Metrics and the Buying Pipeline

Metrics are a part of our everyday lives. There are metrics for everything from our heart rate to our pay rate; from earnings per share to market share. Just as in everyday life, business life metrics indicate effectiveness and impact. Without metrics to track performance, business, marketing and sales plans are ineffective.
How can metrics impact sales?

For most companies, sales is the name of the game. Companies work on building their sales pipeline, reviewing it regularly, sometimes daily. It's important to look at your business from your customer's and market's perspective, so we refer to the sales pipeline as the buying pipeline. People are buying from you. The more you understand your customer's needs and wants the more you can satisfy them. And the more you understand how they buy — that is, their buying decision process — the greater the likelihood your sales and marketing efforts will be successful. Understanding the buying process allows you to build a buying pipeline. By thinking this way you are not only taking a market and customer viewpoint, you are also aligning your sales and marketing efforts. A sales pipeline sounds as if it belongs to a specific part of the organization, namely, Sales. A buying pipeline helps everyone in the company realize they have a role in moving an opportunity.
Let's pause for a moment, and examine the buying pipeline. It is made up of the incremental behavioral commitments prospective buyers demonstrate that indicate they are moving from contact to suspect to prospect and ultimately, to customer. A behavioral commitment is something you can observe that signals the prospect's interest and consideration. The idea behind the pipeline is, as customers move from one end to the other, each additional behavioral commitment indicates increased interest, or consideration.

Think about your own buying behavior when you're considering a new car. You might do some preliminary research to narrow down your choices. You may then look at the cars on the lot – and even test drive a few. You might even bring a car home as a trial. Each incremental behavior along the way brings you closer to your purchase decision. These incremental behavioral commitments can be grouped into stages. More on stages later.

How does this knowledge relate to metrics? Marketing organizations within companies are increasingly scrutinized, and asked to substantiate their revenue and lead generation effectiveness through metrics. The buying pipeline provides marketers and sales with a view into the buying process. It also allows you to align your marketing metrics accordingly. A solid pipeline tool details the many steps and the time involved in each stage. At each step in the process, metrics can be established and monitored to help measure progress and steer your efforts in the proper direction. Over time, you can assess how well you are moving targets from one stage to the next, and begin to fine-tune your efforts, propelling more opportunities to conversion faster.

There are five steps to developing an effective pipeline tool and the associated metrics.

Step 1: Construct the pipeline by defining and mapping the incremental behavior commitments, which can vary by industry and buyer. An example of an incremental behavior commitment is when the target provides information about the size of their problem, their degree of interest in solving the problem and asks for a follow-up conversation. Another example is a request for an RFP. It is important that the marketing and sales organizations agree upon which behaviors are desired in the target and demonstrate increased consideration.

Step 2: Establish the stages, determining which behaviors fall into what stage in the pipeline: contact, suspect, lead, qualified lead, prospect and customer. Using the examples in Step 1, the first behavior might establish the target as a suspect and the second as a prospect in the pipeline. A key benefit of this step is that both marketing and sales will be able to agree on exactly what behaviors indicate the stage a target is in.

Step 3: Establish the metrics. These will include the target numbers for each stage, the conversion ratios from one stage to the next, time to sale, and cost to acquire. This step may require gathering historical or industry data.

Step 4: Develop your strategies. Marketing and sales strategies and tactics will be used to motivate the targets to take the appropriate behavioral steps to move them through the pipeline. Remember, effective marketing that capitalizes on buying motives and helps the target understand how your offer addresses their needs will be critical to moving targets through each stage.

Step 5: Track effectiveness. Without knowing the effectiveness of each strategy and tactic in moving the target through the stages, you cannot know what is working, whether you are meeting your goals, and what adjustments are required.
In today's economic environment appropriately measuring and benchmarking business performance over time impacts success. The metrics you establish associated with the various stages of the buying pipeline provide valuable data points against which the marketing organization can track its progress. Ultimately, metrics help companies successfully navigate the uncharted territory of the buying pipeline.

These five steps will help you better define your buying pipeline and develop metrics more meaningful than click-through rates, show lead cards, or ad response rates. This approach encourages marketing and sales to work together to understand where each opportunity is in the pipeline and who has the primary responsibility to move it forward.