

Sales Pipeline: Stages and Moving across stages

There are any number of sales pipeline stages you can use: but ideally you shouldn't have more than six stages. Its also OK to call them anything you want, as long as you are clear about **what** each stage represents. We'll use **Leads, 10% Opportunities, 50% Opportunities, 90% Opportunities** and **Closed Won/Lost**. Here's how the system works.

Remember: It is possible to have multiple opportunities in each customer account. Remember to focus on and track each individual opportunity while planning your pipeline, and not on a customer account.

Stage 1: Leads

First you have to get leads in the door. What is a lead?

A lead is a potential customer at its earliest stage. Some people call this a sales “prospect.”

Here are the criteria typically used for qualifying sales leads (qualifying leads may be quite different based on what industry you are in):

- Do you have the first and last name of the person there?
- Do you have their company name .. the legal company name?
- Do you have a **quantity metric** helping you to understand that they have enough value to merit you working for them (examples of a quantity metric might include the number of employees they have, the amount of revenue they generate or their Web site's traffic ranking).
- Do you have a **quality metric** helping you understand if they are the type of lead you are looking for (examples include: the vertical market they are in or the title of the individual).

The next stage after qualifying a lead is turning it into what is called an “opportunity.” Here, we have three stages of opportunities: 10%, 50% and 90% – here are explanations for each.

Stage 2: Opportunity (10%) (“We have connected with the right people at the right business”)

A 10% Opportunity is defined as having the following qualifications:

- You have made contact with them
- You have confirmed that the **quantity metric** is there for your type of customer (for example, they have a top 1,000 Web site if you are looking to sell to the largest Web sites in the world).
- You have confirmed a **quality metric** such as they are in a vertical market that has worked for you in the past or another example is that the person you are talking to is the proper decision-maker for closing a deal with you).
- Finally, and this sounds obvious, but a 10% Opportunity is one that has a 1 in 10 chance of closing.

Stage 3: Opportunity (50%) ("We're in the ballpark on this deal")

A 50% Opportunity is defined as having the following qualifications:

- The details of the product or partnership have been discussed and it's agreed it's a good fit for both sides
- If necessary, a demonstration of a Proof of Concept has been done for this opportunity.
- A formal proposal has been submitted, including pricing, delivery and terms of payment.
- The pricing of the deal is in the ballpark (within 20%). This means that the customer is also aware of competition to you, and has details of what competition has to offer. He or she has potentially also contacted competition, and obtained either a proposal or pricing information from them.
- The rough timing of the close of the deal has been discussed. This means that the customer has clearly defined by when they would like delivery and implementation of your product or service.

Stage 4: Opportunity (90%) ("Negotiations are complete")

A 90% Opportunity is defined as meeting the following criteria:

- Agreement on pricing
- Agreement on terms of payment
- Agreement on product / service specs
- Agreement on SLAs, if any
- Agreement on delivery date of product
- Contract has been reviewed (just not signed yet) and that the customer's Purchase people are working on drawing up the formal contract.

Stage 5: Closed Won (or Lost)

Finally, when you close a deal you have two scenarios:

- 1) You closed the deal meaning you won it. That means that you have the signed, legal contract in hand. If your terms of payment have specified an advance payment, you have received the advance cheque.
- 2) You closed the deal because you lost it. This is ok. It means that the customer has seen value in a competitor's product, and have contracted them for their product or service. It also means that you can shift this customer back as a Lead for prospective, future sales.

Moving across Stages

For an opportunity to move across stages, remember that each check-point in the stage must be met. Many a time, it is tempting to say that a 10% opportunity has moved to a 50% opportunity though a customer may not have indicated a rough time when they would like to see the product or service installed. Resist this temptation. Make sure that each one of the stage definitions have been met before you move an opportunity to the next stage.

Timing the Pipeline

Many times, you will come across opportunities that seem to stay stuck at one stage for a long, long time. It is worthwhile to remove these opportunities from the **active pipeline** to a new pipeline that you can create called the **dormant pipeline**. Opportunities can move across dormant and active pipelines.

“Timing the pipeline” depends on actual sales cycle lengths .. for example, a typical retail sale has a very short cycle length (perhaps in hours) as compared to an enterprise sale that could take months. It is imperative to have a fix on the normal, expected cycle time for either your own product, or in the absence of this (if you are a start-up), an understanding of competitive sales cycle times. Not having this will lead to serious issues with meeting sales goals.

Here is a simplified example. Assume that you have a single product, priced at \$100. Your sales goal is \$1000 for the year. Typical lead time for sales is 3 months. Also assume that for your product to move across the sales cycle, these are the typical times:

Stage 1: Lead: 15 days

Stage 2: 10% Opportunity: Additional 15 days

Stage 3: 50% Opportunity: Additional 30 days

Stage 4: 90% Opportunity: Additional 15 days

Stage 5: Closed (Won/Lost): Additional 15 days

Now look at the table below.

Opportunity Name	Stage	Time on Stage	Deadline
Op1	Lead	30	15
Op2	Lead	7	15
Op3	Lead	12	15
Op4	10% Opp	7	15
Op5	10% Opp	24	15
Op5	10% Opp	30	15
Op6	50% Opp	25	30
Op7	50% Opp	45	30
Op8	50% Opp	30	30
Op9	50% Opp	40	30
Op10	90% Opp	8	15
Op11	90% Opp	25	15
Op12	90% Opp	35	15

As you can see, the rows marked in red need to be moved into Dormant Pipeline. Doing this gives you this result in your Active pipeline.

Opportunity Name	Stage	Time on Stage	Deadline
Op2	Lead	7	15
Op3	Lead	12	15
Op4	10% Opp	7	15
Op6	50% Opp	25	30
Op8	50% Opp	30	30
Op10	90% Opp	8	15

Doing this exercise diligently and periodically .. atleast once a week .. will weed out your dormant pipeline that will give you a false sense of security, and help you focus energy where needed.

As can be seen in this exercise, the company needs to urgently qualify leads into the 10% stage, and generate more leads, while working on the 50% opportunities to ensure that they move up the stage chain. At the same time, the Dormant opportunities pipeline needs to be checked to see why the opportunities have not moved the way they should have.