

### **GROWTH TIP #3 – 4 Tips to Achieve Pipeline Accuracy!**

We recently participated in a revealing and surprising discussion about Sales Pipeline Management during the Sales Management Association's June conference at DePaul.

The discussion revealed consensus amongst participants on a number of drivers of pipeline accuracy, including:

1. **Avoid Subjective Decisions.** Subjective decisions and specious claims about probabilities significantly diminish pipeline accuracy and are compounded at every level of interpretation of the pipeline.
2. **Gate Pipeline Stages.** Tightly defined gating factors greatly increase pipeline accuracy.
3. **Closely Align Pipeline Stages with Sales Processes.** Stages are meaningless unless they reflect the customer's buying process(es).
4. **Strive for an Adequate Supply of Opportunities at Each Stage.** Maintaining an adequate number of opportunities at each stage is critical to pipeline performance.

Like many others in the crowd of 50+, we found these revelations heartening, as well as strong evidence that Sales Leaders and their Sales Ops Managers have indeed come a long way toward mastering pipeline management and accuracy.

However, despite gains on the above drivers of pipeline accuracy, the Sales establishment has not achieved complete mastery of pipeline management.

In fact, we were surprised to find that a number of participants still:

- Predict sales volume using ubiquitous assumptions of probability of closure at each stage of the pipeline and lack an algorithm that reflects a roll-up of the pipeline dynamics of each seller.
- Fail to consider above the funnel metrics that accurately predict the number of qualified opportunities entering the funnel.
- Focus an inordinate amount of their energy on adding opportunities to the pipeline.

These actions undermine pipeline value, and, based on this audience, appear to represent the last mile in improving pipeline accuracy. To cover the last mile we recommend pursuing four opportunities for improvement:

1. **Utilizing performance metrics above the funnel to ensure you have enough quality opportunities at the top of the funnel.**

Utilizing performance metrics above the funnel is a critical component of maintaining a strong pipeline that has high conversion rates from stage-to-stage. One of the strongest predictors, if not the strongest predictor, of selling success is the number of qualified leads

that enter the top of the funnel; the greater the number of qualified leads at the top of the funnel, the narrower the opportunity set needs to be and the greater velocity each seller's pipeline will ultimately have. Therefore, it makes sense to add metrics above the funnel, such as:

- # of New and % increase in Subscribers to websites and portals
- # of Potential Subscribers who start to subscribe but opt out
- # and % of Un-subscribers
- # and % change in New Address in the marketing database
- # and % change in Subscribers downloading information or sampling as a result of promotions
- # and % Conversions from Subscribers and/or Samplers into leads

Utilizing these metrics will increase your visibility to quality lead flow and enable you take corrective action before opportunities enter and potentially drag down your pipeline's conversion rates.<sup>1</sup> And, perhaps more importantly, more active management of lead quality will free up sellers to focus more on closing and improving the conversion rates of opportunities working their way through the funnel.

## 2. Developing a pipeline algorithm that takes into account the pipeline dynamics of each seller.

Strong algorithms take into account a number of data points for each seller, including at a minimum: the number of opportunities of each type at each stage, the total dollar value of each type of opportunity, and the historical conversion rate from stage. Armed with this data you can build an algorithm that calculates more accurately the revenue each seller is likely to contribute at each stage of the sales cycle, and more particularly at the end of the pipeline. The mathematical formula calculating the expected revenue for each seller would look like this:

### Exhibit A – Calculating Expected Revenue

$$\begin{aligned} & \$ \text{ Type A Revenue} = (\# \text{ of Oppty's} \times \$ \text{ Total Value} \times \text{ Conversion Rate}) \\ & \quad + \\ & \$ \text{ Type B Revenue} = (\# \text{ of Oppty's} \times \$ \text{ Total Value} \times \text{ Conversion Rate}) \\ & \quad \dots \\ & = \text{ Total Expected Revenue} \end{aligned}$$

Using this approach for each seller and totaling the results produces a much more accurate picture of revenue than applying ubiquitous assumptions to the sum of opportunities in each stage.

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<sup>1</sup> For more insight on Pipeline Metrics, see [May 2010 – Growth Tip #2 – Look Above The Pipeline For Predictive Sales Metrics.](#)

### **3. Enhancing the pipeline algorithm to include “opportunity specific” adjustments.**

To enhance one’s pipeline algorithm even further you should closely assess specific opportunities stage-by-stage, and include probability adjustment factors for how well sellers have completed certain steps in the selling process. For example, if we presented our value proposition in a compelling way to all stakeholders early in a stage we might adjust the conversion rate upward. Additionally, you should also adjust the probability rate for other factors such as how well our solution fits the customer’s application, whether the customer is new or a heavily penetrated user of our solutions, or even our win rate on similar proposals over the last year. By building up your pipeline opportunity-by-opportunity you can create a much more accurate view of probable revenue and increase not only your confidence in hitting your numbers, but senior management’s confidence and you and your team.

### **4. Focusing on Increasing Conversion Rates.**

While it’s true that sellers always need to be prospecting, opportunity creation frequently receives too much emphasis in terms of time at the expense of moving opportunities through the middle of the pipeline, or closing. As a result, pipeline conversion rates suffer and the return on sales force investment declines.

By focusing more time on closing and converting opportunities, which typically requires the greatest amount of time, sales forces will significantly improve sales outflow in terms of revenue per week, month, or quarter. Focusing more deliberately on conversion also informs sales coaching and development, particularly around how and when value propositions are delivered and how opportunities are qualified, leading to sustained reductions in sales cycle time.

It’s clear based on our group discussion that covering the last mile to achieving pipeline mastery is difficult, it will require a bit of data mining, tool development, more detailed mapping of the sales process and critical steps within stages, and more active sales management. However, the race is almost won and the potential gains are significant, in terms of quota attainment, but invaluable in terms of increasing management’s confidence in you and your team. A recent study by the Aberdeen Group proves this point, it notes that “best in class [users of pipeline analytics and processes] achieve 83% forecast accuracy”, and “grow sales-per-rep at 9.1% on a year-over-year basis while all others see a decline of 1.5%.”

Are your forecasts were this accurate or your incremental growth rates were this high? If not, now’s the time to start training to cover the last mile.

For more insight on developing and implementing growth strategies, visit us on-line at [www.evergreengrowthadvisors.com](http://www.evergreengrowthadvisors.com) or contact Tom Knight and Erik Birkerts at 866-549-3191, or via email at [info@evergreengrowthadvisors.com](mailto:info@evergreengrowthadvisors.com).

To learn more about the Sales Management Association, a global association for Senior Sales and Sales Operations Leaders, visit [www.salesmanagment.org](http://www.salesmanagment.org) or contact Bob Kelly at 678-871-0479 or [rjkelly@salesmanagment.org](mailto:rjkelly@salesmanagment.org).