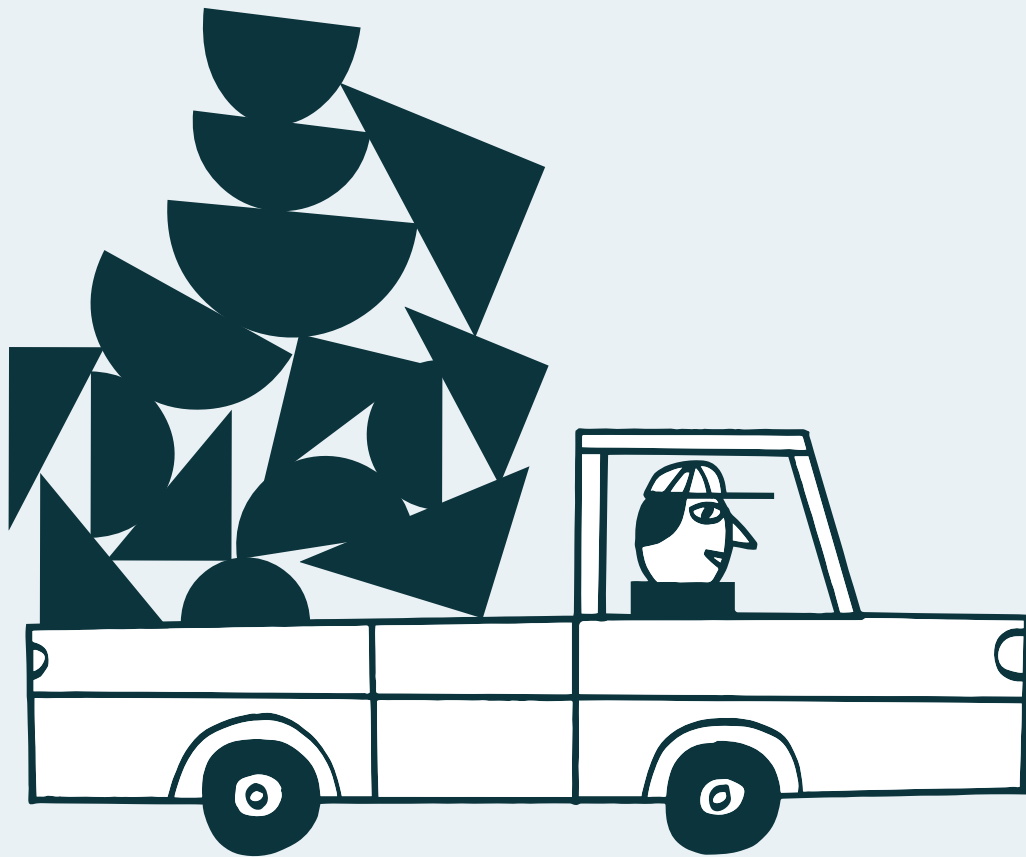# 3 keys to building a measurable sales pipeline

In its most basic form, a sales pipeline is a visual framework that illustrates how deals move through the sales cycle. A quick glance at a company's sales pipeline should illustrate all of the business it's currently working to close and expecting to win over a period of time.

Seems simple, right? However, in a recent study conducted by Vantage Point Performance and the Sales Management Association, 44% of executives revealed that they believe their organizations are ineffective at managing their sales pipelines. This is because effectively building, maintaining and optimizing a sales pipeline is a lot more complicated than pouring leads in and getting wins out. Doing it right requires taking a scientific approach.

A sales pipeline is merely a representation of a much more complex underpinning sales process that outlines the exact steps reps must take to move a deal from one stage of the pipeline to the next. Having a clearly defined sales process in place leads to a series of consistent data points that can be measured to understand, predict and improve performance over time. In fact, research shows that there is an 18% difference in revenue growth between companies that define a formal sales process and companies that don't.

This eBook examines three vital steps every business needs to take toward establishing a measurable sales pipeline and process that drives repeatable, predictable sales growth

1. **Define your sales pipeline stages**
2. **Establish pipeline stage requirements**
3. **Map your process to the sales formula**

01

Define your sales pipeline stages

As mentioned earlier, a sales pipeline illustrates how deals move through your company's sales cycle.It helps to visualize this pipeline as a funnel, with unqualified leads entering at the top or wide end of the funnel, and closed deals exiting at the bottom or narrow end of the funnel.

In between are various stages, or milestones, that represent the major steps it takes to progress sales prospects from initial conversation to close. These stages vary by company, and while defining them may seem like an exercise in naming conventions, it is actually a highly critical decision that essentially lays the foundation for your sales process.

To get the most value out of these stages, we recommend having 5 or fewer. The more stages you have, the harder it becomes to explain the specificities of each stage, which inadvertently shifts the focus from the customer and closing the sale to meeting internal requirements. It also increases the chances of deals jumping back and forth between various stages, making it difficult to accurately measure the success of your pipeline.

Here are some examples of stage combinations that
make up a sales pipeline:

Pipeline example 01

| Prospecting | → | Qualified | → | Quote | → | Closure |

Pipeline example 02

| New Lead | → | Evalution | → | Consultation | → | Proof of concept | → | Decision |

Pipeline example 03

| Discovery | → | Evalution | → | Won |

Pipeline example 04

| Prospecting | → | Accepted | → | Qualified | → | Committed | → | Transacted |

02

Establish pipeline stage requirements

Now that you've defined the key milestones within your sales pipeline, how do you know when it's time to move a deal from one of these pipeline stages to the next? Outlining these specific steps and exit criteria is the heart and soul of your sales process, and while this may require you to initially rely on educated guesses, as you consistently follow and measure these steps over time, you will learn what needs to be adjusted.

Let's go back to the first example pipeline we provided earlier:

Did you know?

A formalized sales process leads to a 65% increase in individual reps hitting their targets and an 88% increase in companies hitting their goals.

| Prospecting | Qualified | Quote | Closure |

Now, let's take it stage by stage and examine some of the information and steps that a company might require before moving a deal from one stage to the next.

Prospecting → Qualified → Quote → Closure

The Prospecting stage is where all leads, whether inbound or outbound, enter your pipeline. Not all of these leads will be the right fit for your business, so you must establish that they meet your requirements before moving them to the Qualified stage. Asking the right qualifying questions will also prevent your team from wasting precious time chasing prospects that won't convert.

While a business can certainly create its own unique set of qualifying questions, there are many existing and proven sales methodologies to choose from that can help. One of the most popular sales methodologies is BANT, which was introduced by IBM to help companies qualify and score prospects based on their Budget, Authority, Needs and Timeline. Other examples include MEDDIC, GPCT, CHAMP...you get the picture. For the sake of this exercise, let's use BANT to list out some of the questions a rep might ask to help qualify a prospect.

Pro tip

One of the most important data points you can track is lead source—don't forget to make note of which channel each of your prospects is coming from.

Budget
- What is the company's current funding or revenue?
- What is the budget for this project?
- What other solutions are they currently invested in?
- Will their CFO or finance team approve this purchase?

Authority
- How does the company make purchase decisions?
- Is your contact the decision maker?
- Who else is involved in the decision making process?
- What objections may arise during the negotiation process?

Needs
- What are the company's top goals for the fiscal year?
- What are the key challenges the organization is currently facing?
- Where does this project rank among other priorities?
- Why your solution, and why now?

Timeline
- How quickly does the company want to choose a solution?
- If the company is in a contract with a competitive solution, when is it up for renewal?
- Do they have the bandwidth to prioritize this project?
- Are they also considering other solutions?

Prospecting	→	Qualified	→	Quote	→	Closure

Once a prospect has been qualified based on your chosen sales methodology, it's time to move forward. The Qualified stage is where you start building a relationship with your prospect and progress the conversation to the point where he or she requests a formal quote or pricing sheet from your business. The combination of steps a rep has to take and information she must collect to get a deal to this point might look something like the following:

- Give comprehensive live demo

- Schedule weekly check-ins

- Send industry-specific marketing materials

- Conduct 360 analysis of company's needs and provide detailed report

- Visit prospect on-site

- Create proof of concept

- Receive verbal confirmation that you have made the short list of competitors

| Prospecting | → | Qualified | → | Quote | → | Closure |

This is where the rubber meets the road and negotiations take place. One thing to keep in mind is that your prospect may have also requested quotes from your competitors, so be sure to focus on proving the value of your solution. Line items for this stage transition may include the below:

- Schedule reference call with an existing client

- Send minimum of 3 case studies

- Evaluate potential discounts

- Provide detailed pricing information

- Get a verbal "yes"

Once a deal is moved to the Closure stage, it will be marked either Won or Lost. Don't waste time getting your prospect to sign on the dotted line!

Pro tip

As a sales leader, it's your job to make sure that your entire team adheres to the sales process you have laid out. One way to make this happen is to utilize a sales software platform that allows you to set up automatic prompts for reps to enter specific data points when a deal is created or moved to a new stage in the pipeline.

03

Map your process to the sales formula

Remember that a sales process is a living, breathing playbook that should be updated over time as you discover what drives the most revenue for your business. So once you have your process in place, how will you know if it's working?

According to Jason Jordan, author of Cracking the Sales Management Code, "The number one metric tracked by every company is revenue. But the reality is that you can't manage revenue." Unfortunately, this doesn't stop some sales leaders from spurring reps to "work harder" and "stay later" to hit their numbers. What they don't realize is that, if something isn't working, why would doing more of it work better?

As Jordan puts it, "You can't work harder to make revenue. You have to work smarter." This means taking a step back and measuring the impact of your sales process across the key conversion points within

your sales pipeline. To do this, your sales pipeline must have clearly defined stages that correspond to key measures within the sales formula.

What's the sales formula?

The sales formula provides a consistent and reliable way to measure and evaluate your sales strategy over time across the key conversion points needed to turn a lead into a closed deal.

While your business may adapt the formula to suit its own unique pipeline and process, the baseline formula and definitions for its variables are as follows:

Sales formula

$$L \times \%LW \times \%LWC \times \%OW \times \%WR \times Avg(\$Deal)$$

Sales formula definition

L
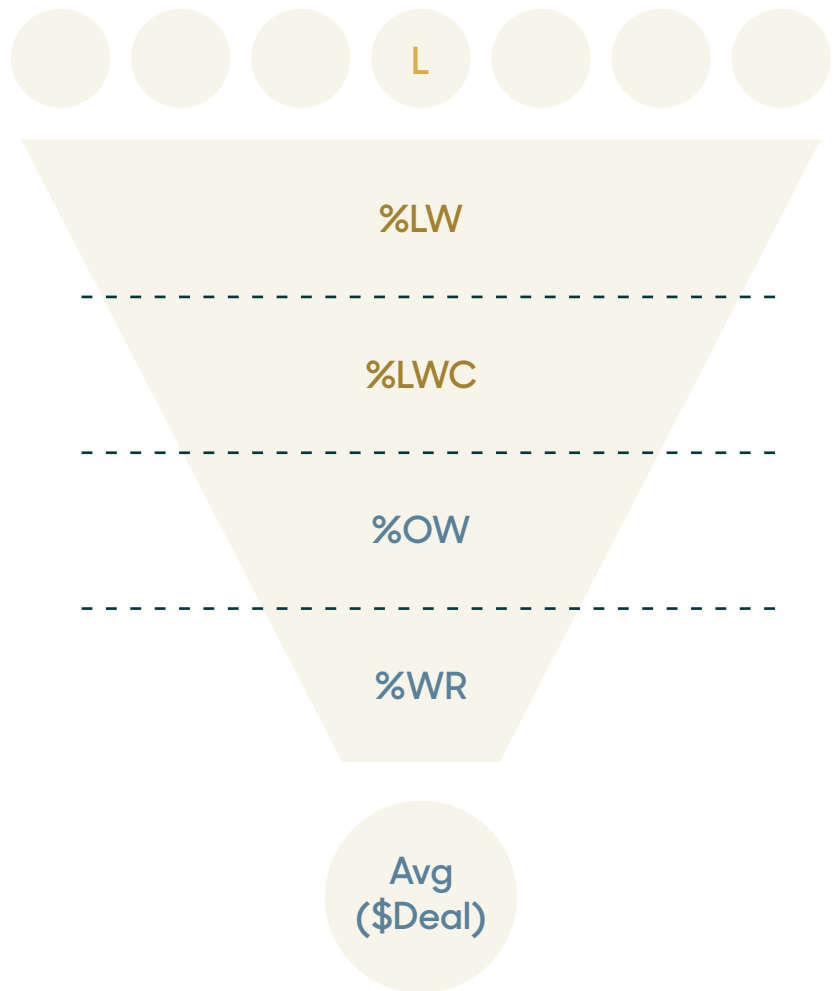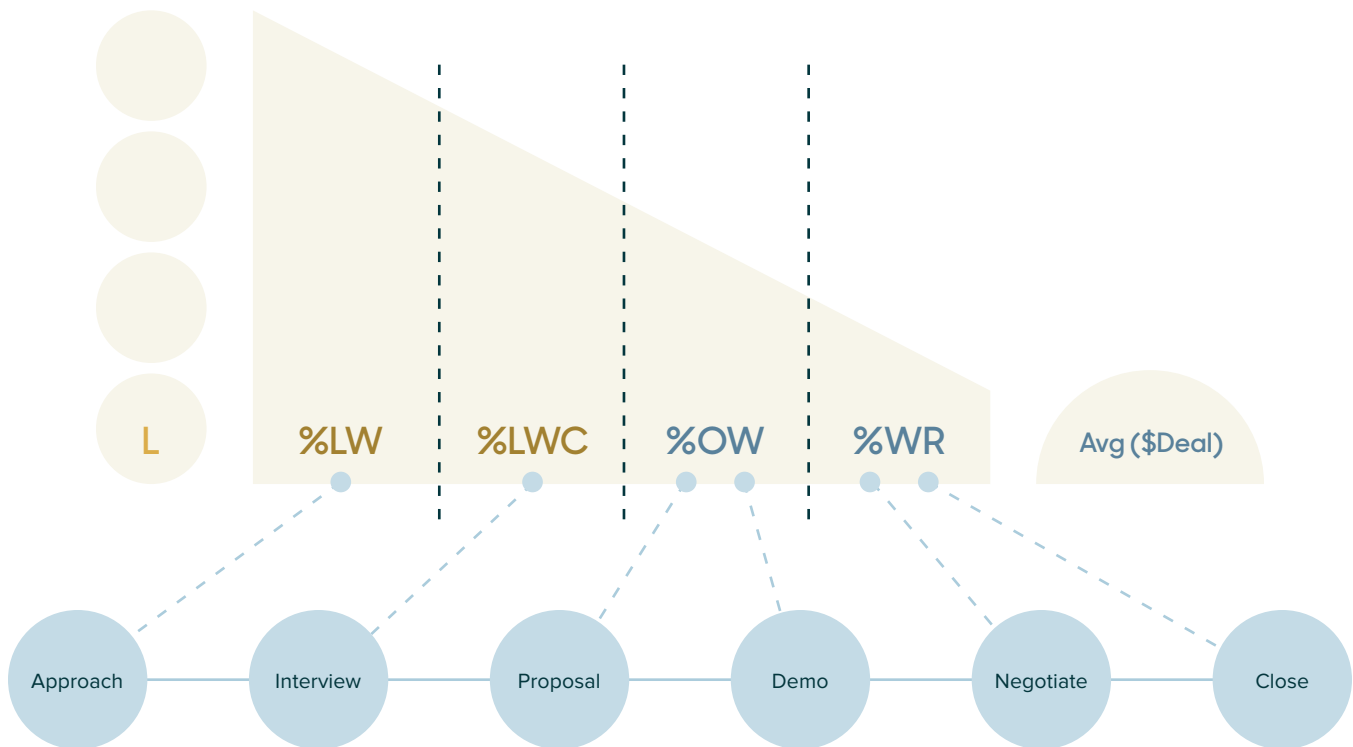# of leads

%LW
% of leads worked

%LWC
% of leads worked converted to opportunities

%OW
% of opportunities worked

%WR
% win rate for worked opportunities

Avg($Deal)
average deal size

L

%LW

%LWC

%OW

%WR

Avg ($Deal)

To understand which parts are working and which should be adjusted, you must map your process to your sales formula, as illustrated above. In some cases, you may have multiple steps that tie back to one key measure in the formula. For example, it may take several steps in your sales process to qualify a lead or convert an opportunity into a closed deal.

As you capture the information necessary to complete each step of your sales process and develop a consistent data set, measuring these key data points or factors across the sales formula will uncover actionable and quantifiable sales insights.

For example, there is probably a step in your sales process to identify a decision maker. As your reps follow this process and enter information around the decision makers in their deals, you will soon be able to identify the ideal profiles for the decision makers you should be pursuing based on the calculated win rates of these deals. Similarly, if there is a step in your process where reps are required to secure a customer referral to prove the value of your solution, you may soon discover that prospects who are connected with a particular customer progress to the next stage of the pipeline 2X more often than those who are connected with another.

Taking a
dynamic approach

While the sales pipeline may appear to be a basic timeline for plotting open opportunities, sales leaders recognize that constructing, measuring and optimizing the pipeline and its underlying process is the backbone of a smart and successful sales organization. Start by following the three steps outlined in this eBook to begin uncovering actionable, quantifiable insights that give your business the opportunity to improve processes and close more deals.

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