



E-book

Newsletter #1

# The Difference Between the Pipeline and the Sales Forecast



Counting down my 10 most popular newsletters, here is #1.

A complete library of my newsletters can be found [here on my website](#).

## Introduction

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Some newsletters have great memories attached – and this one always makes me smile. It came as no surprise that it was my #1 download.

A friend once asked me if I enjoyed my job. I said to him, “Luckily, I really like what I do. Once in a while I’m surprised by how often I have to explain the difference between a pipeline and a sales forecast, but overall I’m happy in my chosen field. There’s rarely a dull moment.”

My friend, not in sales, then asked me, “Well what is the difference between the two?” I laughed, and asked him if he was really going to make me clarify the two reports for him. He insisted he wanted to know!!

Why not? What’s the big deal? I’ve explained it so many times, why not for a buddy?

More than any other newsletter, for this one I receive the greatest number of emails from readers. Some *thanked me* for taking the time to write about these two critical but misunderstood reports. Many tell me they’ve forwarded it to friends and colleagues.

One reader wrote he had come from a company where the difference between the two reports was clearly understood – and now works for one where both the pipeline and the sales forecast get treated as one. He showed the newsletter to his new *boss*. Now that’s courage.

Using these two critical reports correctly gives sales executives accurate information to base decisions on and provide corrective guidance where necessary. This leads to positive changes in the sales organization. If I helped any leader, salesperson, or company through this newsletter, it would make me proud.

Enjoy the eBook!

*Suzanne*



# Newsletter

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**A client asks: “During sales meetings, our sales representatives review their pipelines and sales forecasts. But I think we are all defining these terms differently. Is there a big difference between the pipeline and the sales forecast? Does it matter what word they use?”**

Yes there is a difference and yes it does matter. Your sales people may be using these words interchangeably without giving it a lot of thought, or they may have worked for other organizations that had differing definitions of these terms. Regardless, understanding what each means and using them correctly is important for a number of reasons.

## The Pipeline

The sales pipeline consists of all prospects at all stages in the sales cycle, whether the sales person is in the beginning phase of introducing your company, discussing the product or service, qualifying a prospect, conducting a Webinar or product demonstration, or formally presenting a pricing proposal. Though all future sales begin as leads from some source (cold calling, referrals, or trade shows), no unqualified or uncontacted lead should be in the sales pipeline. All unclosed sales, however, belong in the sales pipeline.

The phrase “pipeline management” refers to the salesperson’s ability to juggle all of their prospects in differing points in the sales cycle. “Balancing” the sales pipeline refers to their ability to cold call, follow-up on existing leads and close sales simultaneously so that they have a continuous flow of opportunities and will not have huge period-to-period swings in closed sales.

## The Sales Forecast

The sales forecast is the salesperson’s best estimate of which sales will close in a given time frame. Most companies produce 30-60-90 day forecasts: opportunities more than 90 days into the future are considered less reliable and are generally not forecast. The main difference between the pipeline and the sales forecast is that the prospective customer must meet certain pre-defined objective criteria to qualify for the sales forecast in the first place (e.g.: the proposal has been reviewed with the decision maker; the budget process is clearly understood; the prospect has made a verbal commitment to buy). Prospects in the sales forecast are not at various points in the sales cycle; they are nearing the end of it.



Another significant difference between the two is that the sales forecast is used to estimate a company's short term revenue and cash flow. In other words, sales forecasts help a company determine whether or not they can pay their bills, pipelines do not.

## The Long Range Sales Forecast

Prospects in the long range forecast have told the sales representative that they are budgeted for and will be purchasing a product or service at some point in the future. For the prospect, the reason that the purchase is being put off into the future usually involves an expiring contract or a purchase that needs to go through the formal budgeting process. Sales representatives use the long range forecast to keep track of prospects who will be buying anywhere from 4 months to 2 years from the time of their initial contact with them.

Once a prospect is on the long range forecast, the salesperson can put them on the company mailing list and keep them informed about new product developments and promotions. By giving the prospect a call from time to time, the sales representative will be in the know if they change their mind and decide to buy in 7 months instead of 1 year.

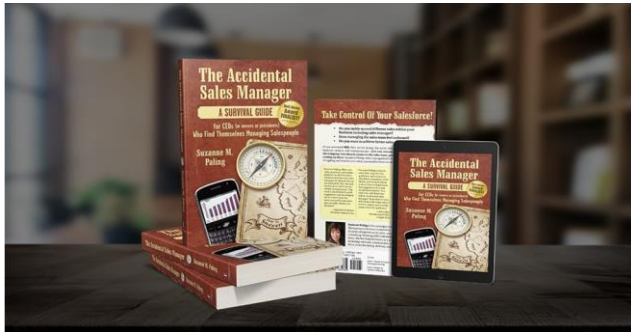
A wise sales manager looks out for the following scenarios:

- Salespeople with a full pipeline can turn in a weak sales forecast because of an inability to close sales.
- Those with a strong sales forecast can have a weak pipeline because they have put the bulk of their effort into getting sales closed, while neglecting to prospect or conduct enough product demonstrations.
- Salespeople with a strong pipeline and strong sales forecast may be spending little time with those prospects that might be purchasing many months in the future.

Sales is a balancing act and understanding the difference between a pipeline, a forecast, and a long range forecast as well as making sure that each is strong, is crucial to having consistent success in sales.



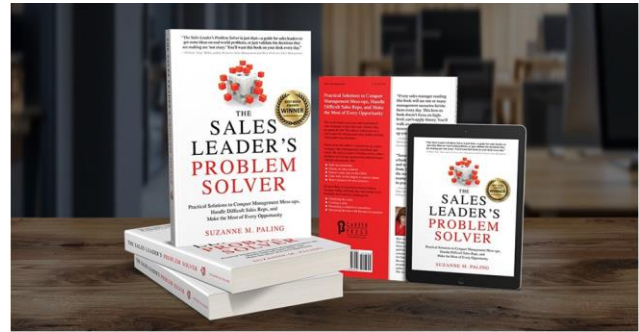
## Additional Resources



### The Accidental Sales Manager

Chapter 11: Tracking Progress and Performance

[MORE ABOUT THE BOOK >](#)



### The Sales Leader's Problem Solver

Chapter 12: Loosely Defined Sales Cycle

[MORE ABOUT THE BOOK >](#)

## Sales Management Tips:

[Attack the Maybes](#)

[Diagnose Selling Challenges Using Pipeline Report](#)

[Vary Reports to Unearth Trends](#)

[Vary Reports to Unearth Trends \(Part 2\)](#)

[Adopting a CRM System](#)

[Effective Sales Reporting is Essential](#)