

2015 SALES FORECASTING GUIDE

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SUMMARY

We are approaching Thanksgiving, and soon it will be Holiday Season - for many firms, this is also the time when plans, objectives and budgets for 2015 are created. One key priority in 2015 for many organizations will be to improve their sales forecasting process, the most important recurring exercise a business performs every week. Getting the forecast right is also one of the toughest exercises any sales leader has to go through as it is the best way to meet or exceed his or her goals. Oftentimes, estimates are mere hunches, or gut-feel projections that have little to do with objective data-driven predictions. Consider following a few of the below guidelines when brooding over “that number” for the quarter or the year 2015:

Focus on the most likely sales opportunities, not necessary the largest ones

Most companies establish deal rankings for their forecast by opportunity size, and tend to apply the most effort on the largest potential deals. However, the largest deals are often not the most likely deals to close, as we all know. Applying resources to the deals that have the highest expected value (deal size times probability score or estimate) than the highest deal size, often allows for a higher ROI, since the largest deals take the longest time to close over a given time period.

Utilize operational metrics in the forecast and sales results

Sales metrics like win/loss rate, average selling price, performance against sales quota, and pipeline at beginning of each quarter, are very helpful in understanding trends and performance of the business's sales efforts. These metrics can be important on a daily, weekly, monthly or quarterly basis as understanding the trends of metrics over different periods provide insight into how well customers are responding to a company's sales efforts. Gaining an understanding of the reasons why certain sales metrics vary from region to region tends to improve sales performance in the medium term.

Manage the sales process effectively – allow time for coaching and customer account planning and minimize effort in rollups and calculations

Many companies use Microsoft Excel as their main forecasting tool. Rollups and calculations are error prone, and the data gathering process for the forecast is cumbersome. Another time sink are very long “sales forecast” conference calls, in which the data is often redundant and not adequately disclosed to management prior to the call. A cloud application like Aviso Insights™ is a great tool to reduce time on forecast creation itself as it offers one data source of forecast information instead of numerous Microsoft Excel worksheets. Data is updated in real-time and accessible to all users immediately, without spending hours to consolidate spreadsheets.

Measure the accuracy of your sales forecasts – understand forecaster biases

Once a quarter closes, the prior quarter's initial forecast is typically ignored. Instead, its accuracy should be measured with metrics like total aggregate sales forecasted vs. actual sales, and number of deals forecasted closed vs. actual closed deals, and many other metrics. These measures may be applied at all levels of the organization to improve historical bias of the forecasts.

Understand what changed in the forecast and sales pipeline

After reviewing aggregated totals in the forecast, the typical CXO and sales executives ask (particularly when the number goes down): *What changed in the forecast and the sales pipeline from period to period?* Understanding what changed in the pipeline requires snapshotting of the CRM system to compare its state in different periods. A forecast change analysis typically requires drill-down from the top level of the forecast to the actual deals. Current CRM tools don't allow for this. Aviso Insights™ snapshots the CRM application daily, and provides an automated “**Sankey chart**”, as well as complete drill-downs to enable users to quickly understand forecast and pipeline changes.

Understand forecast risk better – utilize data science and scenarios

Objective analysis of risks in the forecast requires probability assessments and the use of advanced statistical techniques applied to historical data. For example, questions like: “What is the range of actual quarterly sales performance where the probability is high (greater than 2/3)? And the company recorded bookings of only 10% of our target in the first month of the quarter – Are we in trouble?” are answered intuitively today. These questions are better understood by applying data science to a company's sales history. The analysis of certain scenarios of different mixes of closed sales opportunities is a very useful tool in understanding real risks in the forecast. Many firms are utilizing BI tools for sales information without ever getting answers to the tougher questions of sales forecasting.

Implement your CRM system carefully – standardize sales stages

Your CRM application can be a treasure trove of operational insights about your company's sales history. Of course, the reliability of the information in the application is critical to unlocking value in the CRM system. Of particular importance is standardization of the specified sales stages for each line of business. Consistent stage information is highly useful when looking at metrics like average-time-to-close metrics within a given quarter, or probability-to-close rates for opportunities that are at a particular sales stage.

Compare and publish forecast targets to other business targets

Sales forecasts may be looked at as an interim transient update to the business plan or budget. Companies often set up their goals and various financial targets, including a difference between the internal and external disclosed plans for financial guidance. It is highly useful to compare targets like original planned revenues or orders, sales quota and forecast commits, to actual results. A keen understanding of the differences between actual and planned targets, and their underlying assumptions, is important for sales executives, the finance team, and the business overall,

At Aviso, we are building the world's best sales forecasting application combining forecast management functionality with data science driven, objective forecasts. We wish you a wonderful season and a very successful 2015 for your company's sales results and forecasts.

Own Your Quarter!

Aviso's cloud-based application, Aviso Insights™, empowers sales and sales- operations professionals to Own their Quarter by enabling them to forecast sales, quantify risks, predict future outcomes, and have the confidence to exceed sales targets.

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