

Pipeline Optimization Framework

Cheat Sheet



What is it?

The Pipeline Optimization Framework is designed to provide valuable insights into your team's productivity trends. It enables you to delve into individual representatives' performance and assess whether they are operating at their optimal pipeline capacity and conversion rates.

For instance, your overall team pipeline might be expanding, but the conversion from this larger pipeline could be on the decline. In this case, you'd want to identify the specific representatives contributing to this situation. Then, you can distinguish between those with the potential to handle more pipeline, which could enhance conversion, and those who might be overwhelmed with excessive pipeline, potentially impeding conversion rates. Additionally, you can pinpoint representatives with low pipeline levels and poor conversion rates, indicating the need for coaching or performance improvement discussions.



But how do you measure it?

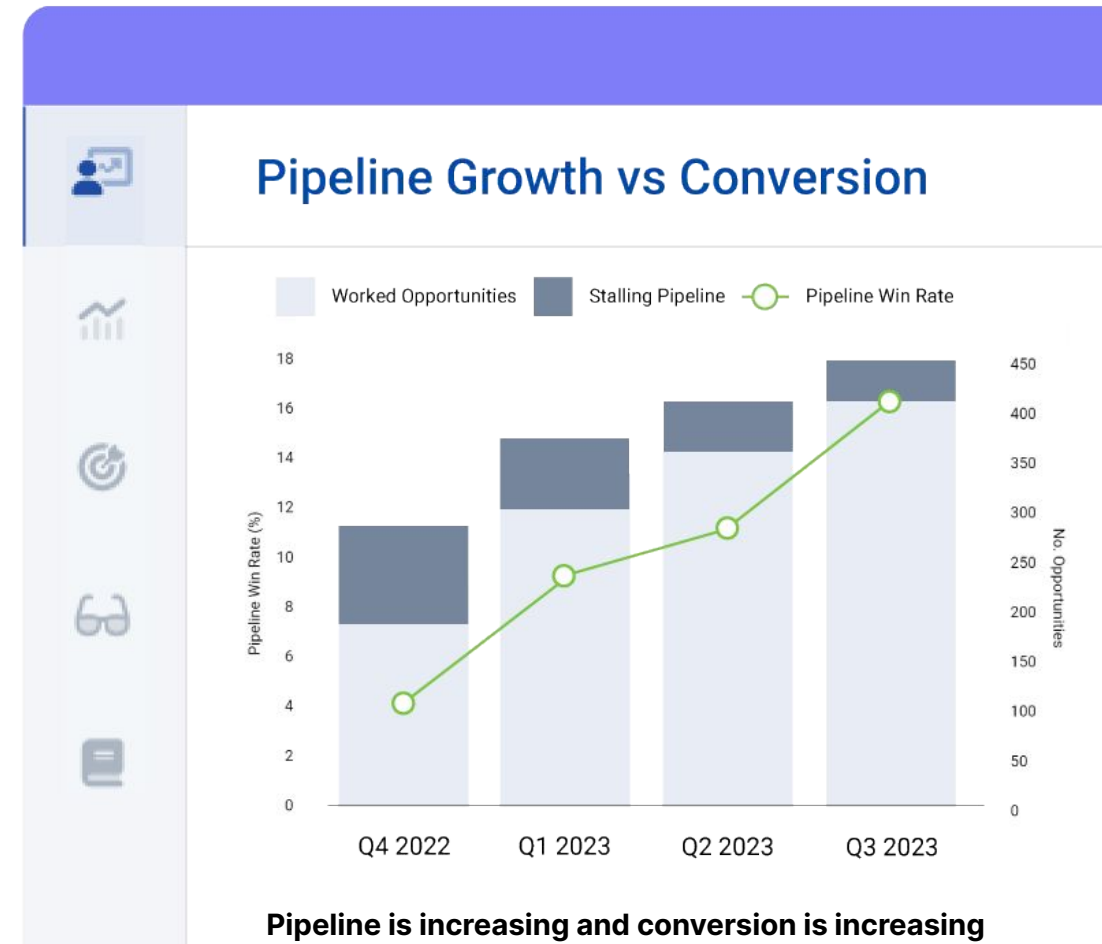
There are two levels to this framework with steps to take at each level. Below, we outline the metrics needed and steps to follow.



01 Pipeline Growth vs. Conversion

The Pipeline Growth vs. Conversion metric is a valuable tool for promptly identifying productivity and efficiency-related patterns. This is particularly potent during market shifts or the implementation of new go-to-market strategies. However, we recommend incorporating this metric into your regular revenue reporting, even during standard operations.

The concept here is to create a visual representation of the open pipeline's growth over time, highlighting trends. By also factoring in the conversion of that pipeline, you can visualize how effectively you're closing deals over time. This approach provides meaningful insights into your revenue performance.



01 Scenarios to look out for

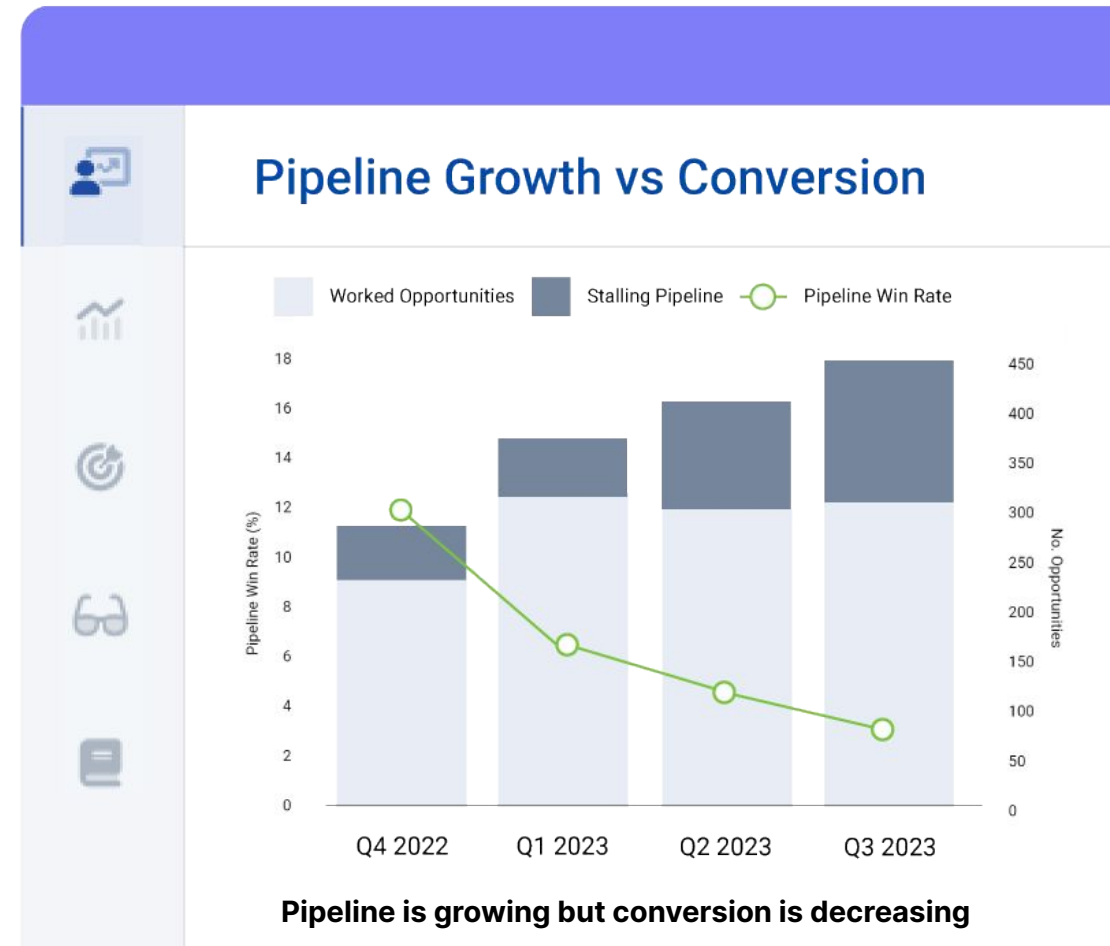
There are 4 key scenarios to look out for. Depending on which one you identify in your analysis, further questions can ensue. Here are some examples:

01 Pipeline is growing and conversion is increasing

Are you generating better quality pipeline as you grow?
 Has something changed in the market that is making it easier to sell?
 Are there demand generation resources that are performing and contributing more than normal?
 Have you increased headcount and reps are running leaner pipelines and converting better?

02 Pipeline is growing but conversion is decreasing

Is this just “growing pains” and new reps taking time to get up to speed?
 Are you maintaining the quality of pipeline generated or is it a sales enablement challenge?
 Are we taking new products to market that are harder to sell?
 Is the market you operate in changing? New competition or consolidation?



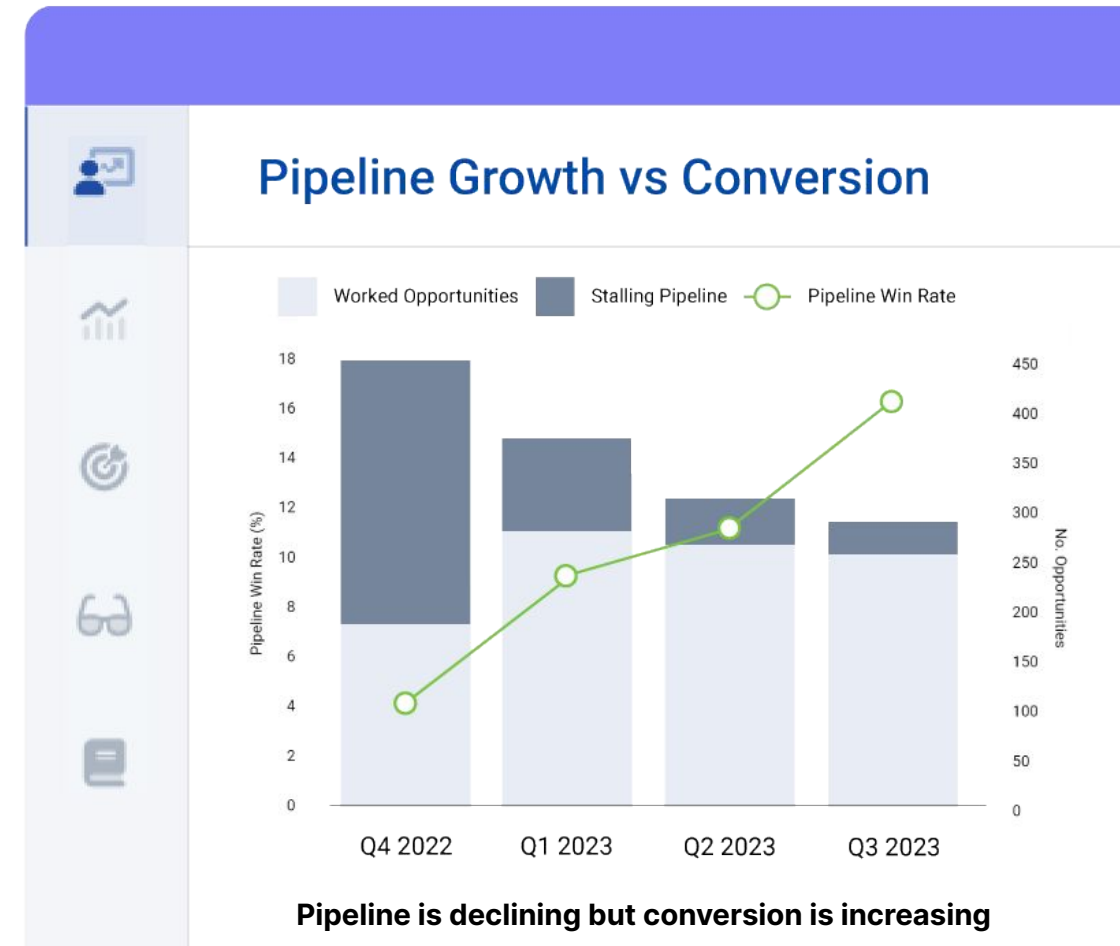
01 Scenarios to look out for cont.

03 Pipeline is declining but conversion is increasing

Was this a deliberate attempt to have reps run leaner and better converting pipelines?
 Have you uncovered, possibly by accident, a better capacity for reps?
 Are we seeing demand dry up for certain products, leaving reps more time with products that convert?
 Has there been a demand generation shift which has resulted in less, better quality pipeline, and could this be scaled?

04 Pipeline is decreasing and conversion is decreasing

Are we scaling our sales team faster than our demand generation team can keep up?
 Are we actually operating less pipeline, or have reps gotten better at closing out stalling pipeline?
 Are we investing in the right demand generation strategies given the current market conditions?
 Is this the effect of a more competitive market for both demand and new customers?



01 How to calculate it?

Firstly, calculate how much open pipeline you had (in total and regardless of close date) at the beginning of each month or quarter. If possible, run this over the last 12 months up until the beginning of this month or quarter. Create a visual representation of this data in a chart to observe the trend. Initially, you can use the number of opportunities, but we highly recommend also considering the pipeline's value.

Next, incorporate in the number (or value) of deals that were closed won in each month or quarter. Now you will probably start to see a trend emerge.

Lastly, you need to calculate Total Pipeline Conversion. To do this, simply divide the number of deals won by the number of opportunities that were open to get a percentage. It should look like this:

$$\text{Number of Deals Won} / \text{Number of Opportunities Open} = X\%$$



TIP

You may need some help from your RevOps team who can use opportunity histories to tell you how many opportunities were open in previous periods.

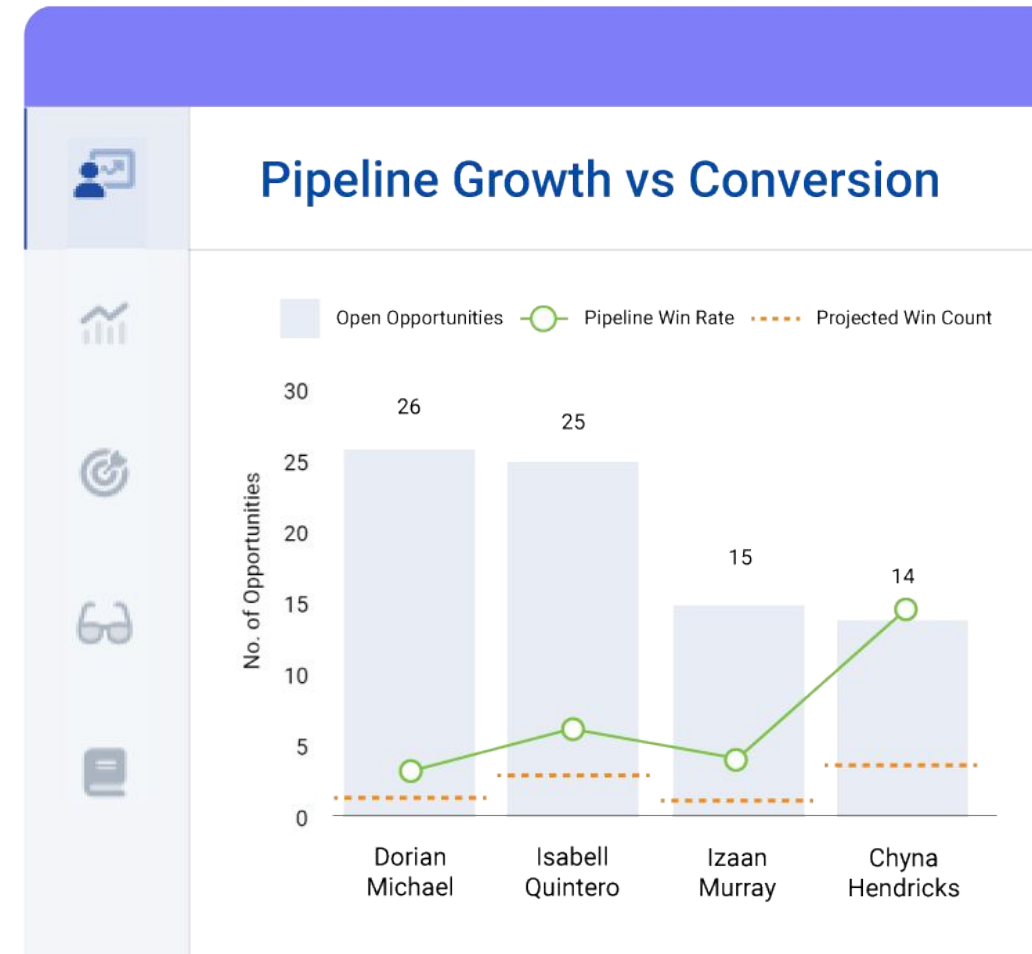


02 Pipeline Capacity vs. Conversion

Now that you've established the high-level pipeline versus conversion trend, the next step delves deeper into the data, focusing on individual representatives. This provides an accurate perspective on ground-level activities and reveals whether some reps are aligning with or deviating from the established trend.

The Rep Pipeline Capacity vs. Conversion metric, while straightforward, is instrumental in evaluating how well-equipped your reps are relative to their conversion rates. For instance, exceptional reps may have the capacity for additional pipeline, while others might be overwhelmed, potentially leading to wasted opportunities.

This metric facilitates the visualization of the number of opportunities each rep has open and closing within the next 90 days. Additionally, it assesses each rep's conversion efficiency and forecasts the expected number of newly closed-won opportunities per rep in the next 90 days.



01 Scenarios to look out for cont.

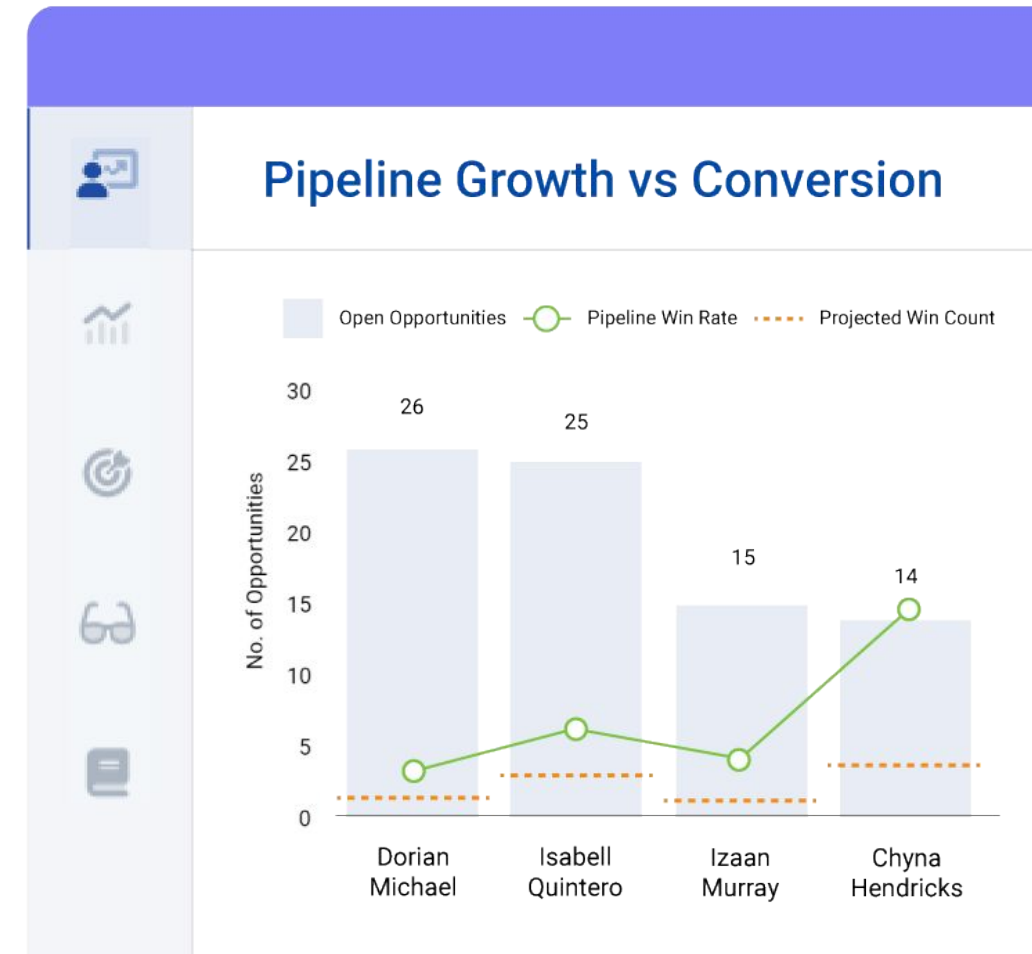
Again, there are certain rep scenarios that will become apparent once you have done the analysis, detailed below:

01 High conversion and high pipeline coverage = High 90 day win projection *Chyna Hendricks*

This could indicate a model rep to be replicated.
Are they working a territory or pipeline source type that translates to a more productive business?
How does this rep think about and plan their business to be able to perform this way?

02 High conversion but low pipeline coverage = Moderate 90 day win projection *Isabell Quintero*

This could be an underutilized rep where new pipeline needs to be prioritized to boost overall team performance.
Are there demand generation challenges for this rep? Why?
Be careful when loading with more pipeline to ensure conversions are retained. Perhaps they are already at their best and are destined to be a moderate performer.



01 Scenarios to look out for cont.

Again, there are certain rep scenarios that will become apparent once you have done the analysis, detailed below:

03 Low conversion but high pipeline coverage = Moderate 90 day win projection *Dorian Michael*

This rep maybe be over capacity and unable to handle the volume.

This could also be an indication they have an ageing pipeline that has a much lower probability to close. It could also be a demand generation problem.

Perhaps the pipeline source is generating pipeline that is more difficult to close.

04 Low conversion and low pipeline coverage = Low 90 day win projection *Izaan Murray*

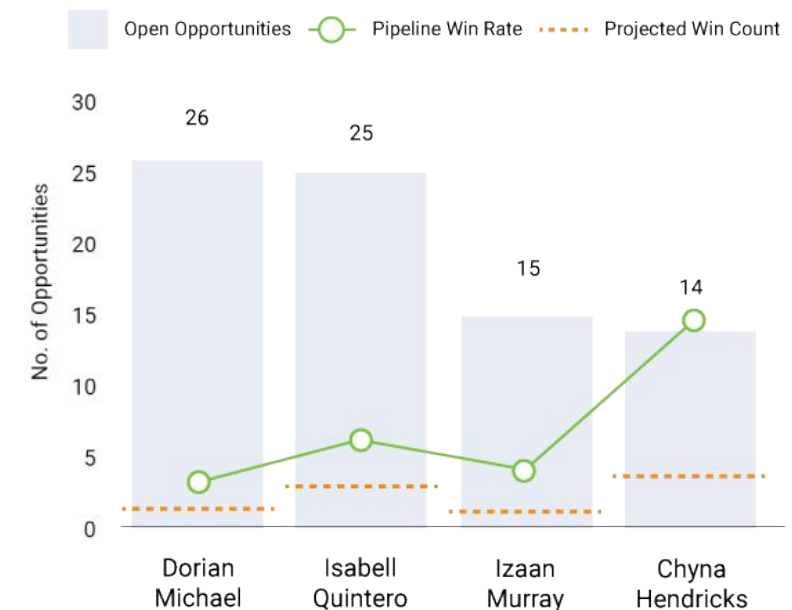
This rep is struggling to convert low volumes of pipeline. Is this a lack of tenure or practice?

Is this indicative of a challenging territory with lower product market fit/demand?

If skills are tested, and look to be adequate, then you could qualify that this is a demand issue over a rep issue.



Pipeline Growth vs Conversion



02 How to calculate it?

Firstly, calculate how many opportunities each of your reps has closing within the next 90 days. Ideally, your Y axis will be “Number of opportunities open next 90 days” and your X axis will be each rep as seen on the previous pages.

Next, take a trailing 90 day pipeline win rate per rep. To do this, use the following calculation, repeat it for the last 3 full months, and then take the average.

Pipeline Win Rate = Closed Won / Closed Won + Total Open Pipeline in Period. * See our other guide [here](#) for more details on how to calculate this.

Now, layer this conversion over the current visualization of opportunities open in the next 90 days per rep. Already your eye will be drawn to certain reps; those who have high conversions and full pipelines, and those who have a gap.

Lastly, you are going to bring this to life and calculate “Projected Win Opportunities next 90 days”. To do this, multiply the “Opportunities open next 90 days” by “Pipeline Win rate” and apply this to each rep. Now, you will have a projected number of closed opportunities per rep which will add a further visual to reps who are in a healthy position, or who are burning too much pipeline.



TIP

You may need some help from your RevOps team who can use opportunity histories to tell you how many opportunities were open in previous periods.

Strategic Value

When applied to key business lines and regions the Pipeline Coverage Framework serves as an early warning system for quota attainment in key areas of the business. If this analysis serves as a cornerstone for a regular cadence of go-to-market meetings with the senior leadership team, you can devise and deploy the appropriate demand generation strategies to close coverage gaps with enough time for them to have a course-corrective impact.

Additionally, it could be that certain business lines or segments have more coverage than they need, where some may have less. Again this will serve as a compass as to which areas of the business get key demand generation resource in the run up to the next closing period.

Lastly, they say “bad news early is good news”. This, of course, is about giving Executives early warning on business and segment performance. With this, they can make the right strategic plays today, so that the business is protected tomorrow.



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Case Study

ExtraHop

ExtraHop, a leading cybersecurity firm, identified a need for a more efficient and accurate sales forecasting tool.

Problem: Limited forecasting and analytics functionality led to inconsistencies and inefficiencies.

Solution: ExtraHop adopted Kluster, a leading revenue analytics and forecasting platform. Full implementation achieved within six weeks.

Impact: Streamlined forecasting process, eliminated manual data correlation, and provided easy access to data. Resulted in increased sales growth and performance.

Conclusion: Kluster became a crucial part of ExtraHop's revenue operations, enhancing forecasting accuracy, sales tracking, and win-rate analysis.



"With Kluster, we can actually spend time growing sales and improving performance instead of continuously working to put the numbers together."

Jessica Zinger, SVP of Revenue Operations

[Read more](#)