



THE FUNDAMENTALS OF BUILDING A **SALES PIPELINE**



[This Simple guide to building a sales pipeline is designed for those trying to create a sales pipeline from scratch. It teaches you nuances of creating a sales pipeline, maintaining a constant flow of prospects, and reviewing your sales metrics. If you have any further questions, you can get in touch with us. We will be glad to help you out.]

When traditional salespeople think of developing a sales pipeline, cold calling and email prospecting tend to come immediately to our minds.

But in a digital-savvy world, hasten by a global pandemic, many of these traditional salespeople will fail to meet their quota.

The leading cause of this issue is the lack of prospects.



When there aren't enough leads at the top of the funnel stage, you'll eventually end up with very few closed deals.

Many organizations struggle with a lack of standardized sales processes.

Sales teams capable of building, executing, and optimizing a sales pipeline will always have a better chance of thriving in today's world.

So let's understand how to build a strong sales pipeline



What is a Sales Pipeline?

A sales pipeline is a sequence of actions a sales representative takes while converting a prospect into a customer. Each step takes customers ahead in the funnel.



Sales Pipeline Creation

Here's a three-step process to creating a robust sales pipeline



Identify the Total Opportunities Passing through your Pipeline

01

A robust sales pipeline should provide you with valuable insights. One of the most important insights is the conversion rate of your pipeline. *There's an overall conversion rate*, that is the number of people who go through all stages and buy a product or service from you.

Then there's a *conversion rate* or the percentage of prospects moving in the next stage.

Time is another crucial factor. You should know the average time a prospect spends in your entire sales pipeline. Experts call this *pipeline velocity*.

So summarizing, overall conversion rate, conversion rate, and pipeline velocity are important metrics when laying down the foundation of your sales pipeline.

Determine the Target Number of Opportunities you Need to Meet the Revenue Goal

When building a sales pipeline, you should never forget about the end goal. What's your average deal size? What revenue targets are you trying to achieve?

These numbers will tell you how many deals you need to close. And the number of prospects you need to invite in your sales funnel.

Building a sales pipeline is reverse engineering your revenue goals. You start from the result and reverse engineer the steps you need to take to achieve that goal.

To Compute the Number of proposals to send

Let's say your target is \$1 million in one year and your average sales price is \$100,000.

Let's say your data shows that one out of your four proposals turns into an opportunity.

So: $(1,000,000/100,000)*4 = 40$

So you need to send 40 proposals to meet your goals.

To Compute the number of leads you'll need to reach to meet the target proposal goal

Let's say one out of three leads turns into a proposal. You need to multiply this number by the number obtained in step 1

$$40 * 3 = 120$$

Therefore, 120 is the number of sales-qualified leads you need to engage.

To Compute the number of top-of-the-funnel leads you need to determine the sales qualified leads

Following the same logic, if one of every four prospects turns into a sales-qualified lead, multiply 120 by 4.

$$120 \times 4 = 480$$

Therefore, 480 is the number of prospects you need at the start of the pipeline to meet your revenue goals.

See What your Customers have in Common

When looking at historical data, you need to find similarities in your prospects' behavior. The aim is to find the behavioral pattern that helps you shape your buyer persona. This qualitative data will help you fine-tune all the stages of your pipeline.

The repeated behavior will help you eliminate low-quality leads from good quality prospects. Giving your sales rep the freedom and time to concentrate only on prospects that can bring fruitful results. Decreasing your overall sales cycle time.

03

How to Keep Your Sales Pipeline Full

A full sales pipeline allows you to confidently set prices your product deserves. Knowing that you have other deals to fall back on. It results in a larger average deal size, more referrals, and more revenue.

a) Always be Prospecting:

Consistency is critical. You should build an automated system that allows you to prospect regularly.

b) Upsell and Cross-sell:

Bring in new customers is great but in comparison, your old customers already trust you. So they are more likely to buy from you again. So keep checking on your old customers and keep providing them value.

c) Focus on Account Retention:

Account retention entails building good relationships with your existing customers. A good sales pipeline will ensure you keep delighting your customers and they have good experience working with you.

d) Automate as Much as Possible:

There are several automation tools that can make your life easier. Automation helps you focus on more leads with few possibilities of errors. It also helps you warm your cold leads, especially if it's a longer sales cycle.

Crucial Sales Pipeline Metrics

Metrics are important as they provide insights into your strategy. You should know what's happening with your customers in real-time.

a) The number of prospects in your pipeline

To know this, you need to work closely with your sales and marketing team. You already know your revenue goals and average deal size. Knowing the number of prospects will help you gauge the performance of your pipeline.

b) Sales Pipeline Value

Pipeline value refers to the revenue your sales pipeline could bring in. It is the sum of the value of each deal currently in your sales pipeline. This metric is important for the assessment of your ROI efforts. And it shows the overall health of your pipeline.

c) Pipeline Velocity

Sales pipeline velocity refers to the average time your leads take to convert into customers.

Let's say you have 100 prospects, with a conversion rate of 30% and an average deal size of \$5000 for a sales cycle length of 100 days.

In that case, sales pipeline velocity is $100 \times 0.3 \times \$5000 / 100 = \1500

Pipeline velocity is expressed in money, meaning, \$1500 moves through the sales pipeline every day.

d) Lead Response Time

Lead response time refers to the average time your sales rep takes to contact the lead.

To know the sales response time, you simply have to calculate the time taken by your sales rep to follow up after the lead first makes your contact.

This number should always be a minimum.

Conclusion

Your sales pipeline provides a framework for your lead generation activity. There are several factors to consider when building a sales pipeline, including the type of industry you serve in.

If you are creating a sales pipeline from scratch, the information mentioned above will definitely help you get started.

