



MAXIMISING SALES THROUGH PIPELINE MANAGEMENT

by Leigh Wallinger

Sales Pipeline Management is a process that is increasingly important to Sales Directors and Sales Managers. These executives are under more and more pressure to deliver growing volumes of business with the same, or in some cases, fewer resources than before. To succeed, they must identify the best prospect opportunities in which to invest their sales resources, to secure the right sort of customers for the future and to close deals with these new customers ever more efficiently.

Clarity is the key to accurate forecasting

This is a real challenge. The first thing to do is to get a much better understanding of the organisation's sales opportunities (the Pipeline) and the tasks / resources needed to win these deals. The traditional way for Sales Managers to view a pipeline is to get a report, either produced by their (probably) expensive CRM system or manually. However, it is not a "Pipeline Report" that Sales Managers need, more a plan for success. A plan to win each of the deals that can be won – everything else is just fluff.

Furthermore, in most organisations sales people tend to be very wary when submitting their sales pipeline to senior management. Invariably, the pipeline tends to be padded with deals that won't close in the timescales predicted.

Why is this? Sales managers seem to manage by the volume of deals in the pipeline, rather than the quality of the deals. By this measure, sales people who submit a "full" pipeline are usually assumed to be performing satisfactorily; and the Sales Manager gives his attention – but not always his support - to the sales people with fewest opportunities in their pipeline. Sales people, therefore, add fluff to their pipeline to keep their Manager off their backs. This approach, the "safety in numbers approach, is making the lives of Sales Managers very stressful. All the deals in the pipeline that are fluff always unravel at the end of each month or each quarter.

Sales Managers are measuring the wrong things. If measuring volume rather than quality of opportunity isn't bad enough, they compound this by using a pipeline with factored revenues. The end result, when it comes to forecasting future revenues, is a low quality forecast.

A traditional pipeline might show a number of deals all at the "demonstration" stage in the sales cycle. The total volume of these deals is £5m of revenue, with each deal having a 20% probability, because it is at the demonstration stage of the sales process. Note here that no account whatsoever is taken of the buying cycle of the purchaser. The factored revenue figure is £1m and because this is in the reported pipeline, it suddenly becomes a component of future forecasted sales figures.

Focus on the deals that can be won

In this situation, the Sales Manager has absolutely no idea which of the possible deals represents the best one(s) on which to concentrate. Consequently, all the deals must be worked on in parallel. The outcome of this approach is that your best people, who typically have to be involved in all the opportunities, become too thinly spread and the sales people don't feel they are getting appropriate support. The whole scenario quickly moves into one of fire-fighting and reacting to things that crop up, stress levels rise and performance inevitably drops.

By applying a Sales Pipeline Management process and keeping in mind the Pareto Principle, Sales Directors and Sales Managers can target their key resources on the deals that will close. In a pipeline of 10 opportunities that can be won, there is likely to be just 2 deals that



will bring 80% of the total value (profit) of the pipeline if they are won. The remaining deals are of relatively low value individually. The job of sales management is to find these 2 deals in the pipeline and be absolutely sure they get the best people working on them.

Look for long-term customers not short-term profits

When looking for the deals on which to concentrate, it is essential to look for customers who will be loyal to you over the long-term. This is more important than short-term profits. Long-term customers will become your champions and will tell everyone they know about how good you are. They will generate warm leads / referrals for you to further grow your business.

Some of the deals in your pipeline might be with customers of your competitors who are switching supplier for a short-term gain. It might be a special offer you have or something that attracts them to you. It is just as likely that these same customers will be the ones that defect from you as soon as another competitor provides them with a new short-term offer. Don't be tempted to win these short-term customers as it will impact your profitability. Long-term customers are what you need to build long-term profitability.

Devise commission schemes to reward what you want

"Customer churn" will reduce your profits. It is important that Sales Directors recognise this when setting commission / remuneration schemes for their sales teams. If you reward sales people based on revenue or the number of new customer wins, then the sales team will deliver a flow of new customers who have a tendency to "churn".

Why? Because these are the easiest to persuade to switch suppliers.

The same principle applies when setting senior management remuneration schemes. The best ones reward the building of long term value. The most common scheme is one in which senior managers are paid a basic salary, plus a bonus based on performance against an agreed budget. Although this approach seems logical, it is, in fact, deeply damaging.

It motivates senior management to set low targets and it leads to an inordinate amount of time being spent agreeing the budgets. Worse still are situations where budgets are based on the previous year's actuals. They usually take the form of "last year's performance plus a bit". In this situation, the senior management team suffers every time they over-perform – because over performance in one year becomes an unattainable budget for future years.

What is much better for the business is a remuneration policy that motivates management and sales staff to identify and win customers who will be loyal and happy enough to refer you to others. This will, over time, reduce your customer acquisition costs.

Copy what successful companies are doing

Successful Sales Directors and Sales Managers have moved away from the traditional factored-revenue model in favour of sales pipeline management. They expect their sales people to record both the position in the sales cycle and the buying cycle, to get increased clarity on which deals will progress and which are blocked.

This clarity enables them to forecast revenues with amazing accuracy and to deploy their scarce sales support staff onto the most appropriate deals.

As pipeline details from every sales person and sales team gets consolidated for reporting up the company hierarchy, any inaccuracies tend to multiply and become less easy to spot. By using the principles of Sales Pipeline Management, the consolidation of individual pipelines adds clarity for Sales Directors. This clarity can be taken into Board Meetings to enable the Board to accurately forecast future revenues and profits.



For companies listed on the Stock Exchange, the Board must demonstrate it is in control of the business. One of the ways this can be achieved is to accurately forecast sales performance. A management team that either significantly over-performs or under-performs against its own forecasts does not create confidence. The use of Sales Pipeline Management will help avoid these wild fluctuations – simply caused by the fluff in the sales pipeline.

The same Sales Directors and Sales Managers have introduced commission schemes and bonus schemes that reward the acquisition of long-term customers. The financial rewards generated from each new customer are payable over several Financial Years.

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