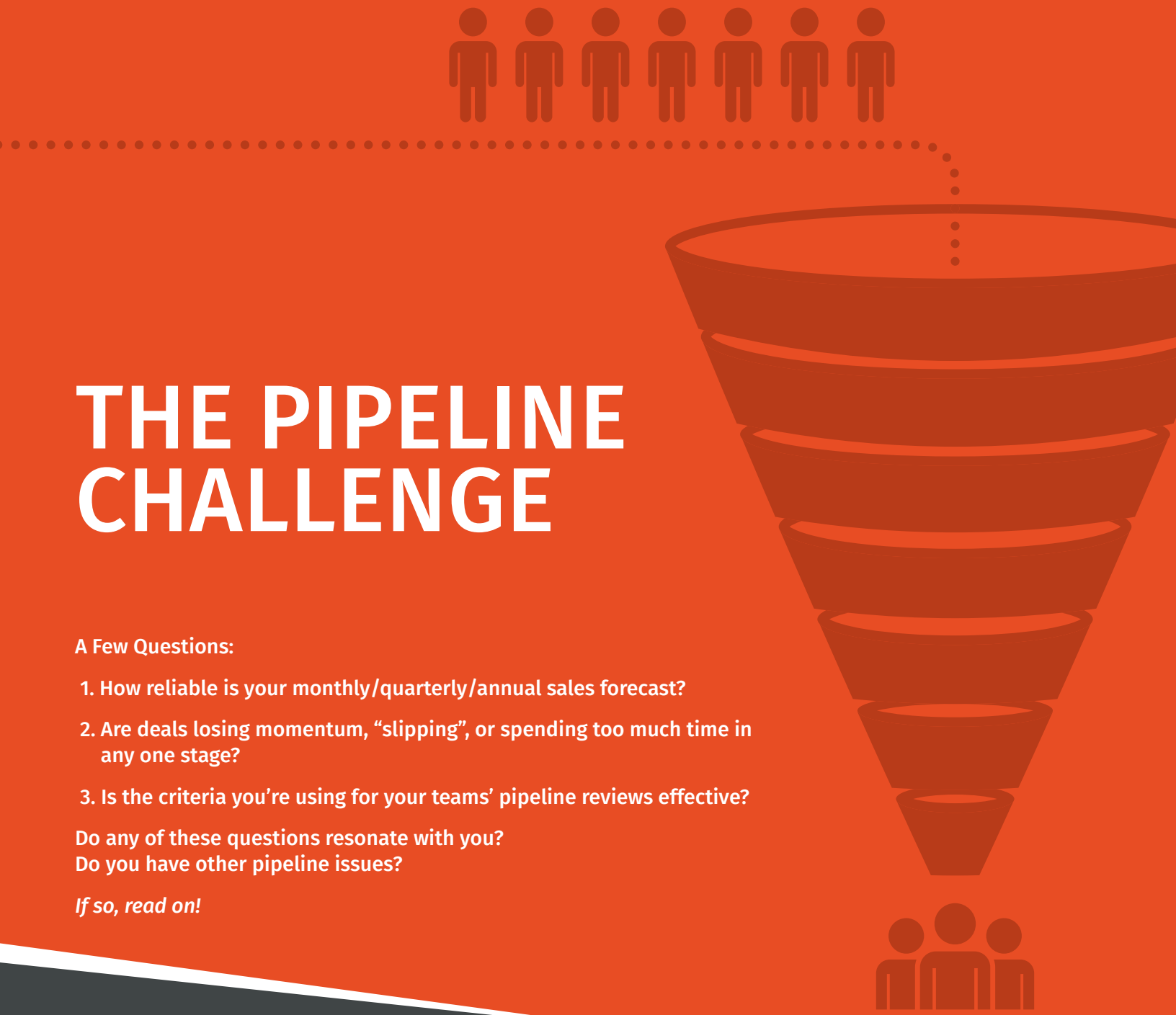

THE PIPELINE CHALLENGE

A Few Questions:

1. How reliable is your monthly/quarterly/annual sales forecast?
2. Are deals losing momentum, “slipping”, or spending too much time in any one stage?
3. Is the criteria you’re using for your teams’ pipeline reviews effective?

Do any of these questions resonate with you?
Do you have other pipeline issues?

If so, read on!

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THE PIPELINE CHALLENGE

I've seen anywhere from 2X-6X pipeline coverage requirements, and really, they are all made up numbers. Why? They are based on a fallacy that if we look backwards long enough, try to find some trends, these trends will give us insights about going forwards.

Well in this economy, with the speed of market and speed of your competitors, let alone the speed of change, you will need more in your 2020 pipeline to get high forecast accuracy rates. That just doesn't sound good.

2.5-3.5X pipeline coverage is about normal, but do you really know what that means? When you say you need 3X pipeline coverage, do you realize that you are really saying that 2/3rds of your pipeline is ghost. You are predicting that 2/3 of the energy of the sales team, 2/3rds of the sales expense is for naught.

You are saying that only 33% of your pipeline, 33% of the forecasted pipeline is going to come in. Really?

You get better odds in Vegas.

With all the time reps spend inputting data into their CRM, and all the dashboards managers look through to "really" see what is going on, we have graduated in 2020 to one step above a crystal ball, which is why you are searching for 2-3X multiple in your pipeline as you read this.

So, let's take a test. Here's the challenge. Let's say you have 50 deals in your Q1 forecast. 50 deals totaling a $2.5M forecast.

Race forward to the end of Q1. How many of those specific 50 deals came in, and did those specific deals total $2.5M? Typically, the answer is somewhere between 20-30 came in, and the revenue is usually 50%. There you are, with 25 deals and $1.25M in revenue. You learned your lesson. Enter the multiples. 2X? 3X? 4X? What's enough?

However, if you think about it, are you adding deals of equal confidence to get to the multiple you need? Or are you just adding deals that have a less chance of success into the pipeline. Your A deals are now being polluted by B and C deals. The madness doesn't stop.

Pipeline Forecasts are like fishbowls. The more emphasis you place on A deals, the more A deals you will get. If you pay the same amount of attention to B and C deals, you'll get an equal number of A, B, and C deals in your pipeline, which is what you don't want. Stop chasing and measuring bad or low probability deals.

OK, WHAT TO DO ABOUT IT

"A" deals need some identification.
Not all deals are "qualified".
"A" deals usually have:

- **GIVE/GETS**
- **TWO CHAMPIONS**
- **NEXT/NEXT**

WHERE THE REAL INFORMATION IS

GIVE/GETS

A well qualified deal is one where the buyer and seller are working together to come to a logical decision. Way too often, the hard-charging sales person flips early in the sale to the "pleasing" rep. They just do what the prospect is telling them to do, thinking that if they are super responsive to the prospect, they'll get extra credit points and will win the deal, because "it's all about pleasing the prospect".

See, if the prospect is really interested in what you are selling, they should be interested in working for it. Putting a little sweat equity into the process. That's why for every give, you should have a get.

A get, or homework assignment could be:

- **Review and comment on a memo**
- **Review and comment on an agenda**
- **Copy of a presentation they delivered to their bosses**
- **Agreed demo criteria**
- **Quote options review**
- **Manager invitation delivered**
- **Emailed the goals of the project**
- **Confirmation of the next steps**

Usually, sales people don't think of these, since they are so busy doing what the prospect wants or what their boss has told them to do.

"A" deals are a mutual process, and both sides need to work and expend energy. The more Give/Gets in the early stages, the higher the probability.Imagine a forecasted deal, where the sales person has sent an email to the five attendees to the big presentation, and asked for their input or approval, and none of the five people cared enough to respond. That's really telling. Very little energy here. Why even put it in the pipeline?

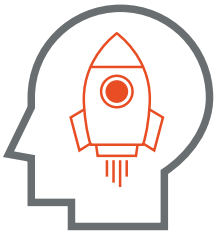
Give/Gets are a very telling sign of energy of a deal, and your competitive strength.

TWO CHAMPIONS

In the book, *Selling Above and Below the Line*, we state that all deals have two Champions. One Below the Line (BTL) and one Above the Line (ATL). Now in some smaller deals, these two roles can be played by one person, but for the most part, most A deals have two Champions.

BTL

The person responsible for using what is being bought. They will be on charge of making sure whatever is bought is used well. The person who has the budget.



ATL

The person who has an initiative, and by letting the BTL make this purchase, they will be making progress on their initiative that has a ton of energy. The person who sets the budget, and can raise it if needed.

Without getting both Champions value propositions addressed, most sales people will go BTL, since it's all about their product/service, and not really inquire on why has the ATL an interest in this effort?

Getting two value propositions early equals a great A prospect and demonstrates the prospect is putting energy into this deal.

NEXT/NEXT

Great sales people are directive and proactive, not reactive and just do what the customer wants. Always thinking one step ahead, and since the Buy/Sales process is already thought out, a high probability deal is one where the sales person and the prospect have agreed to at least 2-3 steps ahead in the deal.

Most managers just want to talk about next steps, and stop after the next logical action to be taken. Well, what's the expected outcome of that step, and if that outcome occurs, what's the next step? With ATL and BTL?

If these outcomes occur, you usually have a high probability for a deal. If the sales person heads into a meeting with a certain desired outcome, and returns with a totally different next step, it may mean the buyer is on control of this sale, and that would be bad. It could be good news as well, but usually a buyer walks through a Buy/Sales process and rarely skips around in it.

So here is the real information you need to get better at managing your pipeline. All these items are coachable, and reps can even coach themselves to these measurable items.

If you don't want to really qualify your pipeline, you'll need to settle for 2.5 – 3.5x coverage – and beat your reps silly every week in your 1:1 meetings, in which your reps spend more time planning for these inquisitions than actual time selling anyway... so go figure.

GREAT PIPELINES

All great pipelines share some common characteristics:

A Buy/Sales Process: It is amazing how many sales teams do not have a well thought out buy/sales process. Most don't have anything, some have a process defined but it's all about the sales process and does not map to anything a buyer is doing. We have also seen wall charts; a sales process defined and hanging on a wall that no one uses.

A well thought out Buy/Sales process has Gives and Gets at every stage to keep the buyer engaged and the sales person somewhat is control of the sale. If the customer wants a presentation, what are they willing to do for it? What homework can you assign to the buyer so they spend a bit of energy, and not just show up and watch?

Exit Criteria: At every stage of the sale, there must be some defined Exit Criteria. What do both parties commit to so that there is a harmonious sale going on, and not just a mad rush to send a proposal, and then "wait to hear". Not all Exit Criteria are going to be met on every sale, but without one, control seems to slip to the buyer.

Exit Criteria also leads to a more consistent sales process throughout the company, rather than leaving the Buy/Sales process up to each individual manager.

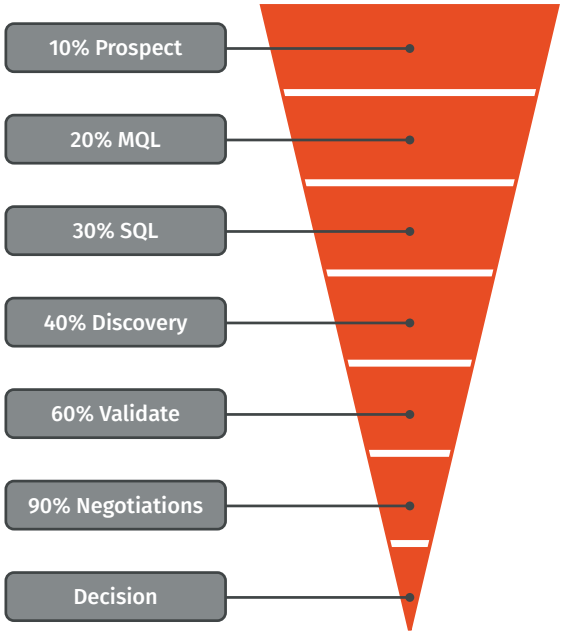
Stage Speed: Deals that close usually take less time than deals that stall. Is there real energy in the deal? If so, you can track a deal by stage and develop a normal range of days by stage so that you can be a more effective coach than you have ever been before.

Coaching deals early, especially measure the Give/Gets and speed of a deal will give you a great amount of insight into your pipeline dashboard and get the "maybe's" out of the funnel early.

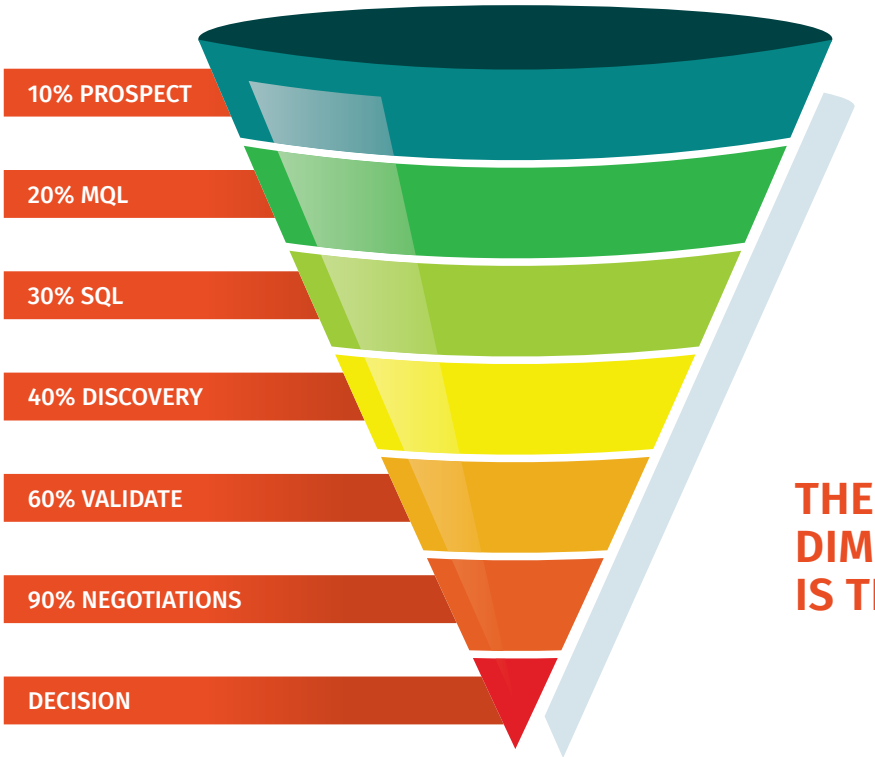
Unless you execute well on the above 3 areas – you will not have a pipeline that you can have confidence in – so I wouldn't rely on any coverage assessment without it.

EXAMPLE

Here is an example of a typical pipeline/funnel. Weighted averages are applied by "gut-level" decision making, and then validated by some fictitious dashboards.

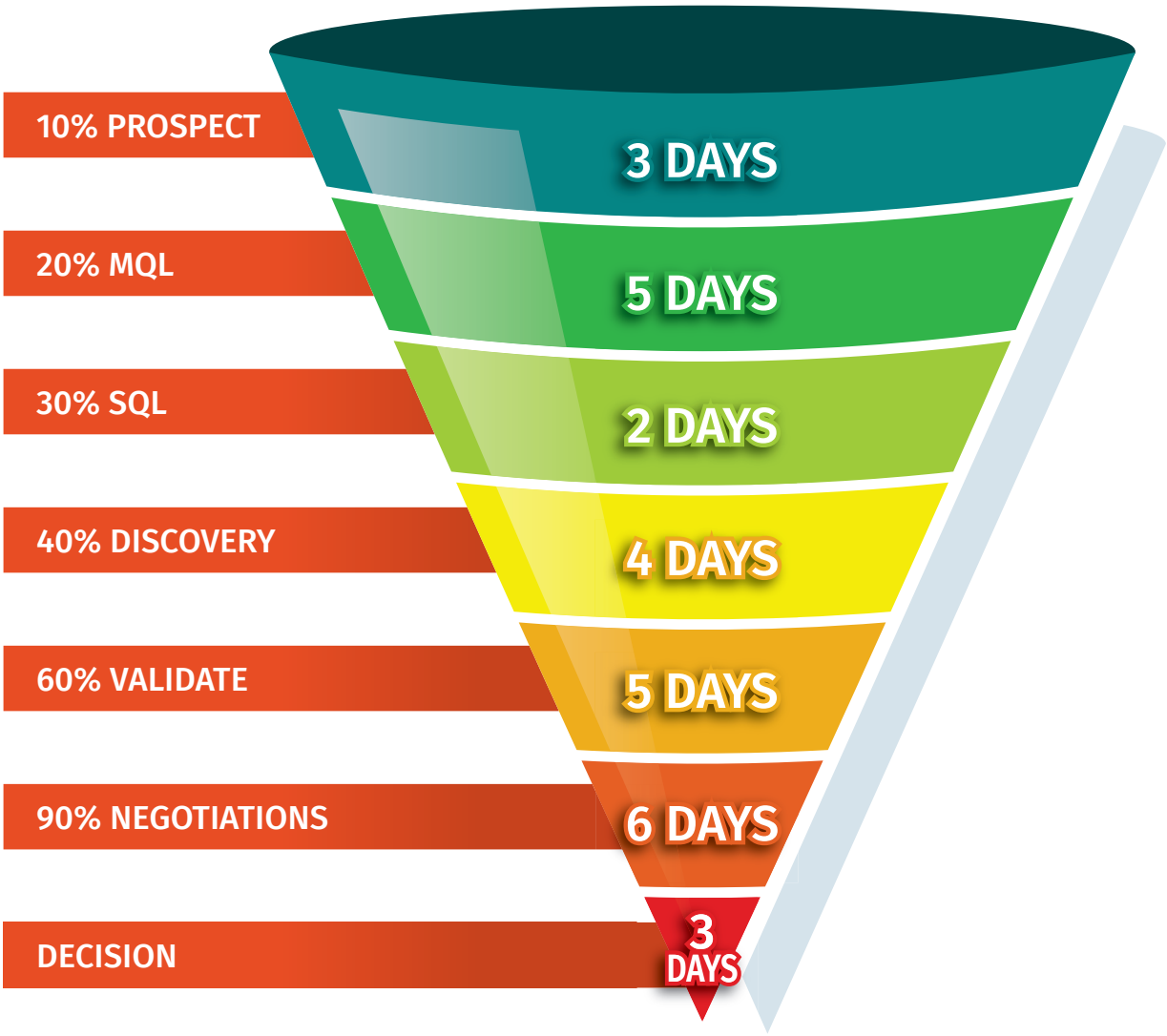


So it would safe to assume that once a deal gets into Validate, it should be in the "Commit" part of the pipeline. This is two-dimensional thinking. What about days in stage? Speed of the deal. Welcome to three-dimensional thinking.



THE 3RD DIMENSION IS TIME

Assign each stage an average of how long a deal takes in a stage, and you get this:



TOTAL: 28 DAYS

Armed with this data, any deal way outside the norms can be caught early and eliminated from commit territory. Look at the spreadsheet below.

FY 2020

	Account	Product	Jan	Feb	Mar	Apr	May	Jun
Forecast	Account 1	Gas		$17,000				
	Account 2	Gas	$55,900					
	Account 3	Light 1		$23,400				
	Account 4	Light 1			$17,500			
	Account 5	Light 1			$33,000			
	Account 6	Inspector		$12,400				
	Account 7	Gadget		$12,900				
	Account 8	Gas		$20,000				
	Account 9	Suite			$15,000			
	Account 10	Suite			$63,000			
	Totals by Month		**$55,900**	**$85,700**	**$128,500**	**$0**	**$0**	**$0**
	Totals by Quarter				**$270,100**			**$0**
	Quota				**$200,000**			**$200,000**
	% of Quota by Quarter				**135.05%**			**0.00%**

Here is a forecast and if the manager interrogates each deal, the pipeline may or may not hold up. Subjective.

FY 2020

	Account	Product	Stage	DAYS/STAGE	TOTAL DAYS	Jan	Feb	Mar	Apr	May	Jun
Forecast	Account 1	Gas	5	6	41		$17,000				
	Account 2	Gas	4	5	33	$55,900					
	Account 3	Light 1	4	7	62		$23,400				
	Account 4	Light 1	3	17	22			$17,500			
	Account 5	Light 1	4	4	23			$33,000			
	Account 6	Inspector	4	33	66		$12,400				
	Account 7	Gadget	5	12	56		$12,900				
	Account 8	Gas	4	12	28		$20,000				
	Account 9	Suite	4	32	54			$15,000			
	Account 10	Suite	4	12	33			$63,000			
	Totals by Month					**$55,900**	**$85,700**	**$128,500**	**$0**	**$0**	**$0**
	Totals by Quarter							**$270,100**			**$0**
	Quota							**$200,000**			**$200,000**
	% of Quota by Quarter							**135.05%**			**0.00%**

Same pipeline with a third-dimension.

If you look at Account 1,2,3,5,7 and 8, they all seem to be in range of normal for this company who has a 5 stage Buy/Sales process. Is this deal headed for a “they have the proposal, we are waiting to hear back” stage?

Look at deals 4,6 and 9. Deal 4 is in Stage 3, but only spent 5 days in Stages 1-2. Did the rep rush the Discover Stage? Who is in control of this deal?

Deals 6 and 9 have lost energy and are just sitting in Stage 4. They are losing momentum.

Why are they taking so long in this stage? What is the Next/Next steps that need to be taken by when? Does the ATL really need this? Do we only have a BTL Champion?

Forecasting and pipeline management are not just guesswork. You can get to 80%+ forecast accuracy, only focus on "A" deals, keep everyone happy, and not pull your hair out at the end of the month or quarter.

Follow the suggestions laid out here, and you will take a giant stride in getting control of your forecasts.

- **GIVE/GETS – Early and often**
- **TWO CHAMPIONS – Both Value propositions**
- **NEXT/NEXT - Always thinking 2-3 steps ahead**

- **BUY/SALES PROCESS IDENTIFIED – A mutual Journey Map**
- **EXIT CRITERIA – Makes Buyer and Seller work at every stage**
- **STAGE SPEED – Where energy of a deal lies**

m3 LEARNING

20465 Saratoga-Los Gatos Rd., Suite B
Saratoga, CA 95070

866.462.5763

info@m3learning.com

www.m3learning.com