

# THE SALES PIPELINE

3 CRITICAL USES THAT DRIVE SALES GROWTH

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**F**or most organizations, the sales pipeline is a very important management tool. In fact, recent research we conducted with the Sales Management Association showed that 89% of companies expect their managers to discuss the sales pipeline with their salespeople *at least* once a month, and each of those meetings averages 53 minutes in length. When you consider that there are tens of millions of salespeople around the world, that’s a lot of hours spent staring at pipelines.

Our research also revealed that sales pipelines are used in many different ways. However, it’s our observation that the various uses of the sales pipeline often get co-mingled in everyday management practice, and we think that there’s some real value in pulling them apart. The clearer you are about how you’re using the sales pipeline, the more effective you’ll be at accomplishing your goal.

At a minimum, the sales pipeline is used for three critical purposes:

1. Sales Forecasting
2. Pipeline Reviews
3. Opportunity Coaching

Let us put some definitions to each of these terms to clarify the unique value of each.

## SALES FORECASTING

Forecasting is an obvious use of the sales pipeline. In fact, many companies wouldn’t even have a formal sales pipeline if they didn’t use it to generate forecasts. To be clear, Sales Forecasting is about the future – future revenue or unit volume that the company can count on to make critical business decisions like resource allocation or manufacturing capacity. Sales forecasts take information from today, to foretell the future, to make more informed business decisions.

And that’s what Sales Forecasting is. It’s not an activity focused on improving sales performance– it’s intended to improve executive decision-making and provide guidance to investors. In fact, most sales forces we work with view forecasting as a necessary distraction from the actual task of selling. It’s a data extraction exercise that has to get done, but no one looks forward to it.

### A Sales Forecast

You can know if you’re in a Sales Forecasting discussion fairly easily, because you hear things like the following:

- When is this deal likely to close?
- What is our likelihood of winning it?
- How big is the opportunity going to be?
- How much can you grow your territory?



In other words, how much revenue can I expect to receive and when? Again, there’s no doubt that this information is important, but its footprint on the calendars of salespeople and their managers typically outweighs its impact on sales performance. If you were to magically find an extra hour in your workweek, we’d encourage you to spend it on the other two uses for the pipeline – not more Sales Forecasting.

## PIPELINE REVIEWS

Another key activity for which the sales pipeline can be used is Pipeline Reviews. In reality, many folks have Sales Forecasting and Pipeline Review conversations at the same time, but they’re not the same thing. And knowing the difference helps you do a better job of both.

For our purposes, a Pipeline Review is an exercise that ensures a sales pipeline is healthy. It’s not an examination of the individual opportunities within the pipeline – it is a look at the pipeline in aggregate to

ensure that it's in good shape to get the salesperson where they need to go. We measure the health of a sales pipeline in three simple ways:

1. Is the sales pipeline the right size?
2. Does it have the right contents?
3. Are deals progressing through it as you would expect?

### 3 Determinants of Pipeline Health



Of course, Size is the first thing managers examine when they look at a sales pipeline, because salespeople need to maintain a large enough pipeline to get them to their quota. And there's a fairly straight-forward (though not well-known) way to calculate the ideal pipeline size, which is detailed in our white paper *The Perfect Pipeline*. If the pipeline is anemic, then it's a sure sign that you're not going to get to quota. It's a sign that the pipeline is unhealthy, and corrective action is needed on the part of the seller such as additional prospecting.

A less studied characteristic of the sales pipeline is its Contents... Does it have the type of customers and products inside the pipeline that your company wants to have? Basically, do the contents of the pipeline reflect your go-to-market strategy? Though many managers will say, "As long as my reps hit their quota, I don't care what's in their pipelines," we'd be willing to bet that there are others in their organizations who would disagree with that strategy. If the Contents of the pipeline look unhealthy AND you're one who cares, corrective action is needed like re-focusing efforts on different types of prospects or opportunities.

And finally, a healthy pipeline would demonstrate that deals are Progressing through the pipeline as you would expect. Are they moving from stage to stage of the sales cycle with predictable success? If not, then they're probably getting stuck at a particular stage, or they're falling out in numbers that are troubling. If either of those things is happening, then a savvy manager can pinpoint where a sales rep is struggling and train or coach them

appropriately. Again, unhealthy pipeline, corrective action needed such as increasing training or coaching to improve the seller's capability.

As you can see, Pipeline Review can be very impactful, because it can alter the strategy of a salesperson and put them back on track to achieve their quota. Unlike Forecasting conversations which look speculatively into the future, Pipeline Checkup conversations inform the things that reps should be doing now, like the type of customer a salesperson visits next. Or the type of products they propose to the next prospect. Or the number of sales calls a seller needs to make this week. Or the type of training and coaching they need to improve a hobbling skill deficit. All important decisions that steer a rep toward success.

It's worth noting that the Pipeline Review has its impact in the mid-term, because it takes time to change the Size, Contents, and Progression of a pipeline. First, the salesperson has to call on different customers, propose different products, and increase their effectiveness in certain stages of the sale. And then those new deals have to work their way through the stages of a sale. This takes time. However, these are critical decisions that have a real impact on ultimate sales results. Without a healthy pipeline, failure is just a matter of time.

### OPPORTUNITY COACHING

Of all the uses of a sales pipeline, the most valuable is coaching to the individual opportunities that are currently inside the pipeline. Unlike the Pipeline Review which views the pipeline in aggregate, Opportunity Coaching involves digging into specific, live opportunities to increase the seller's likelihood of winning desirable deals. This is what coaching should be.

Opportunity Coaching sessions are both strategic and tactical in nature. Strategic questions are those that explore the context of the deal, such as:

- What is the prospect's business need?
- Do we want this piece of business?
- Who are the key stakeholders?
- Who is the competition?
- How can we position ourselves to win?

Answering questions such as these helps the seller determine if they want to pursue the deal and how they should go about it. This can be invaluable in both setting the stage for success early in the pursuit

and dislodging bad opportunities that would consume the seller's time to no avail. It's also a way to manage the sales pipeline back to health, by ensuring that the contents of the pipeline are aligned with your go-to-market strategy.

But opportunity coaching should not end with the strategic and contextual assessments. This is also a chance for the manager to coach at a more tactical level – planning the next sales call. This is a discussion about the very next interaction that the salesperson will have with the prospect:

- What is the next conversation you need to have?
- What will be the objectives of the call?
- What information do you need to gather?
- What objections might you encounter?
- What else could go wrong?

Conversations like this obviously have the nearest-term impact, because they determine whether the opportunity continues past the next sales call. When good coaching takes place at this tactical call level, more opportunities glide through the pipeline and result in wins. This is nuts-and-bolts coaching that can dramatically influence deal outcomes.

### Opportunity / Call Coaching



Distinct from Sales Forecasting or Pipeline Reviews, Opportunity Coaching is where the rubber meets the road. This is where the sales pipeline can be used to create substantial near-term impact. If you had to use the sales pipeline for one purpose only, this would be it. Opportunity coaching is a very high-value management activity that improves sales performance.

### So...

So the sales pipeline is like the Swiss Army knife of sales management – it is a versatile tool that can be used for many purposes. It can be used for forecasting to enable executive decision-making. It can be used to determine the health of a salesperson's pipeline to keep the person on path to quota. And it can be used as a coaching tool to help sellers win more deals.

All of the above serve critical business needs, but they are distinct management activities. Just like you would never work with all of the tools on a Swiss Army knife at once, you shouldn't attempt to Forecast, Review, and Coach with the sales pipeline at once. Even if the activities do take place within a single meeting with a rep, it's worthwhile to distinguish which of the three you are doing at any given time. As a sales manager, knowing which you are engaged in will drive the nature of the discussions you should have and the types of outcomes you can expect.

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