kluster intelligence

The guide to
Sales Metrics:

3 sales pipeline metrics every sales leader should be measuring

Includes case study with practical, easy to follow steps

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Introduction

Using metrics effectively ensures that decisions for sales investment are based on specific issues, not broad themes.

Integral to this is the ability to spot where unreliable data may be affecting results. This will determine the validity of your conclusions and signal a change required in your sales processes, ensuring a unison in your team's approach to it, and capturing effective data for the future.

In this eBook we'll be exploring the three sales pipeline metrics every sales leader should be measuring:

#1 Funnel Conversion Rate

#2 Stage Tenancy

#3 Stage Discounting

We'll be using a case study throughout this eBook to demonstrate exactly how you can start measuring these metrics in your role.

Get ready to improve your sales volume, value and velocity.

Rory Brown, Co-Founder & CCO,
Kluster Intelligence

Metric #1
Funnel Conversion Rate

Definition:

Funnel conversion rate calculates the proportion of opportunities that make it from one stage in the sales process to the next. Typically, focusing on the worst stage conversion rate and the specific issues around it is the most effective route to higher win rates.

Case study

Let's introduce our fictional company and start measuring those metrics.

Company: ReachOut&TouchBase.io
Average Order Value: £10,000
Win Rate: 22%
Average Sales Cycle: 41 days
Monthly Revenue: £200,000
Monthly Pipeline Generation Target: £910,000

Step 1: The Maths

Calculate the % conversion between each sales stage. In the case of ReachOut&TouchBase.io, let's look at the conversion from In Discussion to Proposal.

Calculation:

**Number of opportunities that got to "Proposal" /
number of opportunities that got to "In Discussion"
x 100
= 200/350x100 = 57%**

Let's say our calculations yielded the below:

Stage	Conversion
Qualifying	84%
Demo	88%
In Discussion	57%
Proposal	77%
Negotiation	84%
Verbal	96%

Conversion from In Discussion to Proposal (57%) is clearly the biggest bottleneck and the biggest disabler to winning more deals.

Metric #1
Funnel Conversion Rate

Step 2: Granularity

We now need to split this down to region, business line and salesperson level to truly understand where we can actually influence the conversion.

For ReachOut&TouchBase.io, the numbers look like this:

Stage/Salesperson	Mark	Michelle	Bruce	Amir	Eric	Joanne	Lucinda
Qualifying	80%	92%	100%	75%	83%	79%	78%
Demo	91%	90%	84%	83%	79%	91%	89%
In Discussion	**45%**	**60%**	**65%**	**69%**	**53%**	**55%**	**59%**
Proposal	75%	72%	79%	78%	80%	74%	72%
Negotiation	82%	86%	83%	90%	80%	81%	81%
Verbal	94%	96%	95%	94%	92%	98%	100%

Immediately, we can see there is a 24% difference between Mark and Amir. That's a huge variance at such a specific part of the sales process. It's also clear that this is everyone's worst conversion rate in the funnel, and as such we need to address.

Key questions
What are Amir and Mark doing differently at this stage?
How could Amir's approach benefit the wider team?
What could we arm the team with to help them at this crucial part of the funnel?

Step 3: Identify the problem(s)

The list could be endless here and, naturally, will look different depending on your business. However, when it comes to stage conversion, it's usually one of the following:

- Speed or quality of documentation for the client
- Common buyer objection(s)
- Inability to drive urgency
- Any sales handover that may take place – i.e. SDR to Sales, Sales to Pre-Sales
- The conversation moves away from value to something technical
- The process of rounding up more client stakeholders
- Buyer internal processes or bureaucracy
- The sales format moving away from human interaction to documentation

Metric #1
Funnel Conversion Rate

Step 4: Remedies

We may then want to look at how any of the following could bear an impact or help our situation.

1. Sales Enablement Tools
2. Marketing Content
3. Sales Approach / Value Proposition / Urgency Stories
4. Objection Coaching / Shadowing
5. Data Enrichment
6. Pricing

Step 5: Results

Without doubt the best part of this whole process.

Based on the above metrics, ReachOut&TouchBase.io requires £910,000 of pipeline to hit their revenue target of £200k.

Now, if we improve In Discussion to Proposal conversion from 57% to 62% **the new revenue figure would be £248,622.** That's almost £50k extra.

It's imperative you have the tools and mechanisms in place to monitor how these results are changing, justifying and bolstering your remedies.

Step 6: Repetition

Now it's time to get busy and move to the next stage conversion, which for ReachOut&TouchBase.io, is Proposal to Negotiation.

Stage	Conversion
Qualifying	84%
Demo	88%
In Discussion	57%
Proposal	77%
Negotiation	84%
Verbal	96%

Summary

In this case, we've clearly moved the **Volume** sales lever by driving more deals through the pipeline. However, it's highly likely that by addressing this stage we'll have made a good dent on the **Velocity** of these deals and the **Value**.

Metric #2
Stage Tenancy

> Definition:
>
> Stage Tenancy indicates the sales stages that salespeople spend most time in. Identifying the slowest stages will open up opportunities for sales enablement that can improve sales cycles by focusing on key bottlenecks.

Step 1: The Maths

Firstly, we need to collate the relevant information. If you're fortunate enough to have a CRM that records change history (such as Salesforce), you'll be able to find time stamps to show when opportunities moved to specific stages in the opportunity history table.

Next, we need to choose the time frame that we want to assess. The last 6 months is normally a good place to start (if your sales cycle is 90 days+ perhaps 12-18 months would be more desirable).

For each stage we need to calculate the average time between date stamp 1 (the date the opportunity moved to that stage) to date stamp 2 (the date the opportunity moved to the following stage).

This analysis should yield something like the below:

Stage	Tenancy (days)
Qualifying	3
Demo	6
In Discussion	12
Proposal	4
Negotiation	10
Verbal	6
Av. Sales Cycle	**41**

As you can see, ReachOut&TouchBase.io sit at "in Discussion" for the longest period of time, closely followed by "Negotiation". Given slow moving opportunities at the top of the funnel will have the greatest impact on the volume that feeds through to later stages, we've successfully identified the first area that we can probe.

Metric #2
Stage Tenancy

Step 2: Granularity

This time round, we'll split granularity into two sections.

1) **Hierarchical Granularity** - Understanding stage tenancy at salesperson and business line level

2) **Insight Granularity** - Digging deeper into how other variables influence stage tenancy, such as deal size, industry, lead source etc

Let's look at Hierarchical Granularity. Now that we know that our slowest stage is "In Discussion", we need to calculate this for each salesperson:

Stage / Salesperson	Mark	Bruce	Amir	Eric	Joanne	Lucinda
Qualifying	2	3	5	4	3	4
Demo	4	5	4	7	5	3
In Discussion	10	16	6	11	10	14
Proposal	6	8	3	6	3	10
Negotiation	11	9	8	12	8	4
Verbal	4	3	6	8	5	6
Av. Sales Cycle	37	44	32	48	34	41

Once again, Amir is leading the pack but this time Bruce is really struggling at "In Discussion". There are 10 days difference between them at this stage. So what is Amir doing here that Bruce is not and why do the entire team (Amir excluded) struggle with momentum at this stage in the funnel?

Key questions
What is Amir doing here that Bruce is not?
Why do the entire team (excluding Amir) struggle with momentum at this stage in the funnel?

Now to Insight Granularity. There may well be more than just the differences between salespeople that have an effect on Stage Tenancy. If we are to truly offer better insight to our marketers and salespeople, we need to start delving deeper.

Think about the various products we sell, our geographies, or the account sizes we target.

Metric #2
Stage Tenancy

Anomalies

Not to be overlooked is spotting data anomalies and outliers. **An incredibly important part of this exercise is to identify inconsistencies**. We all know that where data entry via salespeople is concerned, there will be inconsistencies and they need to be fixed. If not, the accuracy and integrity of the insights we derive will always suffer.

Stage / Salesperson	Mark	Bruce	Amir	Eric	Joanne	Lucinda
Qualifying	2	3	5	4	3	4
Demo	4	5	4	7	5	3
In Discussion	10	16	6	11	10	14
Proposal	6	8	3	6	3	10
Negotiation	11	9	8	12	8	4
Verbal	4	3	6	8	5	6
Total Sales Cycle	37	44	32	48	34	41

Notice how Lucinda has pretty much the opposite trend at Proposal and Negotiation to the average. She must be interpreting the stages differently. Is she following the same entry and exit criteria as the rest of the business for example? Improving processes and ironing out these anomalies over time will have a huge impact on the quality of our data capture.

Step 3: Identify the problem

It's most likely you'll have some very specific events or conversations that take place at each sales stage. If possible, invest in something like Jiminny to get stuck in and listen to what's going on in these key events. Particularly, what are the key differences in conversations and correspondence between Bruce and Amir? This will serve as the first clue as to why this is your slowest sales stage.

Common problems

- Ineffectively articulated value proposition
- Unconvincing urgency stories
- Challenges and impact not identified and built
- Next steps not being scheduled or attended
- Shift from 'in person' selling to email
- A feature no problem/solution lead demo
- Control lost in the process of gathering other stakeholders post-demo

Metric #2
Stage Tenancy

Step 4: Remedies

Step 5: Results

We established that ReachOut&TouchBase.io's slowest sales stage is "In Discussion", and we've applied some sales enablement tactics to try to shorten this. Now we need to assess the impact this has on the overall average sales cycle which was 41 days.

41 days to 37 days. This is a 9.8% improvement in our average sales cycle. So, how does this impact our monthly revenue?

In Sales Metric #1: Funnel Conversion Rate, we concluded that by improving the conversion rate of just one stage by an extra 5%, we took our monthly revenue from £200k to nearly £250k. So, let's use this as a base:

At an average deal value of £10k. previously they were closing 25 deals per month. Now, with our 9.8% improvement, ReachOut&TouchBase.io will take home 27 deals **adding another £20k to their revenue, now totaling £270k!**

Step 6: Repetition

When it comes to stage tenancy, repetition takes on a new meaning. It's not just about moving to the next slowest stage in the funnel, it's about taking the time to re-explore granularity, identifying other data points that influence stage tenancy.

Of course, traditional repetition also applies. Look at the next slowest stage and follow the steps. It's imperative that we set up our reporting to easily identify that our efforts are bearing an impact on results.
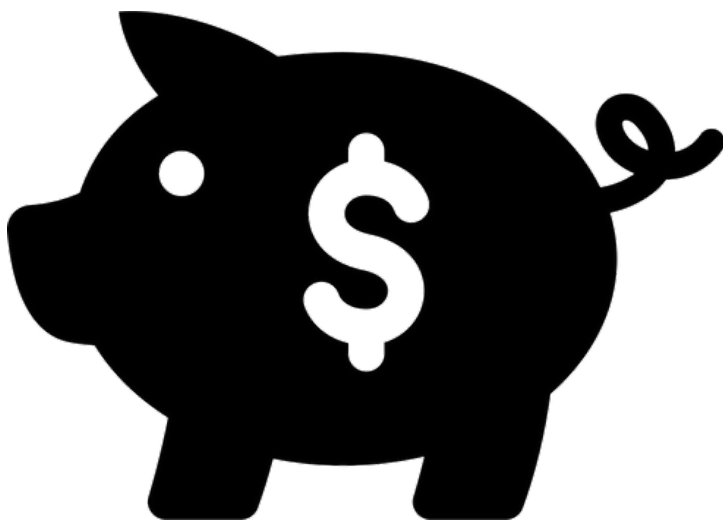
Summary

Yet again, we see the huge revenue impact that can be released by improving one, seemingly inconspicuous, metric. **Stage Tenancy** is critical to improving the speed at which our deals move through the funnel, affords resolute direction to our sales enablement investments, and is the perfect metric to identify exactly where your individual salespeople need help and assistance.

Metric #3
Stage Discounting

Definition:

Stage Discounting catches the part of the sales process where salespeople discount most. Understanding why discounting happens at specific points is crucial for effective coaching, processes, and sales enablement.

Step 1: The Maths

Firstly, we need to get the company-level stats to get a sense of our weak spot.

Note - Your "amount" filed will hold **time stamps** in the opportunity history table. These times stamps, coupled with the time stamps in your opportunity stage history, when correlated, will enable you to spot how much the value field changed by, and what stage the opportunity was sitting in at the time. **We're looking for an average of these changes over a set time period.**

For ReachOut&TouchBase.io, it looks like this. The overall average discount is £2000 on the nose, but now we can see exactly where the sales team are discounting.

Stage	Av. Discount
Qualifying	£0
Demo	£0
In Discussion	-£400
Proposal	-£1,200
Negotation	-£300
Verbal	-£100

For me, this suggests that salespeople feel compelled to offer a discount when they send out an initial proposal **prior** to negotiation. We'll come onto what this is telling us later.
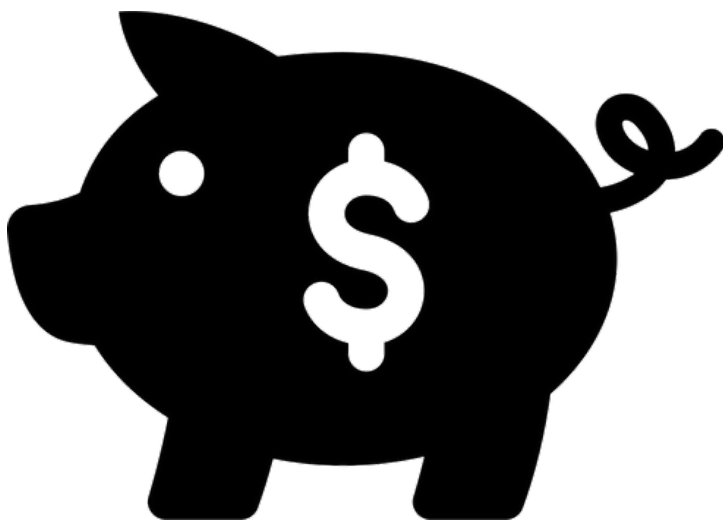
Step 2: Granularity

We need to understand where ReachOut&TouchBase.io can actually influence and make an impact on their discounting issue. For this, we should look to produce the above data but split it by salesperson, business line or geography. Tempting as it is to go and grab the nearest sales coach that can change the mindset of your salespeople at proposal stage, **we need to understand what's happening at a local level**.

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Metric #3
Stage Discounting

Let's take a look at salespeople and identify patterns and outliers:

Stage / Salesperson	Mark	Bruce	Amir	Eric	Joanne	Lucinda
Qualifying	2	3	5	4	3	4
Demo	4	5	4	7	5	3
In Discussion	10	16	6	11	10	14
Proposal	6	8	3	6	3	10
Negotiation	11	9	8	12	8	4
Verbal	4	3	6	8	5	6
Total Sales Cycle	37	44	32	48	34	41

Once again, our man Amir comes out on top and brings the average down. £600 difference between our best and worst discounter at proposal. We need to speak to Bruce and Amir to understand what they do differently when putting proposals together, conversations they've had with the client, and their mindset at this time.

Joanne is very interesting. She seems to be doing things the "right way round". Submitting a proposal and then negotiating with the client, albeit suffering heavy losses during negotiation.

I see two outliers here which could challenge the credibility of the data. Joanne is navigating the topic of discounting differently, and Lucinda seems to be discounting and therefore discussing price very early on. **Ironing out these outliers and aligning to ensure all salespeople are in agreement as to the sales processes steps is fundamental to the success of future analysis.**
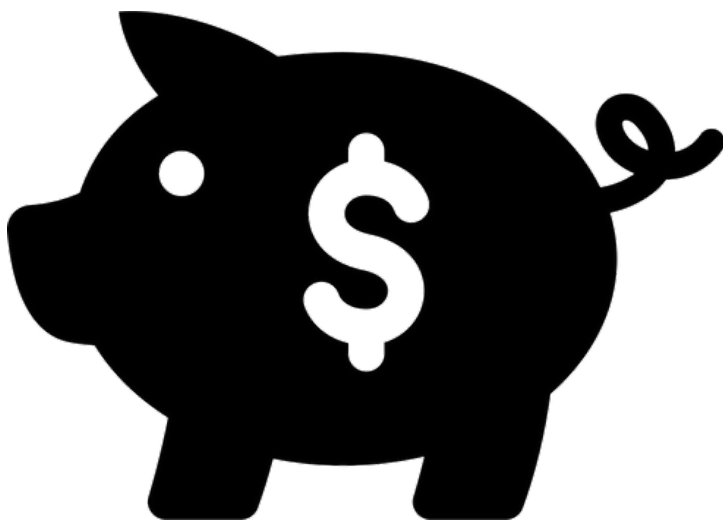
Step 3: Identify the problem

The striking observation in this scenario is that discounting is largely taking place when proposals are being submitted.

Whatever the underlying problem, speaking to your team and contrasting their ways of working will help you get to the bottom of exactly why discounting is happening in this way.

Metric #3
Stage Discounting

Let's take a look at salespeople and identify patterns and outliers:

Common problems:

- Proposals are focusing more on price than solutions to problems
- Salespeople feel threatened by competition and therefore feel "compelled" to offer discounts
- This is a price-driven commoditised market
- Legacy - a prominent peer may once have worked this way and this has filtered through over the months and years
- Something as simple as displaying a "discount" section on standard proposal documents

Step 4: Remedies

Step 5: Results

This one is straightforward. If we lessen our average discount at our most common stage (proposal) then how does this affect a) our Average Deal Value and b) Revenue!

Remember, we've got £270k to try and build on.

So, suppose we improve the -£1,200 to -£900 at Proposal stage, we gain £300 per deal. In the case of ReachOut&TouchBase.io, who now close 27 deals a month thanks to our funnel conversion and stage tenancy work, that's an extra **£8,100**!

This now means that our metrics series has taken ReachOut&TouchBase.io from £200k per month to **£278,100**. Not to be sniffed at.
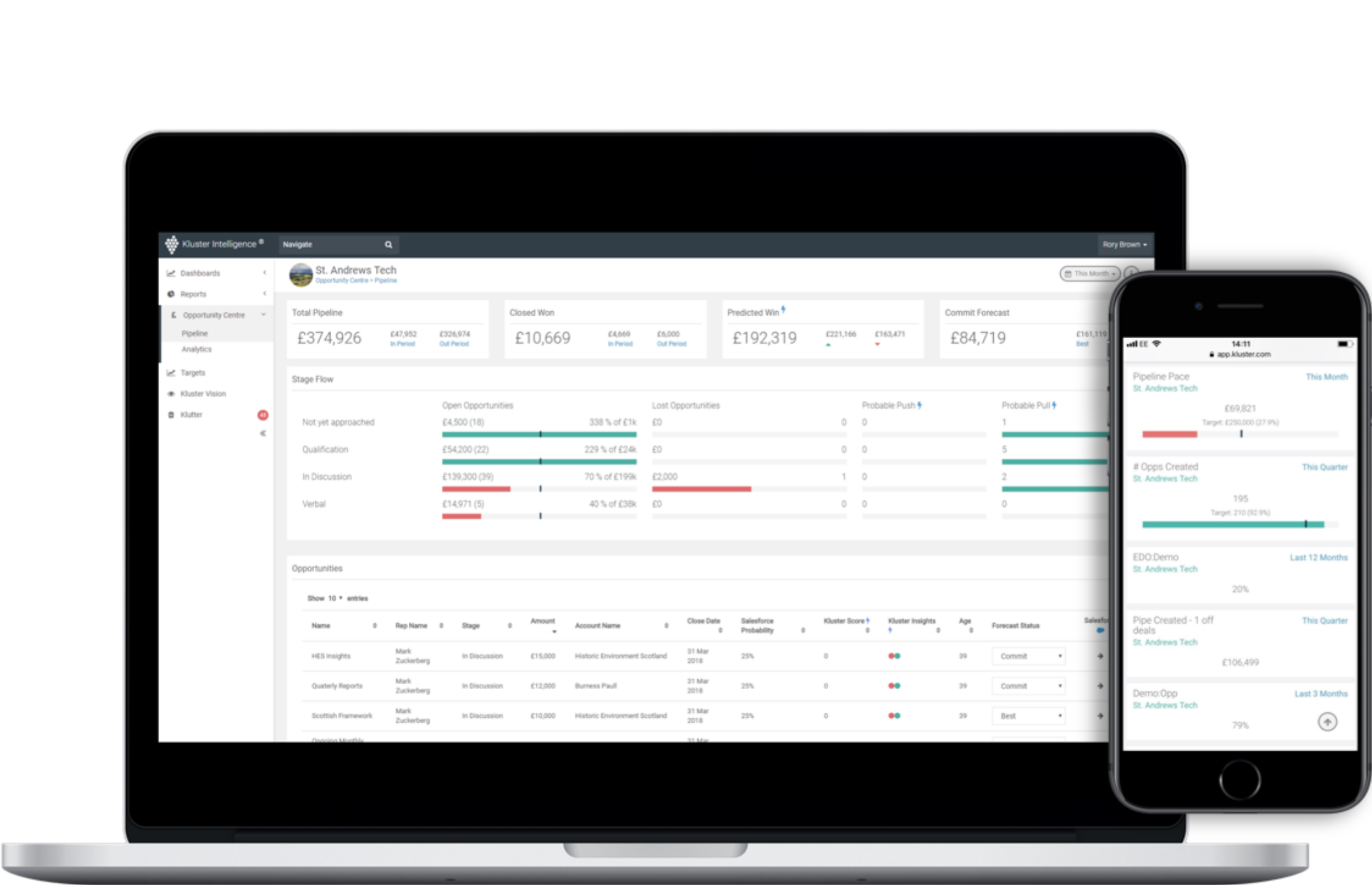
Summary

We've now pulled on the **Value** lever, having previously impacted **velocity** and **volume**. Spotting discounting is a fantastic opportunity to really get into the nitty gritty of your salespeople's experiences on the front line. Getting the data behind this however, is where we can identify the specific areas of difficulty and prove that our coaching and enablement tactics are hitting home.

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