



# ABCD

## Getting Started with the Science of Sales

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GLOSSARY OF TERMS

**Along with transforming the way sales leaders measure, analyze and improve sales performance, the Science of Sales is introducing a new set of terminology that will define the next generation of sales.**

Navigating this revolutionary scientific approach can be a challenge, which is why we've listed and clearly defined each of the terms you need to know in this complete glossary.

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## A

### **Actionable Insights**

Actionable insights are obtained when data yields awareness and understanding as to particular actions that can be taken to impact the outcome of a situation. For instance, data will reveal that a company missed its sales goal, but actionable insights will tell why and what can be done to improve the likelihood of reaching this goal next quarter.

## **Aggregated Funnel View**

A view of the sales funnel as a whole wherein all data is combined to present an overall summary or report of sales performance.

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## **B**

### **BANT**

A sales methodology originally introduced by IBM to qualify and score prospects based on their Budget, Authority, Needs and Timeline.

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## **C**

### **Closed Opportunities**

Opportunities that are marked as “Closed” are no longer being worked and typically fall into one of three buckets: Won, Unqualified or Lost.

### **Customer Acquisition Cost (CAC)**

The total cost associated with acquiring a new customer. This number is calculated by dividing the sum of all marketing and sales expenses by the number of new customers.

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## **D**

### **Deal Velocity**

The speed at which a deal progresses through the various stages of the sales pipeline toward close.

## Dimensional Funnel View

A view of the sales funnel wherein data is broken out by dimensions to uncover underlying trends, patterns or variants that are not obvious when viewing the funnel as a whole, indicating potential levers that teams can then pull to scientifically impact sales.

## Dimensions

Dimensions refer to factors or variables by which your sales can be viewed, measured and analyzed. Examples of dimensions include sales team, stage duration, company vertical, lead source, deal size, etc.

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## L

### Lifetime Value (LTV)

The total revenue generated by a customer over the course of his or her relationship with a company, taking into consideration upsells, cancellation rates and gross margin.

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## M

### Magic Number

A measure of the impact of sales and marketing spend on monthly recurring revenue (MRR). The magic number is calculated by taking the difference in total recurring revenue between last quarter and the quarter before last, multiplying it by 4 and then dividing it by total sales and marketing expenses for the quarter before last. If the result is below .75, more thought needs to be given to how to minimize customer acquisition costs. If the result is above .75, the current sales and marketing mix is working and should be invested in more heavily.

## P

### **Pipeline Stages**

Major milestones within the sales pipeline that mark prospects' progression from unqualified leads to closed deals, such as "Qualified" or "Proposal."

### **Process Measure**

How effective a sales process is at producing sales revenue. Dimensions to take into consideration when measuring the efficacy of a sales process include sales cycle length, average deal size, etc.

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## Q

### **Quantifiable Insights**

Quantifiable insights are obtained when data yields not only what specific action needs to be taken to achieve a desired outcome, but also how much of something is needed and the precise impact it will have. For example, actionable insight can show that if leads are sitting in the Unqualified stage of the sales pipeline for too long, there may be a capacity problem and more reps should be hired. Quantifiable insight will reveal exactly how many reps need to be hired to process a particular number of leads in a given amount of time.

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## S

### **Sales Forecasting**

The process of predicting future sales over a given period of time based on past trends and current sales opportunities. An accurate sales forecast drives more educated business decisions, while an inaccurate forecast can be detrimental to a company's success.

## The Sales Formula

Provides a consistent and reliable way to measure and evaluate your sales strategy over time across key conversion points needed to turn a lead into a closed deal. The formula and definitions for its variables are as follows:

$$L \times \%LW \times \%LWC \times \%OW \times \%WR \times \text{Avg}(\$Deal)$$

### **L: Number of Leads**

The total of leads that have been generated by marketing or sales but have not yet been qualified for the sales pipeline.

### **%LW: Percent of Leads Worked**

The percentage of leads that the sales team has decided to pursue.

### **%LWC: Percent of Leads Worked Converted to Opportunities**

The percentage of worked leads that a sales person qualifies as opportunities, or leads that have the potential to generate revenue.

### **%OW: Percent of Opportunities Worked**

The percentage of opportunities that the sales team has worked to close.

### **%WR: Percent of Win Rate for Worked Opportunities**

The percentage of worked opportunities that become customers.

### **Avg(\$Deal): Average Deal Size**

The sum of all new sales revenue in a given period of time divided by the number of new customers or deals.

## Sales Funnel

A visual representation of prospects as they move through your sales pipeline. Prospects enter at the top or wide end of the funnel, and closed deals exit at the bottom or narrow end of the funnel.

## Sales Genome

A unique codification of a company's historical sales data and activities. The Sales Genome provides the basis for deriving actionable and quantifiable insights into which factors or dimensions should be measured and monitored most closely within the sales pipeline and process, and what specific levers can be pulled to improve results.

## Sales Levers

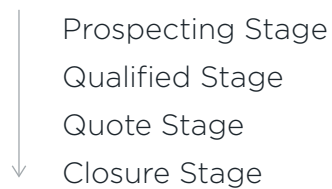
The factors that you can adjust to impact and address variabilities within your sales funnel. Examples of sales levers include increasing team capacity, adjusting lead prioritization, improving sales training, etc.

## Sales Methodology

A system of tactics and tools used to support a particular aspect of the sales process.

## Sales Pipeline

A framework comprised of multiple defined, progressive stages designed to move prospects from initial conversation to close and improve sales tracking capabilities. A typical sales pipeline looks something like this:



## Sales Process

A repeatable set of steps that a sales team follows to move deals from one stage of the sales pipeline to the next, with the goal of ultimately converting leads to closed deals. A company's sales process must be well-defined and adhered to by all team members to be able to measure its efficacy using the sales formula.

## Sales Scientist

A sales and data expert who helps establish effective sales processes, drive team adoption, develop a unique formula for success and generate actionable, quantifiable insights.

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## V

### Variability

Differences uncovered in sales performance when viewing the sales funnel from multiple perspectives. For example, breaking down your aggregate sales funnel by the dimension of sales team may uncover that Team A is outperforming Team B by 25%, revealing a variability in sales performance.

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## W

### Win Ratio

The number of deals that are won compared to the total number of leads generated. For instance, if 5 deals are won for every 10 leads generated, the win ratio is 5/10.

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## Y

### Yield Measure

How much value or ROI something generates for a business, such as a lead, opportunity or qualified opportunity.

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