

## What is a Pipeline Analysis?

The Catalyst Briefing Papers series are intended to provide investors and management with general guidance on key issues facing growth companies. While all attempts are made to ensure accuracy, for the most up to date information please contact your authorised financial advisor, lawyer or local tax office.

### Introduction

The objective of pipeline analysis is to permit effective sales monitoring and project cash flow and profitability of the business. Once the sales team develop a feel for the analysis then it is possible to establish future sales and hence cash flow with a considerable degree of certainty. A pipeline analysis is a working document which should be revised weekly. Devising a pipeline analysis has three elements:

- **Defining key stages.** Key stages are very market dependent and definitions need to be carefully judged. Once defined they must be strictly adhered to.
- **Assessing timing.** As with key stages this depends upon an in depth knowledge of the target market and individual customers.
- **Preparing a projection.** This is a mechanical exercise that can easily be prepared on a spread sheet.

### Key Stages

A target client moves from 1-10 in the sales process.

		Probability
<b>1. General Interest</b>	This is an expression of interest resulting from press/ pr, contacts etc. This has a probability of 0% but is defined as a suspect to be followed up by the sales team. The suspects' details should be captured in a suspect list and included in any on going marketing communications campaigns	<b>0%</b>
<b>2. Establish Need</b>	After a meeting or a telephone conversation in which the customer requirements are identified. It is essential at this stage to identify the person in the organisation who has the authority to make the decision to place an order	<b>10%</b>
<b>3. Money Allocated</b>	Client has identified funding within his budget or obtained budget approval	<b>20%</b>
<b>4. Request for Quote</b>	Target asks for a quote	<b>30%</b>
<b>5. Competitive Bid</b>	Judge according to knowledge of competitors but normally give probability according to number of serious tenders according to number of serious tenders	
<b>6. Non Competitive Bid</b>		<b>50%</b>
<b>7. Entered negotiation</b>		<b>60%</b>
<b>8. Offer accepted</b>		<b>70%</b>
<b>9. Contract Accepted</b>		<b>90%</b>
<b>10. Contract signed</b>		<b>100%</b>

## Assessing Timing

The average sales cycle for service products is on average 6 months from initial contact. This might be as long as 12 months for larger more expensive projects. Once a target enters the sales cycle each stage must be carefully monitored and timings to completion estimated.

## Preparing a Projection

A typical spreadsheet is set out below. As noted above these are working documents and should be shared with the sales team and the basis of all reports to the board.

### Sales and Pipeline Analysis

Notes	Target Client	Value	Stage/ Probability	Jan	Feb	Mar	Apr
1	Big Co	150,000	10/100%	150,000			
2	American Co	100,000	3/30%			33,000	
3	Small Co	25,000	7/70%		17,500		
4	Medium Co	50,000	2/10%			5,000	
5	Total			150,000	17,500	33,800	

#### Notes

1. Big Co might require significant additional services later in the year. JT is meeting with AH to discuss next month after installation.
2. JT has good relationship with MD.
3. etc

**Richard J Turner**  
**Catalyst Venture Partners**

### About Catalyst Venture Partners

Catalyst Venture Partners are a corporate finance and fast growth advisory firm specialising in the environmental technology, healthcare, software and media. Since its foundation in 2000 Catalyst has worked with over 50 early stage and growth companies.

For further information about Catalyst Venture Partners please visit the website at [www.catvp.com](http://www.catvp.com) or contact Richard J Turner, T: +44 1225 331498; E: [rjt@catvp.com](mailto:rjt@catvp.com)