

Harnessing the Power of the Pipeline



The sales pipeline can tell you much more about your business than just revenue values

Phase definitions, opportunity attributes and sales adoption are all prerequisites to unleashing the pipeline's power

Tracking net opportunities, conversion rates and sales cycle length create a profile for successful outcomes

The late Sen. Daniel Patrick Moynihan once said that everyone is entitled to their own opinion, but not his own facts. Unfortunately, many sales managers have no choice but to rely on opinion in the absence of facts about how opportunities convert from fresh on the pipeline to close.

Pipeline values have long been an important contributor to critical business decisions including future revenue projections, resource allocation and much more. In this brief, we will look at how you can unleash even more power from the pipeline, specifically examining the role that new opportunity, conversion rate and sales cycle length data play.

HOW DO BUYERS BUY?

The sales pipeline tells sales reps where to prioritize their time, helps sales managers to focus their support and satisfies executive management reporting requirements. However, the real power of the pipeline is its ability to provide a real-time view into *how* your customers are buying, not just how much.

Most sales organizations have developed cycles that roughly mirror the steps they see customers go through when they buy. The good news is that with the maturing of sales force automation (SFA) applications and their adoption, pipeline dashboards are being populated and forecasts submitted like never before. The better news is that SFA systems have streamlined pipeline administrative tasks, and their analytics capabilities afford sales organizations unprecedented visibility into pipeline shape and velocity.

In the brief "Identifying and Managing Knowledge Inflection Points," we highlighted the two major inflection points where buyers – needing access to more detailed information – progressively engage with a more knowledgeable resource leading up to their first interaction with a salesperson. Once engaged, the salesperson has to successfully navigate the buying

process by supplying the information the buyer needs in each phase. Watching how reps manage these critical junctures will be critical for sales management; we will discuss the decisions that can be made later in this brief.

ACTIVE INGREDIENTS

Unleashing the power of the pipeline requires that a number of ingredients must be in place. These ingredients begin with a series of sales cycle definitions, a unique set of activities that take place depending on the nature of the product and the knowledge level of the prospect. The following core buying phases are common to most b-to-b selling scenarios:

- *Qualified opportunity.* The entry point from any demand creation activity (e.g. marketing, account management, cold calling). Defining exactly what determines a qualified opportunity is unique to each environment, but once deemed qualified, the opportunity lifecycle begins.
- *Requirements definition.* Achieving clarity of customer requirements and the crafting of a solution to match those requirements converts a qualified opportunity into a qualified solution.
- *Value demonstration.* Following the creation of a potential solution, customers will require a proof of concept or physical demonstration of how the solution aligns with their requirements. The presentation, validation and agreement by the customer that the recommended solution could satisfy their needs turn a qualified solution into a customer solution.
- *Proposal.* Detailing the terms, conditions and costs of a customer solution in the

form of a quote, offer or proposal represents a committed solution to the customer. The presentation of the offer converts a customer solution into a proposed solution.

- *Negotiation.* Once the customer receives an offer, the negotiation process begins, sometimes involving a procurement resource. Once the customer response and active negotiation takes place, the proposed solution is now a negotiated solution.
- *Decision.* A negotiated solution becomes a result when the customer responds with a yes or no decision.

Our ingredient categories continue with opportunity attributes. The shape and form of opportunities change through the progression of the opportunity lifecycle; expectations must be set concerning the mandatory data attributes for each opportunity. At a minimum, each opportunity should have a sales phase classification, product mix, revenue value and anticipated close date. Other demographic attributes such as company size, geography or SIC code can be extracted from the account file.

Our third ingredient is end-user adoption. Getting reliable pipeline data isn't easy; even before the advent of SFA, getting salespeople to agree on a common set of opportunity definitions and data attributes was difficult. The deployment of SFA only exacerbated the problem, as real-time pipeline visibility illuminated how infrequently salespeople updated opportunities and how varied the interpretations were regarding opportunity definitions. In our research brief "Driving Successful Sales Force Automation Adoption," we focused on adoption of the sales process as a best practice and the prerequisite to deploying technology.

The final ingredient is technology. Once all the business processes are in place, the alignment of the SFA application to the sales phase and opportunity attributes allows for rapid, accurate calculation and presentation of opportunity data into reports and dashboards to satisfy pipeline data requirements. Analytic capabilities will provide visibility to the shape and flow of opportunities as they move through the lifecycle.

WHAT TO WATCH FOR

The power of the pipeline comes to life when four key data attributes are incorporated into business analysis. These attributes include:

- *Net new opportunities.* Tracking the net number of new opportunities will project long-term revenue potential based on conversion rates and sales cycle length. Identifying the source of new opportunities enables the sales organizations to become better able to prioritize demand generation efforts against active selling efforts. A deeper level of sophistication is to apply conversion rates and sales

cycle length by new opportunity source. This data becomes essential to making fact-based decisions to determine best sources for new opportunities, successful techniques and tactics for sourcing new opportunities, and the level of knowledge required to advance a qualified opportunity to a qualified solution.

- *Conversion rates.* Capturing the percentage of opportunities that convert from one phase to the next replaces traditional three-to-one pipeline thinking with facts to project future revenue potential. Conversion rates highlight where in the process opportunities get stuck. If this tends to occur early in the cycle, it may be a messaging issue; however, if it occurs during the demonstration phase, it may reflect a skills issue or product weakness. At a rep level, conversion rates against those of the team or sales group help determine if there is an individual a sales skill or knowledge concern.

- *Sales cycle length.* Having an accurate representation of the time it takes for a qualified opportunity to close based on analysis of successful sales cycles is critical in the future assessment of opportunities. Successful opportunities have a natural cadence; establishing this profile will help prioritize those deals on this cadence and disqualify others that stall or raise skepticism. Stalled opportunities usually need to be re-qualified or transitioned into a nurturing program until ready to be re-engaged, while opportunities that seem to appear out of nowhere and quickly move to a proposal stage might suggest "comparison shopping" by prospects.

- *Success profiles.* The concept of win/loss analysis is not new. However, modeling the source of an opportunity – and determining the drivers for conversion from one phase to the next and the duration involved – builds a scientific model of success. Each opportunity will have a life of its own; however, the data characteristics of those that close enables sales leaders to add a powerful element of fact to their subjective assessment of their pipeline's business value.

THE SIRIUS DECISION

The true power of the pipeline is more than just satisfying the data demands of management. When properly developed, it provides a fact-driven profile of when and where opportunities advance and when they fail. In addition, capturing the four data attributes of an opportunity enhances the integrity of the pipeline as it advances through a well-defined lifecycle, resulting in the development of success profiles. These profiles can then focus your demand creation efforts, and identify sales skill and knowledge deficiencies that when remedied can significantly benefit topline revenue.