Team Revenue



A B2B Leaders Guide to Building a Scalable & Predictable Sales Pipeline

Best practices, tips, and action steps

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Introduction

A sales pipeline is an incredibly important tool when it comes to building a successful company. Unfortunately, not all businesses have a predictable sales pipeline they can trust and learn from.

In this guide, we will help demonstrate how to build a scalable and predictable sales pipeline you can count on month over month, quarter over quarter, and year over year.

What You'll Learn

- What a sales pipeline is and why you need to design one
- How to build an effective sales pipeline
- The different stages of a sales pipeline
- How to build a governance framework for your sales pipeline
- How to map your sales process to your sales pipeline
- Common pitfalls
- Best practices, tips and action steps

What Is a Sales Pipeline?

A sales pipeline is a framework comprising a set of stages that are designed to lead to a sale. It provides salespeople with a visual representation of where prospects are in the buyer's journey. Each stage of the pipeline has its own set of rules and actions that salespeople follow to help manage and predict the flow of new sales opportunities. These clearly defined rules and actions are known as the sales process.

There is no one-size-fits- all ideal sales pipeline or sales process. Rather, your sales pipeline is a unique reflection of your typical buyer's journey.

Sales Terminology

Sales Pipeline
A framework or set of stages to help track sales opportunities. It provides salespeople with a visual representation of where prospects are in the sales process.

Sales Proccess
A set of repeatable steps a sales team takes to move a prospect from one stage in the sales pipeline to the next; from a lead to a closed customer.

Sales Forecast
A sales report outlining how much a salesperson, team, or company will sell over a defined period of time (week, month, quarter, or year).

Sales Funnel
The number of prospects and conversions in the sales pipeline.

The Importance of a Sales Pipeline

Sales opportunities have a lot of moving parts and it is critical that you have a clear vision of how much potential business your team is working at any given time. A well-designed sales pipeline helps keep track of the dozens, hundreds, or thousands of sales opportunities your team is working. Building an effective sales pipeline will require creating a standardized, repeatable sales process that salespeople can follow to make sure no opportunity falls through the cracks. If done well, it will also lead to sales process improvements and, perhaps most important, it is the leading indicator of opportunities that will eventually find their way into your sales forecast.

A well-designed sales pipeline helps keep track of the dozens, hundreds, or thousands of sales opportunities your team is working.

By keeping a close eye on your sales pipeline, you can also improve your sales forecasting accuracy. Ideally, you should try to be within a +/- 10% variance of your sales forecast.



How to Build An Effective Sales Pipeline

Start with the basics:

Identify the stages of your sales pipeline.

Think carefully about each stage and the steps that need to happen to move prospects through the pipeline.

Remember: the stages of your sales pipeline should mirror your buyer's journey.

How many opportunities move through your sales pipeline?

Look at how many opportunities typically move from one stage to the next stage of your sales pipeline. You should know the percentages for each stage. If you don't, you will need to make an educated estimate so you can measure and optimize your sales process and pipeline performance moving forward.

What does the ideal number of opportunities look like for your sales pipeline?

To find out, reverse-engineer the number of opportunities you need at every stage to hit your revenue goals. performance moving forward.

What governance will you implement to help build accountability?

This is really your sales process. Decide what defined tasks or actions (i.e., booking a meeting, sending an email) are required for salespeople to be able to move an opportunity forward to the next sales stage. Think of them as entry and exit criteria. These tasks or actions should be factual, inspectable, and buyer centric. If you don't have a formal, standardized sales process or are looking to refine it, make sure you spend time defining or enhancing activities, tasks, or actions necessary to move your opportunities through your sales pipeline stages. This single focus can save you several hours each month as you work on your sales forecasting.

What Stages Should You Have in Your Sales Pipeline?

Since opportunities only happen when buyers need solutions, it only makes sense to base your sales pipeline on your unique buyer's journey. This will ensure you know where they are in their decision-making process. Hubspot describes the buyer's journey as consisting of three stages:

1. **Awareness** A buyer may or may not realize they have pain or opportunity in front of them. During this stage, sales and marketing efforts should be focused on helping buyers discover that pain or opportunity.

2. **Consideration** This is when buyers start to explore possible solutions and approaches to solving problems or taking advantage of opportunities.

3. **Decision** Buyers are now comparing solutions and suppliers.

Many people are tempted to create several stages in their sales pipeline thinking that more is better. In this case, less is probably best. The goal is to think about building your sales pipeline with data in mind, so you can measure, iterate, change, and improve your sales outcomes.

This is why TeamRevenue emphasizes the following three guidelines when defining the stages of your sales pipeline:

1 Make your stages factual.
Prevent gut-feel criteria from creeping into your sales pipeline or sales process. A verbal commitment from a buyer that they are going to read an eBook you've sent them is not proof they will. Whereas a customer attending a meeting or receiving your formal proposal is factual.

2 Make your stages measurable.
If you can't measure it, it didn't happen. A client who confirms a booked meeting for a discovery call in your calendar is measurable.

3 Make your stages buyer centric.
Every stage in your sales pipeline should reflect the buyer's journey and be focused on helping them make their buying decision.

Sample Sales Pipeline Stages

Connecting This stage is focused on identifying and connecting with potential buyers to add to the top of your sales funnel. Having a clear idea of who your ideal customer is, their buying journey and categorizing them according to where they are on that journey will help you know how best to approach them.

Discovery The objective at this stage is to determine if the prospect is a good fit for your solution. Depending on the technology/solution you're selling, this can be quick or not. This stage involves research, meeting with a potential customer and asking the right questions to understand what the company is focused on, the problem they're trying to solve and who is going to be involved in decision-making.

Proposal This stage is an opportunity for salespeople to make a case for your company's solution and to give the potential customer the opportunity to evaluate whether or not the solution will meet their needs. For some companies, this might be a product demonstration, trial or proof of concept. It may also include reviewing preliminary pricing and confirming your solution fits the buyer's requirements.

Building Consensus Think of this stage as an opportunity to equip the decision maker/champion/catalyst with the tools and information they need to gain approval. How? By addressing any objections to purchasing your solution. These can include determining final pricing, onboarding, modifications to the proposal, and finalizing details around implementation and project timelines.

In Contract Depending on the complexity and price point of your solution and the types of buyers you are targeting, his stage may also be referred to as "Awaiting Signature". In many businesses, sales can close immediately after the proposal or price quote by signing a straightforward customer agreement while others may require the review of a contract. This stage may also include additional items such as red-lining contracts or further negotiating price with a procurement department.



Closed-Won
The buyer sends you an executed agreement for service.

Closed-Lost
The buyer decides not to purchase your product or service.

Closed-No Decision
The buyer has gone dormant and is no longer replying to calls, emails, or previously agreed-to timelines.

Of course, this is just an example and is not meant to serve as a universal template. You will need to consider all the factors that could impact defining your sales pipeline, such as the length of sales cycle, the size of your deals, the complexity of buying committees, etc. An important part of building a solid, predictable pipeline is to fully understand how many opportunities actually go through the various stages of your pipeline. By understanding the percentages of deals that make it to the stages of your pipeline, you can use that information as a leading indicator of inefficiencies and coach salespeople to help drive the behaviors that will lead to winning more deals.

An important part of building a solid, predictable pipeline is to fully understand how many opportunities actually go through the various stages of your pipeline.

Fast Facts

50 Opportunities

According to Hubspot, 72% of companies that had less than 50 opportunities in their sales pipeline did not reach their revenue goals. Source

Win, Lose or Draw: Understand What Happened

Every sales pipeline ends the same way: with either a Closed-Won, Closed-Lost, or Closed -No Decision outcome. If a deal ends with a **Closed - Won** or **Closed - Lost**, make sure you include a reason why you won or lost those deals for future analysis. If a deal is stalled and the client is not returning your calls or emails but you don't know why, then it's a Closed-No Decision outcome. It's a best practice to move deals into the Closed-No Decision stage when a deal has been in contract for more than seven days with no indication further negotiation is needed or wanted.

If the deal is revived at a later point, it will likely be a new deal, otherwise it wouldn't have stalled in the first place. This best practice tip will help force your sales reps to continue forward momentum activities with their pipeline opportunities and creates a built-in sense of urgency to secure the next steps in the process or they risk having that opportunity enter Closed-No Decision territory. The **Closed - No Decision** factor will help prevent deals from stalling in your pipeline and will significantly improve your forecasting predictions.

Architecting the Ideal Value of Your Sales Pipeline

This is the relatively easy bit, particularly if you have pulled insights from past sales performance. All you have to do is reverse-engineer how many deals you need in your sales pipeline to achieve your sales goals. Here are the numbers and steps you need: What is your past or future average deal size? Look at historical numbers to identify how many average deals it will take to hit your sales goal. If you are a new company or launching a new product, you might have to estimate a little.

Example

$10,000

Average deal size

$8,000,000

Sales goal (based on 12 months)

800

Estimated number of average deals needed to hit your sales number

Pro Tip

Admittedly, this calculation is a little too perfect as it assumes all 800 deals will close. Be sure to factor in your buffer of risk in your calculation (i.e., 20 percent of deals will not close). In this case, 1,000 average deals will be your target number of deals to achieve your sales goal (1,000 deals - 20 percent buffer = 800 deals).

What is your yield per stage? Now that you know you will need 1,000 average deals for the year to have a chance of hitting your sales goal, break it down further. Look at each of your stage yields as a percentage of conversion to understand how many deals you need at each stage to ensure you hit your revenue goals.

Contract Sent

Let's assume at this stage, 90 percent of deals will close. That means you'll need 1,111 annual deals to get to this point in the sales pipeline.

Building Consensus

Assuming 75 percent of deals close at this stage of the sales pipeline, you will require at least 1750 proposals during the year to achieve your revenue goal.

Proposal

Assuming 50 percent of deals close at this stage of the sales pipeline, you will require at least 2,000 proposals during the year to achieve your revenue goal.

Discovery

If 25 percent of all deals that reach the discovery call booked stage close, you'll need at least 4,000 discovery calls for the year.

Connecting

Assuming only 10 percent of buyers that have an initial conversation or inquire about your solution convert to a customer, your sales team needs to have at least 10,000 buyer conversations a year to help you reach your sales goal.



The Importance of Governance for Your Sales Pipeline

How do you ensure your salespeople aren't inflating their sales funnel (i.e., the number of prospects and conversions in the sales pipeline) or wasting time with prospects that should no longer be in your sales pipeline? The answer is to build governance into your sales function.

Take Action

Create a formal, standardized, and well-communicated sales process. Spell out the sales activities and responsibilities that have to happen at each stage of the sales pipeline. This will increase the effectiveness of each stage. For example, prior to your Discovery stage, perhaps you must complete pre-discovery documentation in preparation for a successful meeting with the buyer. Once these actions are formalized and written down, they become your sales process. If it's not written, it's not real. If it's not real no one will follow it.

Define the stages of your sales pipeline. Make sure your stages are factual, inspectable and buyer centric. Make sure you have the written rules defining what is required to move from stage to stage. What doesn't qualify for any stage is a sales person's gut feel, hope or excitement (i.e., "Everyone is excited about the opportunity"). An example of factual, inspectable, and buyer centric action is a booked meeting with the prospect.

Set time limits. One of the most often underutilized tools for building an effective, predictable pipeline is time. Defining how long a deal can remain in a particular stage of the sales pipeline before it's moved to the next or removed altogether is critical to achieving predictability. If you have a history of pipeline performance, you can extract the average time that opportunities are in each stage to use as a helpful starting point. This strategy will create a sense of urgency for salespeople to keep forward momentum within their sales pipeline or risk having the opportunity removed.

Pro Tip

There are going to be anomalies and exceptions to the timelines you set. So build a protocol that allows a salesperson to defend opportunities at any stage in the sales pipeline. This protocol helps reinforce the importance of really knowing and understanding an opportunity and holds salespeople accountable. Keep data accurate and current.

Speaking of accountability, it is a sales leader's responsibility to ensure accuracy within the sales pipeline. One of the best ways to do this is to have weekly one-on-one pipeline reviews with your sales teams to discuss opportunities, deal size, and expected close dates. This way, you can reinforce what the expectations are when it comes to pipeline validity and viability

Mapping Your Sales Proccess to Your Sales Pipeline

Now that you know how many objective actions are required for your sales team to achieve your results, the rest of your effort is to map everything down to the activity required by the sales rep by day, month, quarter, and year.

Your pipeline now becomes a very important tool for your sales organization to evaluate what parts of the sales process need work and support. Managers can use this information to coach salespeople and salespeople can use this information to help plan out the activities needed to achieve quota.

Yes, this is a simplified example and there may be other factors to consider when building your pipeline. Keep in mind that these are the main building blocks you can start with and then layer your unique needs on top.





Sales Velocity:
A Key Performance Metric

You've now built a solid sales pipeline and hopefully you have a strong CRM platform (e.g., Hubspot CRM, Salesforce, Zoho CRM, Microsoft Dynamics), to help you manage it. Keep in mind it's still not enough. If you don't monitor the performance of your pipeline, it's like having a gym membership to get healthy but never going to the gym.

So how do you measure and monitor the health and performance of your sales pipeline? The easiest way to see if a salesperson, team, product, segment, or entire sales organization is going to meet their sales objectives is by calculating the sales velocity for these groups.

Sales Velocity Equation

The four key metrics that make up the sales velocity equation are:

1 Number of opportunities
The number of deals in your pipeline across all stages over the time period being measured.

2 Average deal size
The number deals in your pipeline divided by the total dollar amount of all of those deals.

3 Win rate
The number of leads that turn into customers over the time period being measured.

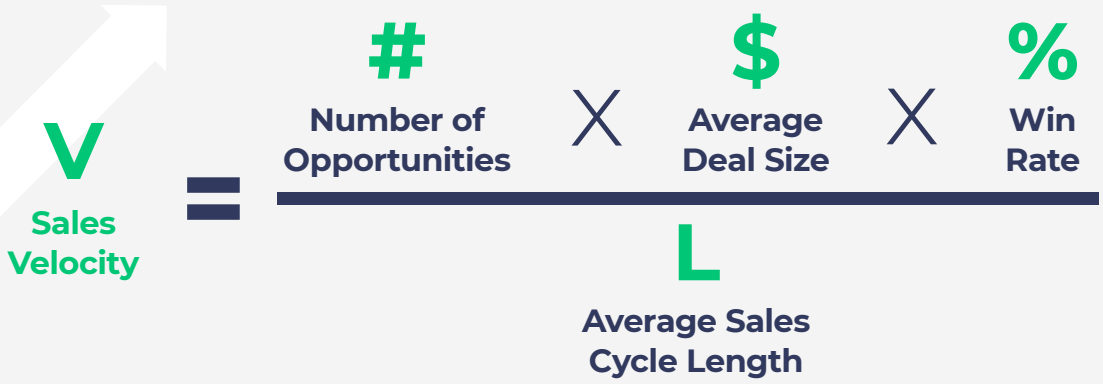
4 Sales cycle length
The average number of days it takes to close a deal.

To Calculate Sales Velocity

Multiply the number of opportunities

Average deal size and win rate for a given period

Then divide that number by the length of your average sales cycle.



Sales velocity example

Let’s say, you're a new startup with five salespeople on your team and they are creating 100 new deal opportunities per month. Let’s also assume that the average deal size for this example is $5,000, the win rate is 20 percent , and the average sales cycle length is one months (or 30 days). Your sales velocity would be calculated as follows:

$$\text{3.3K Sales Velocity} = \frac{\text{100 Number of Opportunities} \times \text{\$5000 Average Deal Size} \times \text{20\% Win Rate}}{\text{30 Days}}$$

Using the above example of your sales team’s daily sales velocity (i.e., daily revenue) is $3,333. Now, if you have a 10-person sales team and your sales goal is to close $40,000 in revenue by the end of the month, multiply your number of team members by the sales velocity then subtract by your revenue goal.

10-person team x $3,333 sales velocity = $33,330

Sales Goal $40,000 – $33,330 = $6,670

In this case your current sales velocity tells you that you’re going to fall short by $6,670 of your revenue goal. What do you do?



How To Improve Your Sales Velocity

Each one of the four key metrics in the above sales velocity formula are levers that can be analysed and optimized for better outcomes. Let's look at each of these levers to see how you can start to make changes.

Increase the number of opportunities.

Make sure you are focused on increasing the number of quality leads.

Take action

- Get the sales and marketing team together and drive new campaigns to impact more inbound leads. Initiatives can include webinars, a free trial promotion, creating value-add guides and eBooks.
- Get your salespeople energized by running sales contests for outbound leads.
- Incentivize your channel partners or increase your channel partner reach.
- Have marketing run paid advertising campaigns to drive traffic and convert new visitors into leads.

Increase the average deal size

The average deal size lever can easily be modified by incenting clients in various ways.

Take action

- **Focus** on your higher-valued solution offerings.
- **Adjust** your focus to target prospects that have high value needs.
- **Offer** bundled solutions to clients.
- **Increase** prices.
- **Reduce** discounts offered by sales.

I know, this sounds easy but it's not always that simple to shift upstream with larger average deal sizes. You will need to take into consideration the balance of high-value offerings and low-value offerings so that you don't negatively impact the length of your sales cycles. As long as you are prepared with a well-balanced approach to potentially slow down some sales cycles to increase your average deal sizes this lever can help you meet your short-term and longer-term sales goals.

Improve your win rates.

Why aren't you winning deals? Is it because your sales pipeline isn't aligned to your buyer's journey? Finding out why will help you improve your sales process, become the trusted advisor buyers are looking for and drive sales.

Take action

- Move the needle on win rates by requiring your salespeople to rigorously qualify leads. (Be sure to provide them with the appropriate sales training to do so).
- Work out conversion rates between sales stages to determine which stages are struggling. Then work out why and what you can do to improve.
- Strengthen your customer relationships. This comes down to building trust by helping your buyer buy, instead of just selling. Share value-add content that will help them address their pain points and make the most of opportunities.

Shorten the sales cycle.

Why is a shorter sales cycle important? Because it means you can earn revenue quicker. It also equates to higher sales velocity.

Take action

- Look for congestion in your sales pipeline. Are there specific stages where it's taking longer than it should for opportunities to move forward? If the answer is yes, find out what the holdup is and make adjustments.
- Automate when possible. Your CRM's automation features can help build efficiencies into your sales pipeline and processes. This will help your salespeople work smarter and more effectively.



Fast Facts

44%

According to the Harvard Business Review, 44% of executives think their organizations are ineffective at managing their sales pipelines. Source



Common Pitfalls to Avoid When Building Your Sales Pipeline

1 **Letting prospecting slide**
When business is good and you know you'll hit your quotas, it's easy for salespeople to take a relaxed approach in their search for new leads. Make sure you're monitoring how many deals are in each stage of your sales pipeline to ensure it stays healthy.

2 **Not following up with leads in a timely manner**
This is the quickest way to lose leads. Make sure your sales process defines how and when to follow up with leads at each stage of the sales pipeline.

3 **Allowing deals to stay too long in any one stage**
Set time limits on how long any deal can stay in one stage. Use past experience (i.e., how long successful deals typically stay in a given stage) as your guide. This will allow you to clean up your sales pipeline by removing deals that won't move forward and pave the way for a more accurate sales forecast.

4 **Underestimating the importance of tracking sales velocity**
A large number of leads can lead to a false sense of security that you're going to reach your sales revenue targets. But it's just that, false. The only way to be confident you'll get there is to calculate and monitor your sales velocity.

Conclusion

Building a strong, regulated and predictable sales pipeline will enable you to take control of your performance. The process requires patience and diligence but in the end is hugely valuable to your organization. If done correctly, and with your customers in mind, you will be prepared for any bumps in the road ahead.

Using the pipeline management system in your CRM can help you and your team have one source of truth when it comes to understanding the health of your business. Our best advice is to take an iterative approach. Monitor performance and adapt, adjust, and improve.

A well-designed sales pipeline, governed by an effective sales process and visualized in your CRM are critical to understanding what you need to do in order to drive sales and grow.

To find out more about the sales pipeline and other useful resources to help your team become more effective, visit us at www.teamrevenue.com



TeamRevenue is a
Digital Sales Transformation company.

We help you modernize outdated sales and marketing processes to a build a better sales pipeline and accelerate growth.

Our team would be happy to discuss your goals on a 30 minute, no-pressure, value-focused video call.

Schedule a Call

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