simple funnel in Figure 2 will need to be customized to your business. To complete your funnel definition, start at the left margin and insert columns that support sorting the file to facilitate your review. Columns should be added for each functional group that will be sorting the file. These groups might include Product and Sales Managers, Salespeople and Application Engineers.

Those readers with a background in medieval philosophy may remember a concept titled “Ockham’s Razor” from one William of Ockham. Ockham’s Razor states that the best theory is the one with the fewest assumptions.

While William used this tool to rid the world of unneeded metaphysical entities, e.g., whether numbers are real things, (he would say no), I’ll use it here to make the point that simple is always better when designing your funnel. This is because the larger the dataset to be maintained, the lower the quality of the data. So, when in doubt, take it out.

Key Point: *When designing your funnel, err on the side of keeping it simple. Increasing the number of data elements, or increasing the complexity of the data definitions, lowers the quality of the data.*

MANAGING THE FUNNEL

Since Design Wins are revenue, Marketing owns the Design Win process. As with the Revenue Forecast, this in no way lessens the accountability of Sales to close targeted Design Wins.

Marketing coordinates strategies and resourcing plans with the Sales team and generates a Design Win forecast. From there the Sales team becomes the “execution arm” of Marketing to achieve those goals.

As with the processes we’ve reviewed in previous newsletters, the Design Win process requires a Process Owner to gather updates, publish a consolidated file and calendar review meetings.



The Design Win Review Meeting should rotate through the Marketing team members to allow them to review their Product Line(s). During the review they should lead their respective discussions and achieve the following:

- 1) **Provide direction to Sales and Product Support teams.** The product-oriented nature of the meeting provides an excellent opportunity to provide an update on product schedules, pricing policy changes and the priorities that Sales should be driving.
- 2) **Ensure strategies and resources are in place to win high potential opportunities.** Of course, most of the meeting should be spent on those few opportunities that will drive the number. Also, this meeting is not the place to build individual strategies, but rather to work exceptions such as open action items or stages (i.e., milestones) that are past their close dates. Issues that require extended discussion are taken offline.
- 3) **Review the Design Win Forecast.** Each Marketing team member should sort the funnel for their Product Lines (as shown below) and ensure that the totals reflect what is expected in their revenue forecast.

These three points represent a lot to cover in a short time, so the discussion must be crisp and the team will need to take an action and move on when a topic requires a detailed discussion.

Key Point: *In addition to reviewing the funnel, the Design Win Review Meeting is an excellent opportunity for the Marketing team to provide “marching orders” to Sales.*

Design Win Reviews are only as good as the follow up they generate, so it is critical that the Process Owner publish an updated Design Win file with action items following the review.

To prepare for a Design Win Review Meeting, each Marketing Team member should sort the funnel to show totals for their product lines. Figure 3 sorts the data in Figure 2 to provide a Design Win Forecast by product line.

Customer	Sales	Prod. Line	Product	Volume	ASP	Ext Value	Total Value	Stage	Close Date	Actions
Cust A	Prsn A	Prod Line A	Prod W	1000	\$ 100	\$ 25,000	\$ 100,000	2	12/10/11	Sampling
Cust B	Prsn A	Prod Line A	Prod Y	800	\$ 75	\$ 42,000	\$ 60,000	3	1/10/12	Passed Eval
			Line A			\$ 67,000	\$ 160,000			
Cust C	Prsn B	Prod Line B	Prod X	1500	\$ 150	\$ 33,750	\$ 225,000	1	11/25/11	Presentation
Cust D	Prsn A	Prod Line B	Prod Z	1200	\$ 50	\$ 60,000	\$ 60,000	4	10/10/11	Closed
			Line B			\$ 93,750	\$ 285,000			
			Total			\$ 160,750	\$ 445,000			

Figure 3. Funnel sorted by Product Line



With this sort, each marketing team member verifies that the opportunities and revenue values committed by the Sales team are aligned with the revenue forecast. The view should be sorted by quarters to allow easy comparison with the revenue forecast.

You will learn a lot about the quality of your Marketing team by watching how they drive these review meetings. Pay particular attention to the direction they provide to Sales at the beginning of their review. Those with good strategies will give clear direction.

Key Point: *The direction provided to the Sales Team in the Design Win Review Meetings provides an excellent view into the quality of Product Line strategies.*

CLOSING DESIGN WINS

Given that Sales is responsible for closing Design Wins, you'll need to ensure that your management program includes an opportunity to review Design Win performance.

Account Reviews for individual salespeople (discussed in a later newsletter) or dedicated Design Win Reviews with the Marketing team represent two different options for you to consider as forums for reviewing the Design Funnel.

Whichever forum you choose for review, you should attend as many review meetings as possible. In addition to staying current, you can generate "positive tension" by challenging open action items and missed Close Dates from the last review. This creates a strong incentive to close action items quickly. If there are disconnects, you'll be in a position to work them quickly after the meetings.

Points to cover in your review:

- 1) **Design Win Forecast**-The Design Win Forecast committed in the first month of the quarter should be locked in as the forecast for that quarter and reviewed for progress to target.

This commitment is no less important than the commitment to achieve that quarter's revenue forecast.

- 2) **Total Values**-These values have a tendency to be inflated so make sure to review them against your share position and the customer's market position.

Also, if your customer's market is dominated by a few Major Accounts, you should also make sure you don't have more than one customer forecasting to win the same business as this will create double counting in your forecast.

- 3) **Close Dates**-These dates are often too aggressive and need to be reviewed carefully as salespeople have a tendency to use Close Dates provided by the customer. Close Dates need to be judged to include a reasonable buffer for



schedule slippage.

Close Dates that have slipped multiple times are a red flag that the program is in trouble. This can be an issue of customer execution or potentially problems with your product or the level of support (which must be addressed immediately).

- 4) Strategies-**Confirm that strategies for the most valuable opportunities are sound and on track in terms of schedule. If you have concerns that require detailed discussion, take an action and work it later.

As the Sales Executive, the unique value you bring to this discussion is to make sure that scarce applications and engineering resources are allocated to the best opportunities. Many of the action items you take away from a good Account Review will be around resourcing.

- 5) Actions-**Of course, your organization's ability to execute is a direct function of its discipline in closing assigned action items so actions should be a formal part of this or any other review.

A review of a Salesperson's funnel also provides an opportunity to ensure they are allocating their time in a way that maintains a steady flow of new design wins. You'll recall from Figure 1 that a Design Win Funnel starts at the top with a large number of prospects winnowed over time to a few that are closed. Recall that the values in the "stage" column represent where an opportunity is in the funnel (i.e., where it is in the customer's decision process).

Therefore, a well-balanced funnel will have substantially more opportunities in earlier stages than later stages, which will translate to a steady stream of Design Wins and new revenue. A funnel without this shape will inevitably create the dreaded "roller coaster" effect to your revenue stream.

If you review a poorly shaped funnel, the Salesperson should be tasked to step up their prospecting activities to increase the number of qualified opportunities and refill the pipeline.

CHOOSING A PLATFORM

Excel worksheets represent the low end in terms of functionality and cost while Salesforce.com, the Customer Relationship Management (CRM) category leader, is at the high end. There are many options in between, including free web based products or more moderately priced CRM's such as Microsoft CRM.

Given my experience with Excel in small company settings and implementations of Salesforce.com in larger ones, the discussion here will focus on those two platforms. This will give you a good feel for both ends of the functionality/cost spectrum.



Below is a very brief overview and comparison of Excel vs. Salesforce.com along the lines of Cost, Functionality and Scalability. Of course, Excel wins on cost and loses on the other parameters. That said, Excel has a surprising amount of capability for managing a funnel and based on your objectives, may be right for your situation.

- **Cost**-A rough but reasonable number for a Salesforce.com license is \$750-\$1000 per year per user. This number excludes in-house development and maintenance costs. Excel is essentially free.
- **Functionality**-In addition to its spreadsheet capabilities, Excel has a rich feature set to support analysis of the funnel data. For example, pivot tables make it easy to build specific views of the data. Also, filter buttons can be inserted at the top of the columns making it very easy to sort any of the data elements in that particular column.

One must remember that Excel is simply a spreadsheet and as such only provides a static snapshot of the data so your funnel will start to age the minute it is published. In addition, while it does have a rich feature set for manipulating and presenting the data, you need to be something of a “power user” to leverage its capabilities or have access to an Excel “wizard” who can help build your file.

Salesforce.com, on the other hand, is a database with a very flexible user interface that allows for powerful representation of the data in many different preset formats even by casual users.

A report generator supports ad-hoc presentation of the data in any configuration. Dashboards can easily be created to provide a “situation at a glance” of all key metrics for any desired view of the funnel. Each Salesperson and Product Line can (and should) have its own Dashboard so a subset of the business can be viewed at any time.

In Salesforce.com, each customer opportunity has an individual screen that provides space for all relevant data elements. This is a screen that anyone can access to get all the particulars beyond what would be included in the funnel. Data elements include detail on action items, a progress status, and a place to attach relevant documents.

Salesforce.com is a cloud based application and therefore available anytime, anywhere. Salespeople should be required to update the data whenever the status changes on an important opportunity such that the data is always current. The ability to access an up to date view of the funnel anytime, anywhere is a huge value add.



- **Scalability**-A reasonable rule of thumb is that Excel will start to breakdown as you approach managing about a dozen sales staff even in a company with a limited number of product lines.

Salesforce.com supports third party “plug ins” and/or custom developments. If you’re considering a CRM implementation, think in terms of developing a platform to support all selling processes and other functions outside of Sales. Tracking quotes, goal development, incentive systems, and Human Resource applications are just a few of the possibilities.

Key Point: *Small teams who only need to manage the Design Funnel will likely find Excel adequate for their needs. Scaling to larger teams, multiple product lines or adding additional management processes will drive the need for a CRM.*

ADVANCED FUNNEL MANAGEMENT

To close out this chapter, I’ll present a few examples of ideas to extend the value of your funnel in the areas of action item management and long term forecasting.

All of us have had the sad experience of completing a productive meeting reviewing strategies to close business only to learn later that the business was lost because action items agreed by the team were not completed.

To improve communication of actions, you should couple CRM platforms directly with Microsoft Outlook to allow tasks (i.e., action items) to be launched and tracked for all significant sales opportunities.

This allows team members to get actions and associated reminders in their email inbox that encourages follow up. In addition, reports can be run on open action items, which should serve as your starting point for each review meeting. To make sure actions get published, the Process Owner owns launching action items following Review Meetings rather than relying on individual team members.

Key Point: *Leveraging the capabilities of the CRM to launch, track and report on open action items requires little resource and will improve discipline and execution.*

Turning to forecasting, given that a limited number of Design Wins will drive your number in a Major Account, it is useful to build a historical model of how revenue from Design Wins actually ramps into the revenue stream.

To build this model, go back in time as far as data is available and lay the revenue from Design Wins into quarterly buckets by opportunity. A review of this data will validate the assumptions you’ve used in building your funnel metrics. For example, the time frame assigned to the “Total Value” column in your current funnel can be validated with this data.



The history can also be used to tune the percentages used in your Expected Value calculation.

Key Point: *Historical Models built from historical data are an effective crosscheck to the values in your current Design Win Funnel.*

SUMMARY

This newsletter concludes our discussion of the processes required to be in control of the corporate revenue, specifically to drive the current quarter, the extended forecast and new business wins.

Given our experience here at InSite implementing and rolling out these processes, your implementation will likely benefit from our support. Feel free to contact us to help you with the design and rollout of your program.

Our focus now moves to the customer. Implementation of an effective channel strategy that matches customer needs is the first order of business, and it is to that topic we now turn.