

Use Sales Analytics to Improve Pipeline Management and Forecasting

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Sales operations leaders seek to derive more value from pipeline data and increase sales leaders' confidence in forecast analytics. To do so, they must drive consistency in opportunity management processes, deliver actionable metrics to sales managers and enhance analytics with qualitative insights.

More on This Topic

This is part of an in-depth collection of research. See the collection:

- [Gartner Guide to Sales Analytics](#)

Overview

Key Challenges

- Many managers and sellers express deal progress in CRM/SFA inconsistently. Over time, these variations grow further away from the standard created by sales leaders and sales operations. This ultimately reduces the quality of collective pipeline information and introduces error to the forecasting process.
- Managers don't receive the analytics they need to review their sellers' pipeline and effectively identify areas of risk and opportunity. This limits their effectiveness in a number of areas including territory and account planning, pipeline management and seller coaching.
- Executive stakeholders frequently lack confidence in the pipeline data and forecast results, leading to wasted effort and lost opportunity for data-driven decision making.

Recommendations

Sales operations leaders responsible for providing sales analytics to support pipeline management and forecasting must:

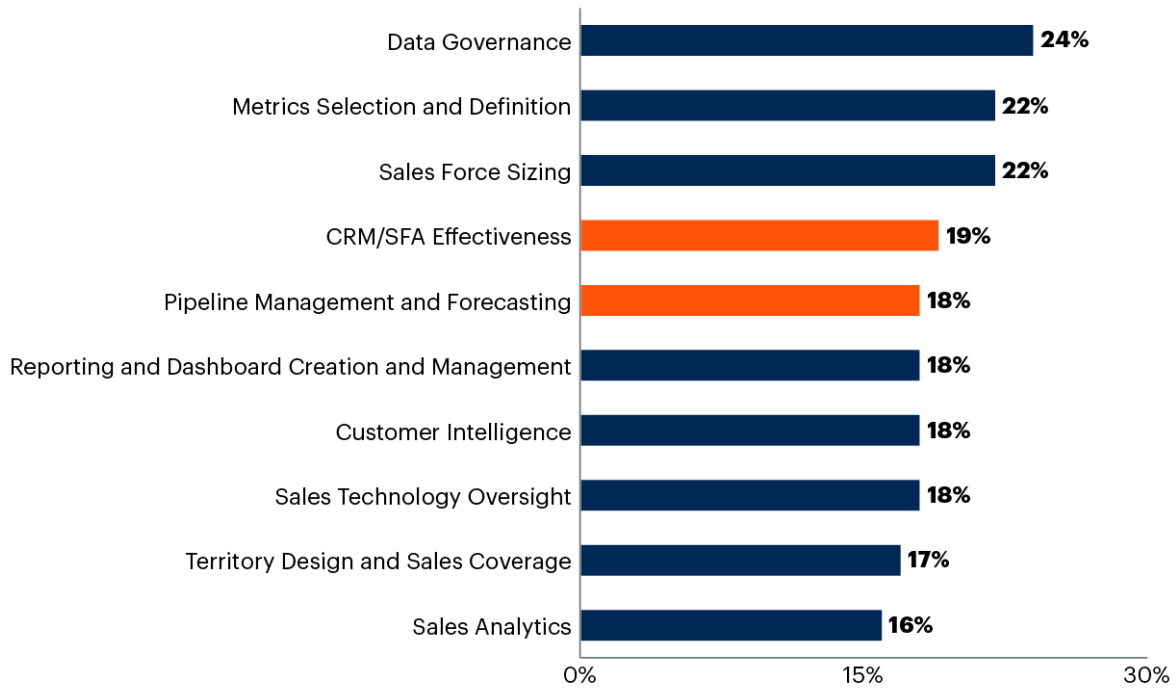
- Improve consistency of pipeline data by simplifying opportunity management process standards.
- Increase the value of recurring pipeline review and forecast processes by providing sales managers with actionable metrics.
- Ensure analytics and forecasts are credible to executive stakeholders by combining quantitative and qualitative analyses.

Introduction

Sales organizations make significant investments in their customer relationship management and sales force automation (CRM/SFA) platforms but don't necessarily get the value they expect. In fact, the average organization we surveyed spends \$1,866 per sales FTE on CRM/SFA technology annually, representing a large portion of nonpayroll sales costs. ¹ But when we asked leaders to identify the three areas where sales operations are least effective, CRM/SFA effectiveness as well as pipeline management and forecasting were among the most common choices (see Figure 1).

Figure 1. Areas Where Sales Operations Functions Are Least Effective

Areas Where Sales Operations Functions Are Least Effective
Top 10 Responses



n = 296

Source: 2019 Gartner State of Sales Operations Survey

Q: "Select three areas from the following list where you think your organization's sales operations function is least effective."

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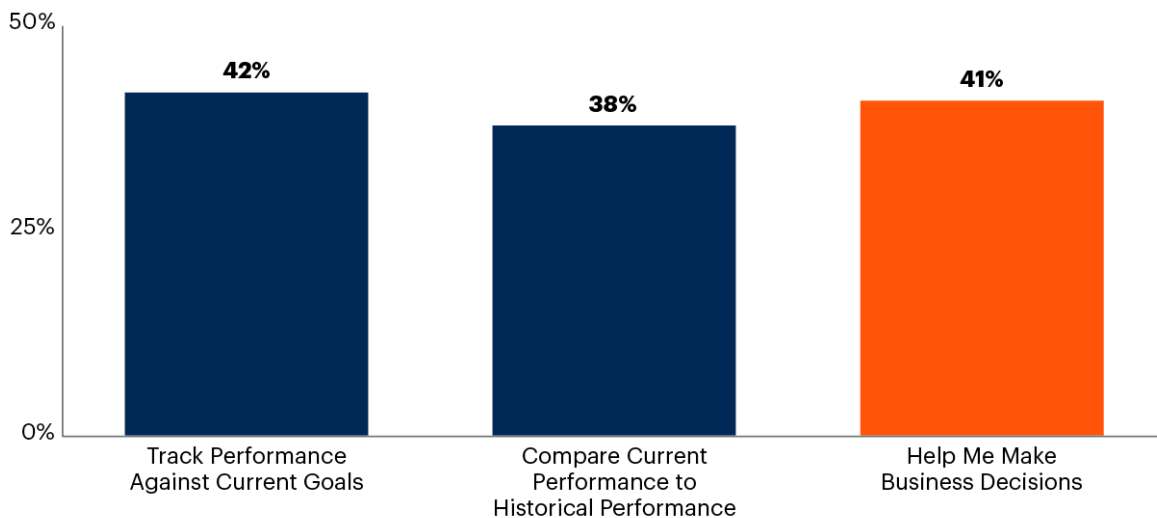
Beyond keeping sellers organized as they engage with individual accounts, the real value of a CRM/SFA platform is the wealth of pipeline data it offers to feed analytics. This value is dictated by how well a sales analytics function leverages people, process, technology and data literacy within its organization.

Sales operations leaders know they need to perform in all four of these core competencies if they wish to increase their pipeline analytics' impact and improve their sales forecast accuracy. But coordinating the activities of managers and sellers across the sales organization is difficult, because these individuals bring their own selling styles to their role. Every seller and manager has their own preferences and techniques for how to advance a deal through the sales process and express that deal's status in CRM/SFA. This leads to inconsistencies in opportunity management processes and data, which undermine the accuracy of pipeline analytics.

Adding to the challenge, managers aren't getting the analytics they need to make decisions and identify risks in their team's pipeline. In our recent survey, only 41% of sales managers and executives were satisfied with their current dashboard's ability to help them make business decisions (see Figure 2). This lack of analysis and insight leads managers to rely on seller input and their own recent experiences to evaluate their team's pipeline and make decisions.

Figure 2. Reasons for Using Dashboards and Satisfaction Levels

Reasons for Using Dashboards and Satisfaction Levels
 Percentage of Respondents Indicating Satisfaction With Dashboards



n = 135 sales executives
 Source: 2019 Gartner Sales Dashboard Metrics Benchmark Survey
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Unfortunately, even when managers submit a forecast based on good predictive analytics, their leaders may not view it as credible. This issue with leaders' confidence in analytics is widespread; only 45% of surveyed respondents say sales leaders in their organizations have high confidence in forecasting accuracy. ² This skepticism can result in sales leaders acting on intuition instead of evidence, potentially resulting in reduced commercial outcomes.

How can sales operations best leverage the people, processes, technology and data at their disposal to improve pipeline analytics and support the transition to a truly data-driven sales organization?

To increase the value and impact of pipeline data, analytics and forecasting, sales operations leaders must:

- Refresh opportunity management standards to improve CRM data quality.
- Provide sales managers with key metrics to support recurring pipeline review and forecast processes.
- Expand the forecast process to ensure results are credible to executive stakeholders.

Analysis

Improve Consistency of Pipeline Data by Simplifying Opportunity Management Process Standards

Improving the integrity of pipeline data is not simply a question of ensuring all opportunities are being entered into the system. The threat of inconsistent data entry — which is more difficult to detect — also poses a significant risk to data quality. Without active monitoring and management, sellers and managers tend to introduce subtle changes to the opportunity management process to suit their own preferences. Over time, these changes can accumulate to negatively impact the overall consistency of pipeline data quality.

To orchestrate seller activities and derive maximum value from CRM/SFA systems, sales operations must provide stakeholders with process standards and reinforce them on an ongoing basis. As part of the data quality management process guidance described in “Overview of Gartner’s Sales Analytics Framework,” sales operations leaders must carefully manage sellers’ compliance with opportunity management processes.

Often, process discipline degrades over time when the rules for sellers to determine deal status values are unclear or overly complex. Ambiguity in opportunity management standards leads to inconsistent pipeline data. If discipline in this area has degraded since launch, sales operations leaders must address the ambiguity or complexity before refreshing the process with their sellers and managers.

Sales operations leaders know the quality of pipeline analytics is primarily determined by the accuracy of seller-provided deal status information. Progressive sales organizations may employ technology solutions to enforce consistent seller inputs and calculate a deal’s likelihood to close based on a range of factors. But in sales organizations without such technology, sellers are required to update their sales opportunities to indicate the progress of each deal and its likelihood to close using their best judgment. Typically this is accomplished using a combination of fields, including sales stage, close date, probability, forecast category and deal value.

When revisiting opportunity management standards to increase pipeline and forecast accuracy, sales operations leaders must strive for simplicity in their process design.

Using three or more indicators to describe a deal's progress introduces excess potential for inconsistency in pipeline data. Sales operations can mitigate this risk by reducing the number of indicators sellers must provide and being more prescriptive on how to populate them.

For example, sellers may be required to populate the following fields for each of their active opportunities:

- Sales stage – A picklist of static values defined by the sales process
- Probability – A percentage value indicating the deal's likelihood to close by the specified close date
- Forecast category – A picklist that denotes how the deal should be included in forecasting projections (e.g., upside, best case, committed)

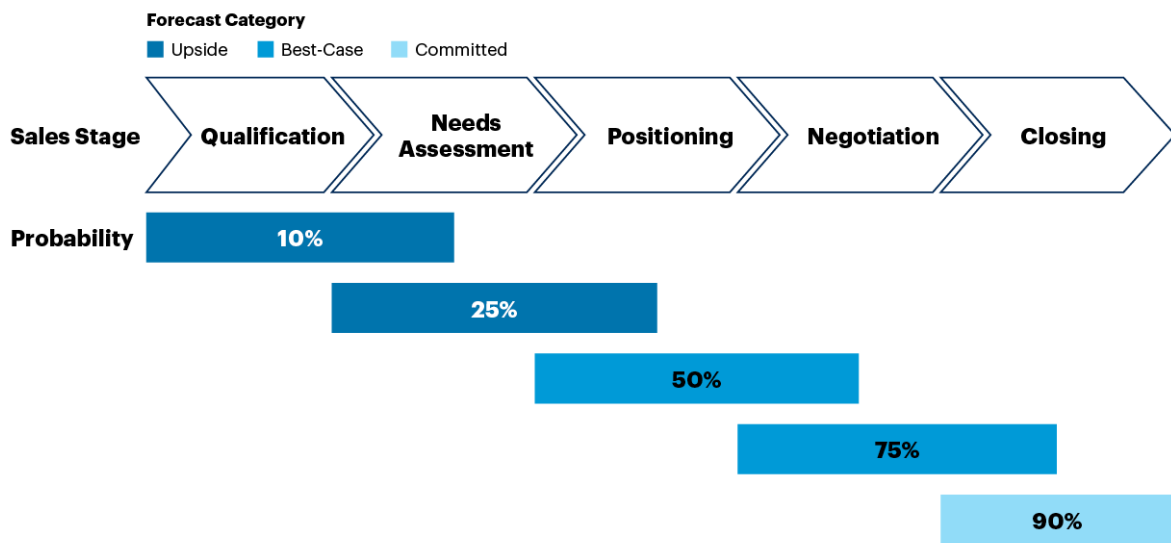
Sales operations can simplify the opportunity management process by introducing a few key changes:

- Probability is no longer a free-form input. Instead, sellers are presented a set of values to choose from (e.g., 10%, 25%, 50%, 75%, 90%).
- Forecast category is no longer a seller-entered field but is instead calculated based on sales stage and probability values.

To improve the consistency of stage selection, sellers and managers require clear guidance on what seller activities and customer responses are associated with each sales stage. Sales operations then establishes a mapping between sales stage and probability with rules for calculating the forecast category (see Figure 3). This mapping is not enforced through system validation rules, since legitimate exceptions may occur. But sales operations should offer sales managers a dashboard that identifies exceptions for review.

Figure 3. Alignment of Sales Stage, Probability and Forecast Category

Alignment of Sales Stage, Probability and Forecast Category
Illustrative



Source: Gartner
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Gartner.

In this new process, sellers are only focused on two fields – sales stage and probability – when recording the likelihood of any deal to close. Forecast category is calculated, though managers may be granted override rights on this value. This simplified process alleviates some of the burden on sellers to maintain their opportunity data. It also drives more consistency in pipeline data by eliminating other fields that may introduce error or confusion.

Rolling out such changes requires a concerted effort between sales operations and sales managers. Sales operations must first train managers on the rationale and mechanics of the updated process and give them deadlines for training their teams and updating their existing pipeline. For organizations with a high volume of opportunities, sales operations should split the rollout effort into phases by targeting deals of a certain size and progressing close dates. While time-intensive, the rollout effort will allow sellers and managers to evaluate their pipeline data for accuracy and consistency.

Increase the Value of Recurring Pipeline Review and Forecast Processes by Providing Sales Managers With Actionable Metrics

Sales managers require visibility to current pipeline data when reviewing their team's pipeline and coaching their sellers. Similarly, sellers benefit from understanding how their deals collectively compare to their sales targets, especially if they need to take proactive steps to address a shortfall. The pipeline data both roles require is available directly in the CRM/SFA system, typically as descriptive analytics. Sales operations can amplify the value of pipeline analytics by complementing this information with predictive analytics.

Sales operations leaders must first ensure recurring pipeline reviews are conducted across the sales organization – between sellers and frontline managers, and between frontline managers and their managers. By designing a standard format for key pipeline and forecast review metrics to support these interactions, sales operations fortifies the process so pipeline issues are brought to light as early as possible.

Sales operations leaders must define a schedule for when standard pipeline and forecast metrics will be calculated, providing a consistent cadence for recurring conversations. These metrics are ideally automated, but they can be prepared using spreadsheet exports if necessary. Figure 4 shows an example of a standard format for pipeline and forecast metrics. The metrics in the right-hand column – especially those in bold – enable first- or second-level managers to easily assess the state of the sales forecast and drive a meaningful conversation with the submitting seller or manager.

Figure 4. Standard Pipeline and Forecast Metrics

Standard Pipeline and Forecast Metrics
Example

Week X Pipeline and Forecast Summary			
Current Quarter			
Target or Quota	\$ 250,000		
Initial Pipeline	\$ 850,000		
Open Pipeline	\$ 500,000		
QTD Actual	\$ 25,000	Actual Target	10%
Target Minus Actual ("To Go")	\$ 225,000	Open Pipeline/To Go	2.2
Forecast	\$ 240,000	Forecast/Target	96%
Prior Week Forecast	\$ 275,000	Week-Over-Week Change	-13%
Prior Year Actual	\$ 225,000	Forecasted YoY Growth	7%
Historical Pipeline Conversion	35%		
Projected Bookings or Revenue	\$ 297,500	Forecast/Projected	81%
Next Quarter			
Target or Quota	\$ 275,000		
Initial Pipeline Target	\$ 785,714		
Open Pipeline	\$ 200,000	Pipeline Target Achievement	25%
Week X Historical Achievement	20%	Gain or Lag Versus Typical Build	5%

Source: Gartner
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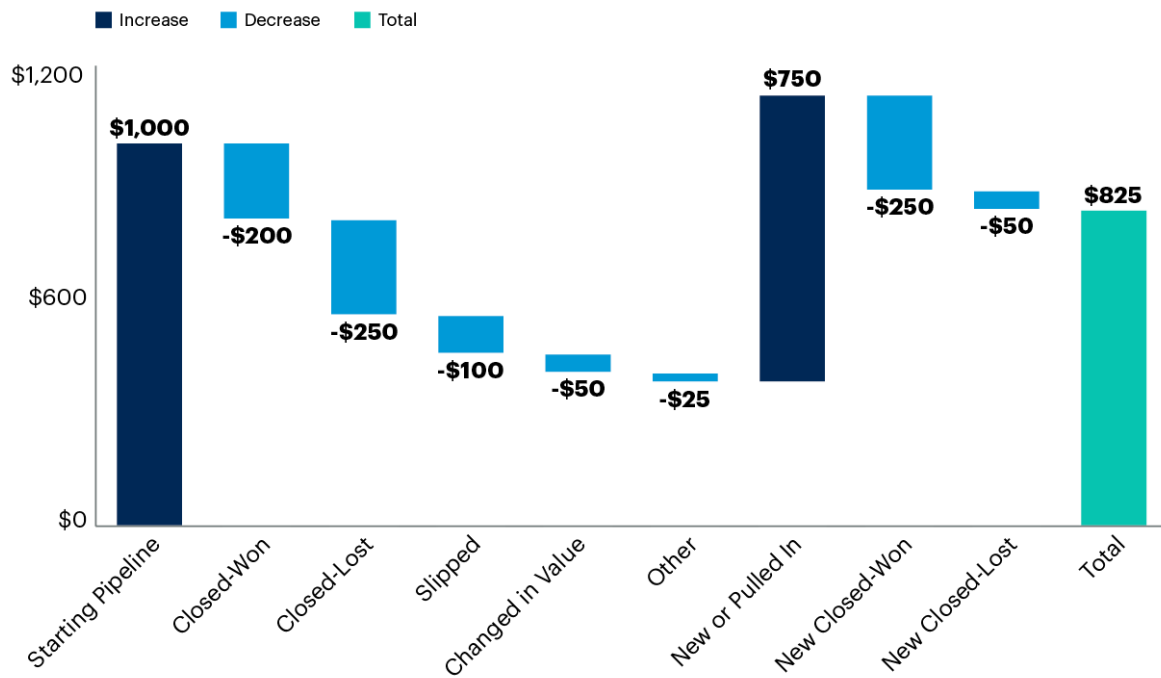
In the Figure 4 example, the submitter has an open pipeline equal to 2.2 times the “to go” value. Sales operations can provide data to indicate what a minimum ratio is at various points in the quarter. The submitter’s forecast is 96% of target but only 81% of projected bookings or revenue based on historical pipeline conversion rates. This information enables the reviewing manager to identify possible inconsistencies in forecast submissions and investigate root causes.

In addition to a recurring view of pipeline metrics, sales operations must also offer managers a view of how their pipeline changed since the previous review. A waterfall chart is an effective method for portraying weekly change by categorizing increases and decreases into a recognizable pattern. In the example shown in Figure 5, a sales manager can quickly assess changes in the sales pipeline and identify related risks.

Figure 5. Waterfall Chart of Weekly Pipeline Changes

Waterfall Chart of Weekly Pipeline Changes

Illustrative, in Thousands



Source: Gartner
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Of course, actions not shown in Figure 5 can also drive pipeline change – for example, opportunities reassigned to another team. Sales operations should include an “Other” category for unusual scenarios to preserve a simple visual while maintaining data accuracy.

Ideally, these views can be generated for a given seller or manager from a shared reporting platform. But if such technology is not available, sales operations may provide a simplified version based on spreadsheet calculations.

To round out the view of current pipeline health provided to sales managers, sales operations should provide a summary report of larger forecast deals closing in the current quarter. This information enables managers to inspect those deals and identify which opportunities must be won to meet the sales target. Providing this information weekly (or as dictated by the organization’s forecast cadence) will guarantee consistency in pipeline review conversations and help managers stay on top of key developments in their territories.

Ensure Analytics and Forecasts Are Credible to Executive Stakeholders by Combining Quantitative and Qualitative Analyses

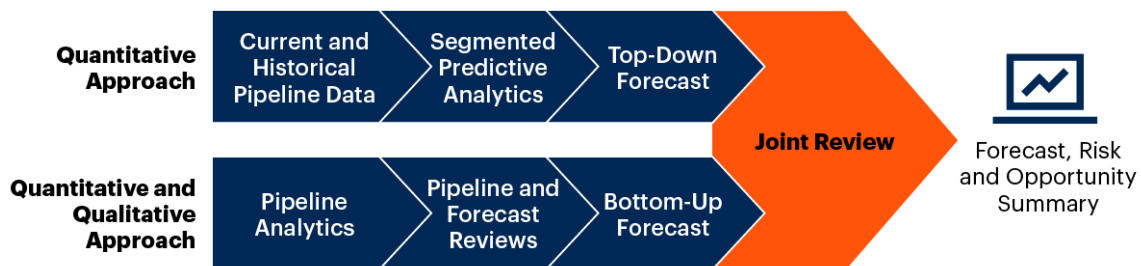
Improving the quality of pipeline analytics does not guarantee that executive stakeholders will adopt this information and use it for decision making. Even if those executives are aware of recent enhancements to processes and tools, the impacts of these changes will need to be reinforced with these stakeholders before lasting adoption occurs.

Sales operations leaders must identify key business questions executive stakeholders need pipeline analytics to answer. Forecasting is an obvious choice, but other pipeline analytics (e.g., lead and opportunity creation, cycle time analyses) should be considered.

To increase executives' confidence in pipeline analytics and forecast results, sales operations leaders must demonstrate how multiple data sources and analyses combine to produce a realistic prediction of sales outcomes (see Figure 6). Using a double-threaded process enables sales operations to bring multiple perspectives, both quantitative and qualitative in nature, to bear in forecast discussions.

Figure 6. Blending Quantitative and Qualitative Analyses in Sales Forecasting

Blending Quantitative and Qualitative Analyses in Sales Forecasting



Source: Gartner
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The joint review at the end of this process is key to boosting forecast accuracy as well as credibility with executive stakeholders. Sales operations should facilitate this recurring session, and the head of sales as well as other leaders with visibility into sales performance should attend. This may include heads of finance, supply chain and business operations.

At this session, sales operations presents the results of the top-down and bottom-up forecasts, calling out areas of change, risk and opportunity by various business segments. The result of this session is a consensus perspective on the sales forecast with best-case and worst-case predictions. While the sales leader is accountable for the final forecast decision, dissenting perspectives should be incorporated into the best-case and worst-case views. Sales operations should summarize these results, along with key information from the top-down and bottom-up forecasts, to distribute to executives.

By demonstrating the breadth of analytics that support the sales forecast, sales operations will lend credibility to each submission. More importantly, incorporating the perspectives from a panel of leaders intimate with the business performance will add essential intelligence to the process. The resulting forecast summary not only communicates the sales forecast value but also builds confidence in the accuracy of the results by offering visibility into the underlying factors that drive the forecast.

Acronym Key and Glossary Terms

CRM/SFA	Customer relationship management and sales force automation
QTD	Quarter to date
YoY	Year over year

Notes

¹ 2019 Gartner Sales Operations Benchmark Survey

² 2019 Gartner State of Sales Operations Survey

Recommended by the Author

Some documents may not be available as part of your current Gartner subscription.

Infographic: State of Sales Analytics

5 Misconceptions Undermining Your Sales Analytics Transformation and How to Overcome Them

Overview of Gartner's Sales Analytics Framework

Best Practices for Transforming Your Sales Analytics Capability

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