

THE CXO GUIDE

# The Definitive Guide to Sales Pipeline Management



# Introduction

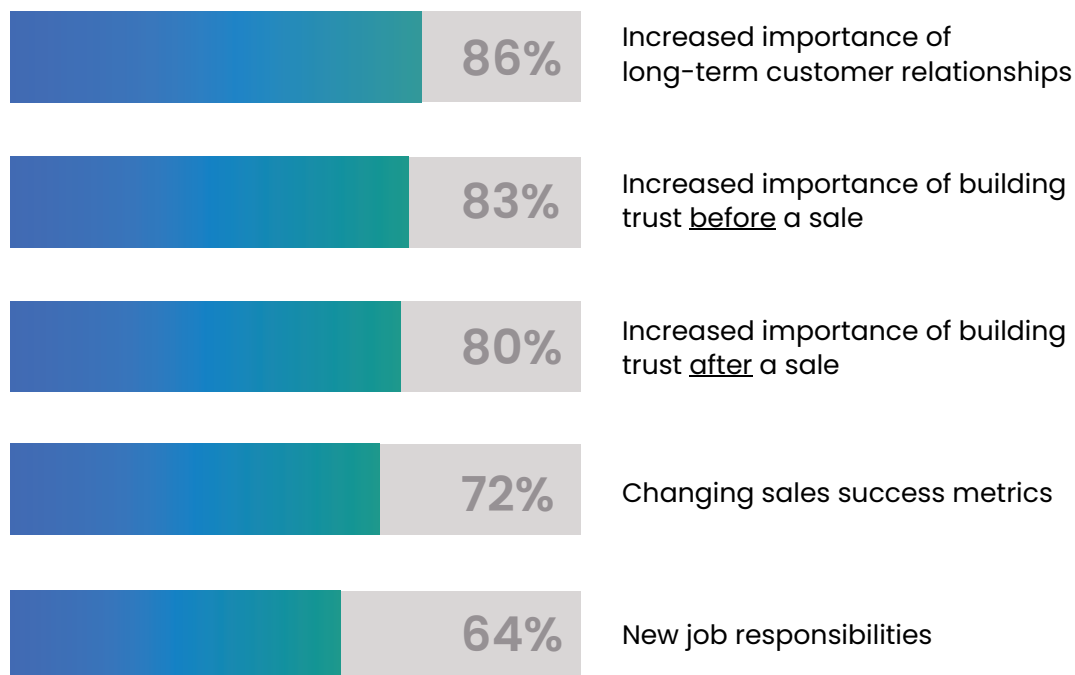
The world of sales is seeing a rapid and profound transformation in the post-pandemic world, forcing sales teams to adapt to new ways of selling. **While it has always been important to nurture and educate customers on the benefits of using a product, with increased digitization of the sales process, relationship building has become a key differentiator of the purchase experience.**



According to Salesforce, for instance, an overwhelming majority of sales reps (86%) report the increased importance of long-term customer relationships, with the need to build trust before and after sales (Figure 1)<sup>1</sup>.

Figure-1

## Reps Who Report the Following Impacts of Current Economic Conditions



For sales leaders, this means that tracking the effectiveness of the sales process and assessing sales rep performance become more complex, as this requires follow-ups through the different interactions and engagements occurring at the various stages of the purchase journey. The sales pipeline is a vital tool for maintaining such comprehensive visibility and control over the sales process and performance. In this guide, we will look at some key aspects of pipeline management including stages of pipeline management, building and management of sales pipelines, and the relevance and benefits of outsourcing.

# What is a sales pipeline, and why is it important?

A sales pipeline is a simple visual representation of the various opportunities being pursued by a sales team at various stages of the sales process. It offers a way to rapidly understand the likelihood of different deals progressing toward closure, the steps remaining on the path to closure, and the likely revenue expected to be generated by these deals.

A sales pipeline is important because it allows managers and reps to:

- a. Gain insight into the sales process and identify the bottlenecks and challenges that are hindering revenue generation.
- b. Predict the conversion rate of different deals in order to forecast how much revenue is being generated and how the organization's revenue objectives are being achieved.
- c. Optimize resource allocation by identifying deals that can contribute greater value as well as those that need additional support to reach closure.
- d. Benchmark the performance of individual reps and the sales team as a whole, and identify skill deficits to be corrected through additional training, coaching, and enablement.

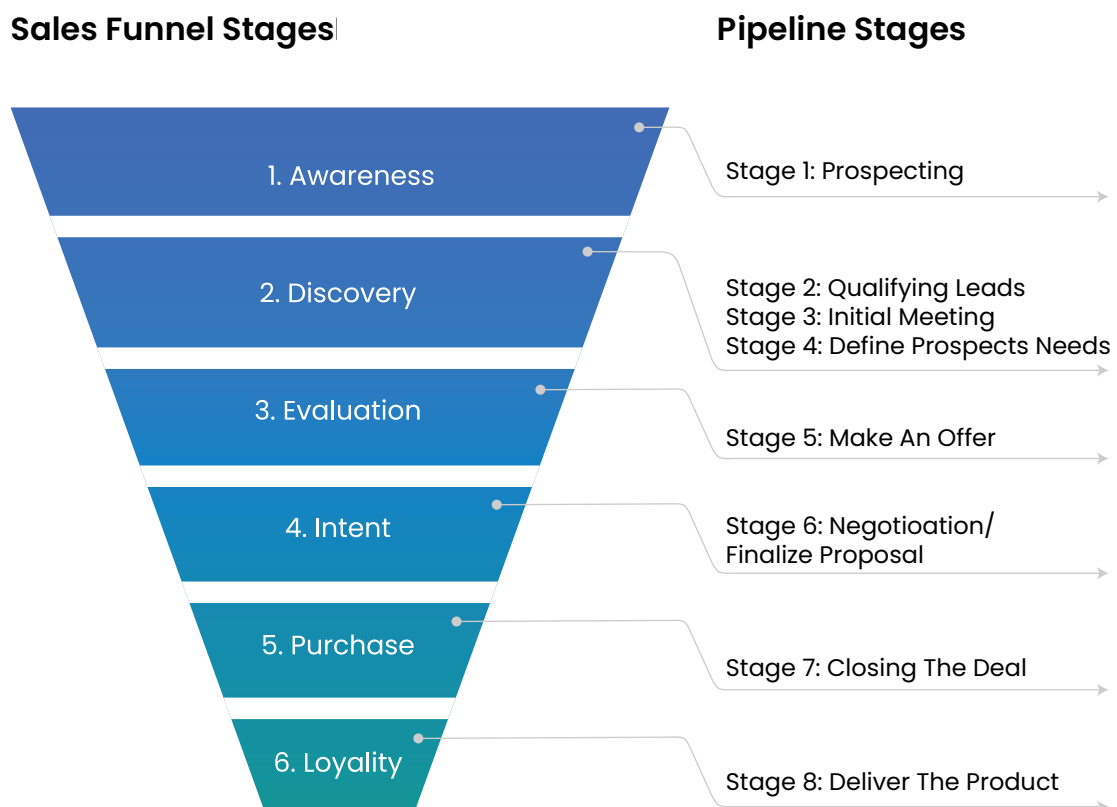


# What are the stages of a typical sales pipeline?

A sales pipeline maps the tasks needed to move a prospect from initial discovery to the closed sale and beyond as a repeat customer. The specific steps of this progress would vary with each business, depending on the nature of the products or services being sold and the sales strategies being followed by the organization (Figure 2).

Figure-2

## Sales Pipeline



In general, however, sales pipelines can be broadly mapped into seven major stages:

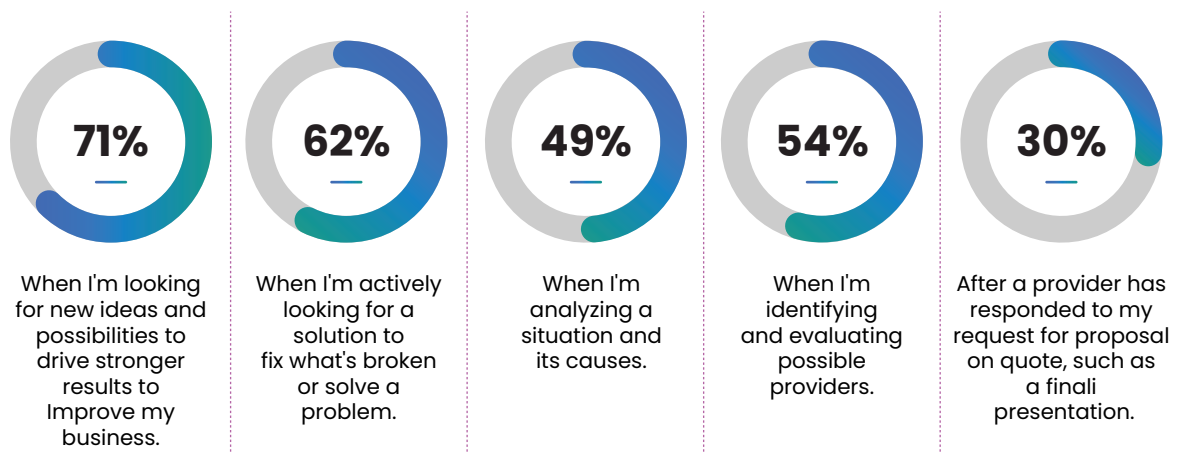
## 1. Prospecting/lead generation:

In simple terms, prospecting refers to the various methods organizations use to draw potential buyers to the sales process. Besides the content of messaging designed to draw the maximum interest from potential buyers, targeting parameters that optimize outreach are also important.

Despite some studies showing that customers complete 57-70% of the purchase journey before getting in touch with a supplier<sup>2</sup>, **more recent research shows that buyers are looking to sales reps even at an early stage to help them not only discover solutions to existing problems but also to generate new ideas and possibilities for driving stronger business results** (Figure 3)<sup>3</sup>.

Figure-3

## When do buyers want to hear from sellers in the selling process?



## 2. Lead qualification:

Maintaining a healthy pipeline depends on ensuring that the most viable deals are being focused on and brought toward closure. Thus, lead qualification is essential in helping sales teams narrow down and focus resources and efforts on best-fit prospects. **Gathering the information needed to qualify a prospect can typically be done, for example, by offering educational content to the prospect, such as a free ebook, whitepaper, or webinar, which can contribute value to the customer in the awareness stage of the buying journey.**

While there are many approaches to lead qualification, one of the go-to frameworks is the BANT model. In this framework, prospects are evaluated for **budget** or spending ability, **authority** or decision-making powers, urgency and immediacy of the **need** for the product or service, and the **time** frame in which the product or service is needed (Figure 4)<sup>4</sup>.

Figure-4

### The BANT lead qualification model

<b>B</b>	<b>A</b>	<b>N</b>	<b>T</b>
<b>BUDGET</b>	<b>AUTHORITY</b>	<b>NEED</b>	<b>TIMING</b>
What is their spending ability?	Who is the decision-maker?	What immediate needs or urgent problems are there?	In what time frame will they need a solution?



### 3. Contact/Meeting:

This is the stage at which sales reps reach out to prospects to secure an opportunity to provide an offering of the business's products and services. This could happen in the form of a meeting, detailed sales call, or demonstration. The goal here is to deepen the understanding of the potential customers' needs, showcase how features of the product or service can provide benefits, and evaluate the business case for making a detailed proposal. It's essential to recognize that this stage also includes the need for timely follow-up beyond the first meeting. **For instance, it is estimated that 80% of sales require five follow-up calls after the first meeting. However, nearly half of sales reps (44%) give up after one follow-up.**<sup>5</sup>

### 4. Proposal:

Where there is a strong business case, the proposal stage involves making a case for how a specific solution offering can address a customer's pain points and solve their crucial business needs. One aspect of this is identifying the ROI a customer would enjoy and how the value created would exceed the cost of integrating a new solution. A second crucial aspect is highlighting the competitive advantages the product or service would provide over any offerings of rival vendors. **The goal here is to help instill confidence in the purchase decision, as this makes customers 3.6 times more likely to complete a high-value deal.**<sup>6</sup>

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## 5. Negotiation:

An important aspect of relationship-building through the sales process is managing buyer expectations with regard to the purchase. This is where the negotiation stage of the sales pipeline becomes important. In this stage, sellers discuss crucial questions, such as the scope of work, pricing, discounts, and so on. The goal here is to arrive at a mutually beneficial partnership that would provide buyers with satisfaction and encourage customers toward repeat business, thus increasing the lifetime value they provide. In other words, **the goal for sales reps is not to haggle for maximum revenue from a single transaction but to create the conditions for a win-win negotiation that promotes greater future business.**

## 6. Closing:

This is the point at which, if all goes well, the prospect completes the purchase decision and signs onto the deal, officially becoming a customer and generating revenue. In other words, this is the deciding point at which a deal is marked as won or lost. If the deal has been won, the sales rep should contribute value to the customer by ensuring that the

product delivery proceeds smoothly and assist with its implementation. If the deal is not won, reps and managers must consider if the deal can benefit from further rounds of nurturing and be moved back to an earlier stage of the pipeline.

**Reps and managers must also examine the deal data across the various stages to discover where and how the opportunity was lost and whether any modifications to the sales process are necessary.**

## 7. Retention/post-sale:

With the growth of the subscription economy, sales teams cannot abandon the customer after the first contract signing. Instead, they must continue to engage with customers during onboarding and regularly monitor their progress to identify opportunities for upselling customers with expanded, premium solutions or cross-sell them with products or services.

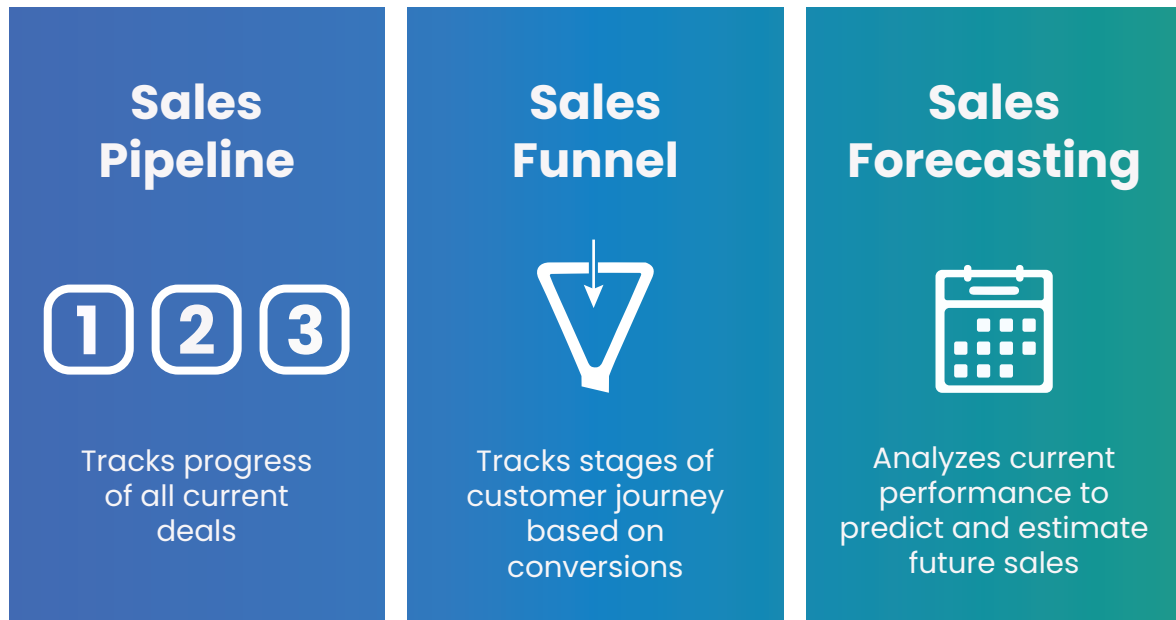
Sales reps must also engage with successful customers to build referrals for prospects and convert satisfied customers into advocates. **Research shows a significant difference between top performers and others in building referrals, with 47% of the former consistently asking for referrals as against only 26% of the latter.<sup>7</sup>**



# Sales pipeline versus sales funnel and sales forecast: Understanding the terminology

When it comes to tracking the progress of prospects through the sales process and the effectiveness of different sales activities, keeping track of the various terms and concepts can get confusing. However, to understand the significance of a sales pipeline and the benefits it offers, it is important to distinguish the concept of a sales pipeline from adjacent concepts such as the sales funnel and sales forecast. Having different objectives and processes, these concepts approach the problem of assessing the sales process differently (Figure 5).

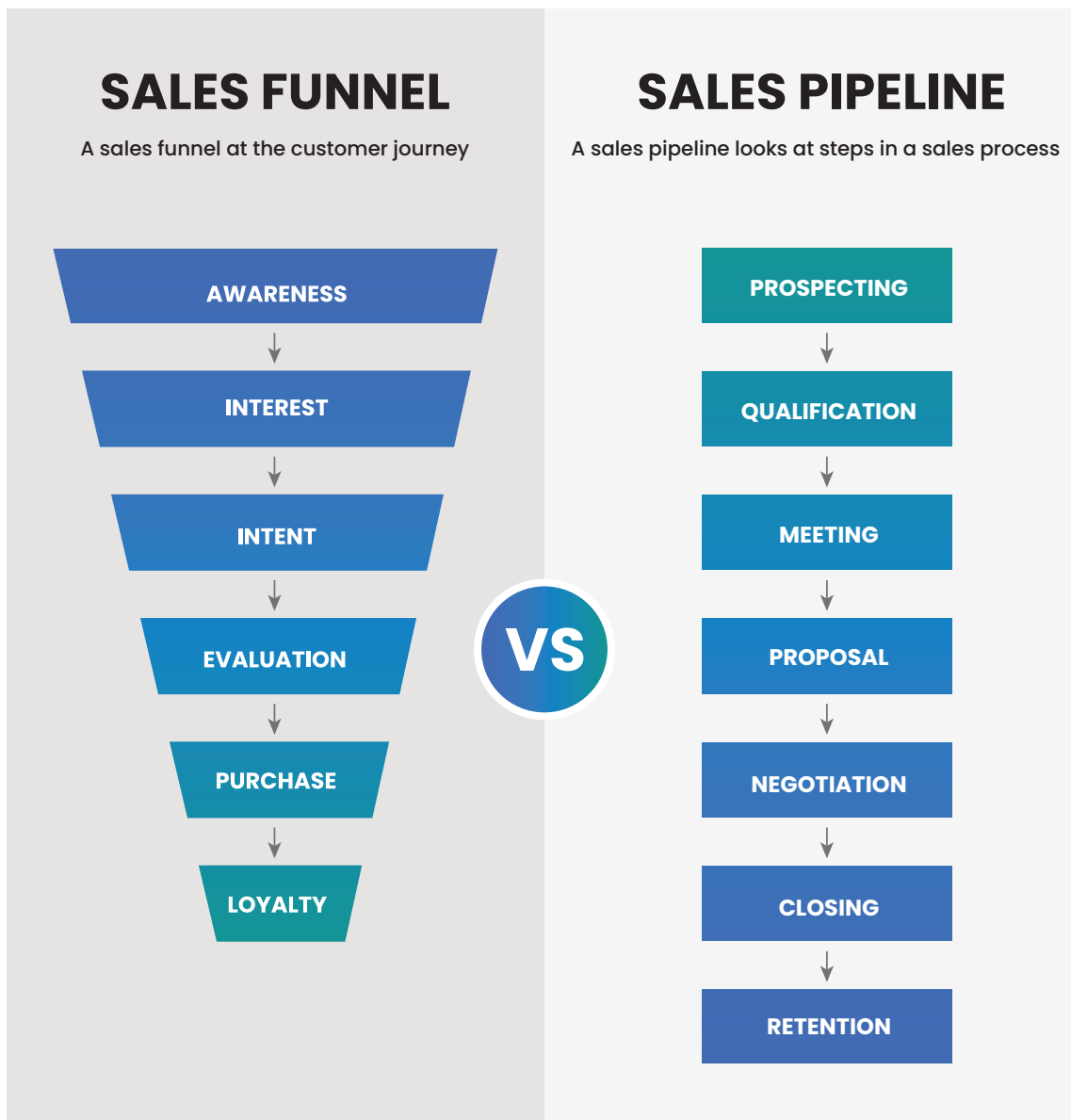
Figure-5



## 1. How the sales pipeline differs from the sales funnel:

The different stages of the sales funnel and the sales pipeline are comparable and complementary, as shown in (Figure 6)<sup>8</sup>.

Figure-6



While sales funnels and sales pipelines are complementary, they are not interchangeable and involve different metrics and strategies for their optimization.

Sales pipelines and sales funnels differ in the perspective from which they approach the purchase journey. The sales funnel focuses on the stages of the journey prospects undertake to become customers, tracking the proportion of prospects that convert from each stage to the next. The focus here is outward, centered on the prospect/customer and the different needs and motivations that emerge at different points of the purchase journey. The sales funnel is typically divided into six stages:

- a. Awareness:** Prospects become aware of their need and the seller's products/ services.
- b. Interest:** Prospects take a deeper look at different solutions that vendors offer.
- c. Evaluation:** Prospects assess the product fit against their needs and rival offerings.
- d. Intent:** Prospects declare their intent to make a purchase and enter into negotiations to customize the solution to their needs.
- e. Purchase:** Prospects move to purchase and transform into customers, raising expectations for promises made earlier in the purchase journey to be fulfilled.
- f. Loyalty:** Customers feel satisfied with the product experience and the value gained and feel interested in continuing or expanding the purchase

The sales pipeline focuses on the different steps to be taken to move prospects/ customers toward completing a purchase. In other words, **the focus of the sales pipeline is more inward, centered on sales reps' activities and the success of the sales process.**

## 2. How a sales pipeline differs from a sales forecast:

At first glance, sales pipelines may seem the same as sales forecasts since both focus on available opportunities and potential revenue. However, by not differentiating between the two, businesses lose the full range of sales predictability that comes from considering them distinctly and having the forecast influenced by the pipeline data.

**Sales forecasts are focused on the number of opportunities likely to be closed within a specific period.** The sales forecast allows sales leaders and teams to assess the likelihood of achieving sales and revenue goals. On the other hand, sales pipelines have a broader scope that includes all the opportunities a sales rep handles, no matter how newly identified. In other words, a sales pipeline is far more inclusive.

This is important because relying only on forecasts makes sellers myopically focused only on middle and late-stage pipeline activities. However, early-stage activities that bring more opportunities into the pipeline are crucial for achieving revenue goals. Research shows that 72% of companies with less than 50 new opportunities each month failed to achieve their revenue goals, compared to 15% of companies with 51 to 100 new opportunities each month and 4% of companies with 101 to 200 new opportunities per month.<sup>9</sup>

Thus, sales pipelines help sales teams build a more sustainable revenue engine going beyond the immediate revenue period.

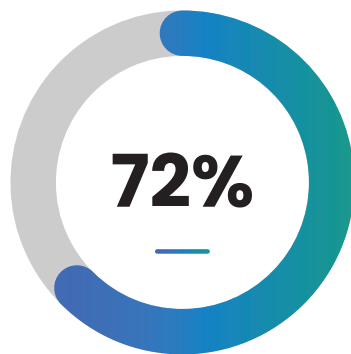
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specific period.**

# What effective pipeline review meetings look like?

Sales pipeline reviews are one of the key tools for maintaining healthy pipelines. Pipeline reviews are regular meetings between sales reps and managers to review obstacles that come in the way of closing pending deals and steps to be taken to overcome those obstacles. Pipeline reviews provide opportunities to evaluate the status of different deals as well as serve as assessment and training tools for reps. Sales pipeline reviews are a widely recognized modality of assessment. According to one study, 72% of respondents engaged in pipeline conversations several times a month or more often (Figure 7).<sup>10</sup>

Figure-7

## We Spend a Lot of Time on Pipeline Conversations



**5%**

engage several times per week

**51%**

engage weekly

**16%**

engage several times per month



The average duration of a pipeline conversation is **53 minutes!**

However, while pipeline reviews done well can help reps identify ways to move deals forward, they can also fail if not conducted well. To be effective, it is important that managers conducting pipeline reviews follow certain key guidelines:

**a) Build a healthy cadence for review meetings.** Depending on the team's needs, this could vary between weekly, fortnightly, and monthly meetings. It's also essential to identify an effective duration that provides sufficient time for discussion and learning but does not eat into too much of reps' selling time.

**b) Determine the effective meeting size.** While group meetings have their votaries, some sales leaders consider them ineffective in engaging the attention of all reps and believe that one-on-one meetings are more focused. Group meetings, however, can be particularly useful in collaborative sales deals involving multiple reps.

**c) Create a meeting structure in terms of the necessary number of deals to be reviewed.** Focusing on too few deals can leave important challenges unaddressed while focusing on too many can dilute the effectiveness of discussions and leave reps confused about how to proceed.

**d) Collate and review relevant deal data from CRM before review meetings.** Ensure that reps are also up to speed on the same data and metrics.

**e) Focus meetings specifically on deal reviews.** Do not allow review meetings to devolve into deeper strategy discussions, training initiatives, or coaching sessions.

**f) Correlate rep activities with trigger behaviors** carried out by prospects to develop objective grounds for judging movement through the pipeline instead of relying on gut feelings.

**g) Develop clear action items and priorities.** Reps should leave meetings knowing precisely what actions to take in the interval before the next review meeting.

**h) Focus on solutions instead of playing blame games.** The goal of review meetings is to empower sales reps, not pin faults on them. Aiming review meetings toward solutions would also help reps resist the temptation to embellish their opportunity forecasts.

**i) Create accountability by tracking relevant actions and results in CRM and other tools.**



# How to build a sales pipeline?

As can be seen from the previous sections, a sales pipeline provides a systematized approach to tracking and assessing the implementation and effectiveness of a sales process. This systematicity provides greater insight, accountability, and control over the sales process.

There are several available templates for building a sales pipeline. However, when using a template, it is vital that sales organizations customize it to their specific needs and processes. Whether working from a template or building from scratch, some of the key steps in building a sales pipeline include:

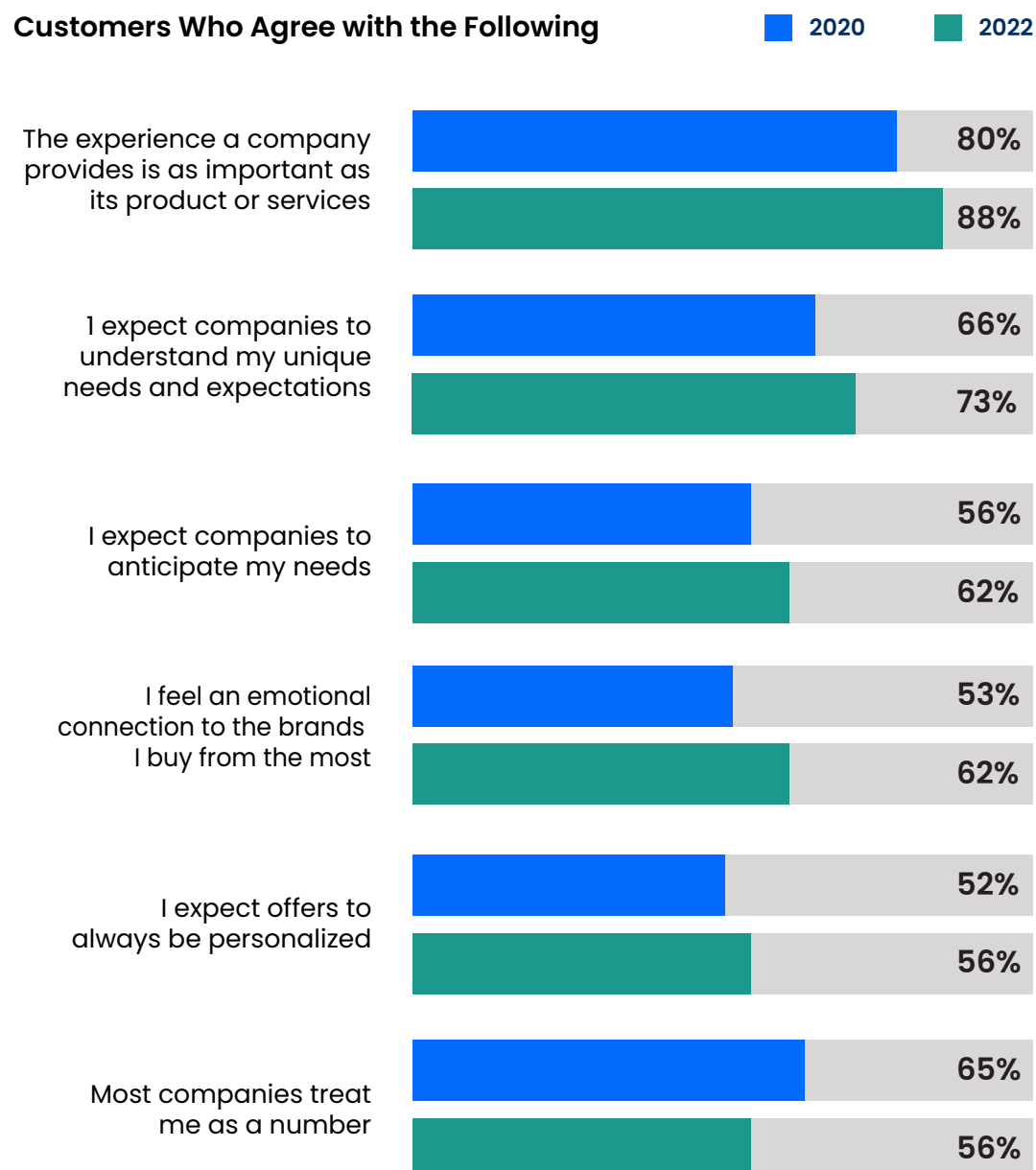


## 1. Researching your potential buyers:

What the sales process and pipeline look like depend not only on the kind of product or service being sold but also on the expectations and behaviors of prospects and customers. After all, one of the critical elements of the post-pandemic growth in digitization has been the increase in customer expectations for more customized and personalized engagements from companies. **According to Salesforce, for instance, 73% of customers expect companies to understand their unique needs and expectations, while 62% expect companies to anticipate them** (Figure 8).<sup>11</sup>

Figure-8

## Expectations for Personalization Climb



One of the reasons for this rise in expectations is the explosion in available data, which lets companies move far beyond simple demographics to evaluate and understand potential customers based on intent and opportunity. **Accessing this depth of data allows sales teams to be far more granular and specific in how they define and structure their sales activities in relation to buyer journeys.**

## **2. Defining the stages of the pipeline:**

The primary goal of a sales pipeline is to structure, manage, and measure the repeatable activities carried out by sales reps that lead to achieving sales goals. For this to occur, it is necessary to go beyond a broad understanding of pipeline stages and create specific definitions of what is expected at each stage.

- One aspect of defining pipeline stages is identifying trigger behaviors of prospects that indicate movement across stages and the specific activities that encourage such trigger behaviors.
- Another aspect is defining the conditions for when particular pipeline stages have been achieved. For example, while the completion of some activities, such as “Set first meeting,” are apparent, others, such as “Qualify lead,” are not.
- Finally, defining pipeline stages also involves deciding when particular stages should be deconstructed into simpler tasks and when they should be consolidated to make pipelines more manageable and less cumbersome.

## **3. Assessing pipeline size and speed:**

**To deliver sustained revenue growth, sales organizations must maintain an ideal number of opportunities in each stage of the pipeline.** This requires identifying the speed and likelihood of prospects moving through each pipeline stage. It is particularly important to correlate such data with closed deals in order to identify the path most likely to lead to a greater number of wins, which may not always be the fastest path through each stage. For instance, if most prospects move through the negotiation stage in one week, but those who convert into customers spend two weeks in this stage, there is a need to ensure sales reps are not rushing prospects through this stage.

Once all of this data has been analyzed, sales leaders can identify the pipeline size or the total number of opportunities to be maintained across different stages in order to achieve revenue goals.

#### 4. Refining the pipeline stages:

It is challenging for sales leaders to build a perfect sales pipeline right off the bat. Identifying what works for the business and which specific activities and stages are necessary, require greater focus and may involve significant trial and error. Moreover, even where a well-functioning pipeline is built up, changes in market conditions or customer expectations can create the need to redesign parts of the pipeline in response.

#### 5. Ensuring that the pipeline is well-maintained and operating smoothly:

Keeping pipeline information accurate and updated for sales teams unaccustomed to working with a pipeline can be tricky. Hence, it is essential to structure sales reps' activities around the idea of moving deals through the pipeline. Another critical step is establishing cadences for follow-ups at different stages to ensure that prospects

are not suddenly left at loose ends anywhere in the pipeline. Finally, it's important to focus reps on consistently bringing new prospects into the pipeline. This is because **many companies often fall into the "sales trap" of focusing excessively on closing existing deals and ignoring prospecting**, only to suddenly stumble upon a lack of new deals.<sup>12</sup>

#### 6. Conducting regular pipeline review meetings:

Once the sales pipeline has been designed, it's important to track whether the reps are working with it and whether the pipeline is working for the reps. A key way to do this is to conduct regular pipeline review meetings, which help gauge the health of the pipeline, understand the context of deals, identify challenges and bottlenecks, and assess rep performance and capabilities.

**Many companies often fall into the "sales trap" of focusing excessively on closing existing deals and ignoring prospecting.**

# How to clean up your pipeline?

A sales pipeline offers multiple benefits, including the ability to accurately forecast revenue generation, identify bottlenecks in the sales process, and assess rep performance. However, these benefits cannot be derived if the sales pipeline becomes messy or opaque. Hence, regularly cleaning the pipeline to maintain a realistic picture is vital. Sales leaders can ensure that pipelines remain well-structured, uncluttered with non-productive deals, and provide a clear and actionable view into the present and future revenue projection by following a few easy steps:

- a. **Clearly define the projected length of your sales and identify prospects that are spending too much time in the pipeline.** Have clear guidelines for when such prospects should be removed from the pipeline and when deals should be considered closed, lost, or moved into a new pipeline.
- b. **Make sure that all data is accurate and current.** This means ensuring that reps consistently carry out the tasks needed to manage and collate all data from every customer interaction.
- c. **Focus pipeline stages on solving specific problems** and ensure that they offer clear goals and success probabilities.
- d. **Ensure managers maintain a daily cadence for assessing the pipeline** and a weekly or monthly cadence for reviewing the pipeline with sellers.



# How to manage your sales pipeline, velocity, and metrics?

**Building a sales pipeline alone is not enough to guarantee profits. The efficiency and longevity of the pipeline will have to be maintained by continually improving and optimizing the pipeline.** This is done through sales pipeline management, which refers to the set of practices undertaken to manage all available opportunities to secure the health and functionality of the pipeline.

The key to pipeline management is identifying the right metrics. One defining metric for this process is sales pipeline velocity, which refers to the speed with which different prospects move through the pipeline. Pipeline velocity can be calculated by multiplying the number of opportunities with deal value and win rate and dividing this number by the average length of the sales cycle (Figure 9).<sup>13</sup> This formula indicates some of the important steps that can be taken to increase revenue, such as increasing the number of opportunities, boosting the average deal size, improving conversions to raise win rates, and shortening the sales cycle.

Figure-9

## Calculating Sales Velocity

The diagram illustrates the formula for calculating Sales Velocity. It features a large 'V' on the left, followed by an equals sign. To the right of the equals sign is a fraction. The numerator of the fraction consists of three terms: '# opportunities', '\$ DEAL VALUE', and '% WIN RATE', each followed by a multiplication symbol 'x'. The denominator of the fraction is 'L LENGTH OF SALES CYCLE'. The entire formula is set against a blue and green gradient background.

$$V = \frac{\text{opportunities} \times \text{DEAL VALUE} \times \text{WIN RATE}}{\text{LENGTH OF SALES CYCLE}}$$

Other key metrics include stage-wise conversion rates, customer acquisition cost (CAC), customer lifetime value (CLV), CLV to CAC ratio, probability to close, lead response time, and deal loss reasons.

# What are the benefits of outsourcing?

It goes without saying that building and managing the sales pipeline is a core activity for any sales organization. However, that does not mean that every stage of the pipeline has to be handled by in-house sales teams. Many organizations suffer because their in-house sales teams lack sufficient resources and personnel to manage the full range of sales activities.

As already discussed, this shortfall most commonly manifests in the neglect of early-stage activities that help keep the pipeline consistently filled, resulting in sales cycles that proceed in spurts. This is because the skill sets needed for prospecting and early-stage lead nurturing are often very different from those needed for late-stage relationship-building activities and deal closure. **One of the significant advantages of an outsourced partner is dedicated personnel with specialized expertise and tried and tested processes for activities such as lead generation, lead nurturing, and appointment setting.**

Another major lacuna for many organizations is the follow-up and nurturing of prospects who move more slowly through the sales pipeline but offer the potential of converting into substantial deals over the long term. **Outsourcing pipeline management can ensure that such leads do not slip through the cracks and are nurtured until they are ready to interact with in-house sales reps.**

Further, **outsourced sales partners can provide better coverage of small and midsize buyers who may get ignored by in-house sales teams in favor of more high-value deals.** This is important because small and midsize buyers may contribute a smaller proportion of revenue individually but together add up to a significant difference in the bottomline. Thus, outsourcing can help businesses cultivate a wider variety of revenue sources.

Finally, outsourcing offers the advantage of easy and rapid scalability and flexibility. **Where greater capacity is required, outsourced partners can augment in-house resources without lag. Similarly, in leaner times, outsourced partners can provide cost savings by quickly scaling down resources and personnel.** This means that businesses can respond to changing market conditions, seasonality, and other changes without disrupting the flow of the sales pipeline.



# Conclusion

With growing customer expectations, rapidly evolving market conditions, and rising target pressures, sales teams need comprehensive processes that help optimize and streamline sales processes while enhancing the focus on relationship building. Structuring sales activities through a well-built and well-maintained pipeline will rapidly create a situation where sales reps feel empowered and confident, and prospects and customers feel engaged and valued, leading to greater wins and rapid revenue growth.

To know more about how we could help you enable your sales pipeline, visit us at [www.regalix.com](http://www.regalix.com)



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# About Regalix

Founded in 2005 in the heart of Silicon Valley by a team of passionate entrepreneurs, Regalix has a footprint in six countries, delivering solutions in 18 languages. Regalix, with its roots in data-driven and ROI-focused marketing, works with technology leaders in the areas of sales enablement, revenue operations, and thought leadership. Having worked with the best in the industry—Google, VMware, Dell EMC, SAP, Amazon, among many others—Regalix delivers value at scale and speed, to the leaders in the industry.

## For more information

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