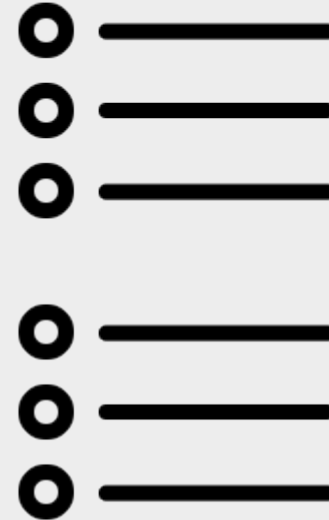# Building Scalable Inside Sales

Artem Berman

Starwind

Scope of deck

§ What is a pipeline?

§ Is pipeline something self-sufficient?

§ Pipeline vs. Bookings vs. Revenue vs. Liquidity

§ Gaps. How to survive?

§ Cash vs. Accrual accounting

§ What types of the pipeline can we maintain?

§ State of the opportunity

§ New business and Existing business pipeline

§ Direct pipeline vs. channel pipeline

§ Takeaways

What is a pipeline?

To put it simple it is the total of all the possible deals in all the possible stages that sales department works on presently.

These deals are represented by leads that usually vary from SAL to Closed status and there are certain conversion rates that the transitions of the leads are subject to.

Now if the pipeline is a visualization of the sales process (per Wikipedia) then what is the visualization of the pipeline? A FUNNEL!

Is pipeline something self-sufficient?

No, it is not. The pipeline itself is a cause, consequence and part of other important processes/factors :

§ **Pipeline** is the function of the **Leads**

§ **Leads** are the function of the **Marketing**

§ **Marketing** is the function of the **Budgets**

§ **Budgets** are the function of the **Liquidity**

§ **Liquidity** is the function of **Revenue**

§ **Revenue** is the function of the **Bookings**

§ **Bookings** are the function of the **Pipeline**

And the engine keeps going like this.
Let's review each in greater detail and discuss how they interrelated and connected and what are the implications?

Pipeline vs. Bookings vs. Revenue vs. Liquidity

§ So the pipeline is the variety of deals on all possible stages you are hoping to close in the future.

§ Bookings are the contractual commitment of your customer to buy something from you.

§ Revenue is when you legally can recognize your bookings based on the norms of the accounting system you are using (In GAAP revenue happens when the service is provided).

§ Liquidity is the money company has on its accounts. Normally revenue first becomes Accounts Receivables (because normally you would be selling on the NET terms) and then turns into the "cash".

Gaps. How to survive?

We should remember that there are several important gaps in the business continuity.

1. **Pipeline** converts into the bookings with the gap.

2. **Bookings** convert into the revenue with the gap.

3. **Revenue** converts into the liquidity with the gap.

It is important to remember about that because as soon as the company runs out of cash, it gets out of the business even though all other parameters can look healthy.

Cash vs. Accrual accounting.

The simplest accounting is the **cash** based one. From the practical standpoint, the company would never operate based on a cash driven accounting though. It cannot accurately reflect the time-stretched nature of the sales process and cannot cover the whole variety of the situations the business is going through.

The **accrual** method records income items when they are earned and records deductions when expenses are incurred. For a business invoicing for an item sold, or work was done, the corresponding amount will appear in the books even though no payment has yet been received – and debts owed by the business show as they are incurred, even though they may not be paid until much later.

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What types of the pipeline can we maintain?

Prediction of the future is always a big challenge. Any prediction model would have a flaw, and any prognosis is subject to adjustments and mistakes. Nevertheless, we should utilize several projection models to be as accurate with the actual result as we can be. And then we will make a mistake anyway. As good as it gets.

The pipeline can be:

§ Mathematical

§ Weighted

§ Empirical

What is the difference?

§ **Mathematical.** Good for nothing and even then, can help assess the general trends.

§ **Empirical.** Uses indirect indicators (leads) and past ratios intelligence. Past is a good way to predict a future. Sometimes… Up to some extent…

§ **Weighted.** Most accurate. And still subject to subjective bias and subjective opinion and accuracy of the sales rep.

State of the opportunity.

The pipeline is made of opportunities. What states can the opportunity have?

§ Prospecting

§ Needs analysis

§ Identified pain gain

§ Presenting value proposition

§ Technical evaluation

§ Technical decision made

§ Partner involvement

§ Proposal price quote

§ Procurement cannot control process

§ Procurement controlling the process

§ Revenue commit

Then you assign some probability percentage to each state.

And then you calculate your weighted pipeline. Halleluiah.

New business and Existing business pipeline.

In other words, we are talking about **"Acquire vs. Maintain"**.

Recurring Revenue Streams are very important. There are special metrics here to measure them. Recurring Customers Rate (RCR) is one of them.

Both types of customers are subject to pipelining. But they may suggest of very different conclusions. By running and assessing them separately, you can improve different aspects of your business.

Direct pipeline vs. channel pipeline.

Depending on what sales model the
company executes you can have either
or both. The channel pipeline is
normally more difficult to assess and
maintain because sometimes the
management of third-party (or of some
of them)
is a nightmare .

Takeaways

☑ The pipeline is the representation of the sales process

☑ Different terms and their significance in the sales and finances

☑ Different types of the pipeline

☑ Different states of the opportunity

☑ Gaps that may cost you a business

About lecturer

Art Berman, MBA

Art Berman is a successful serial entrepreneur who has founded a number of companies in the technology industry. Mr. Berman brings more than a decade of entrepreneurial experience building and advising successful software companies. Art has managed worldwide online sales and operations since 2003. Mr. Berman earned his Bachelor degree in Economics from Moscow International Business Institute in 1997 and Executive MBA in Edinburgh Business School - Heriott-Watt University in 2014.

Thank you!

Questions