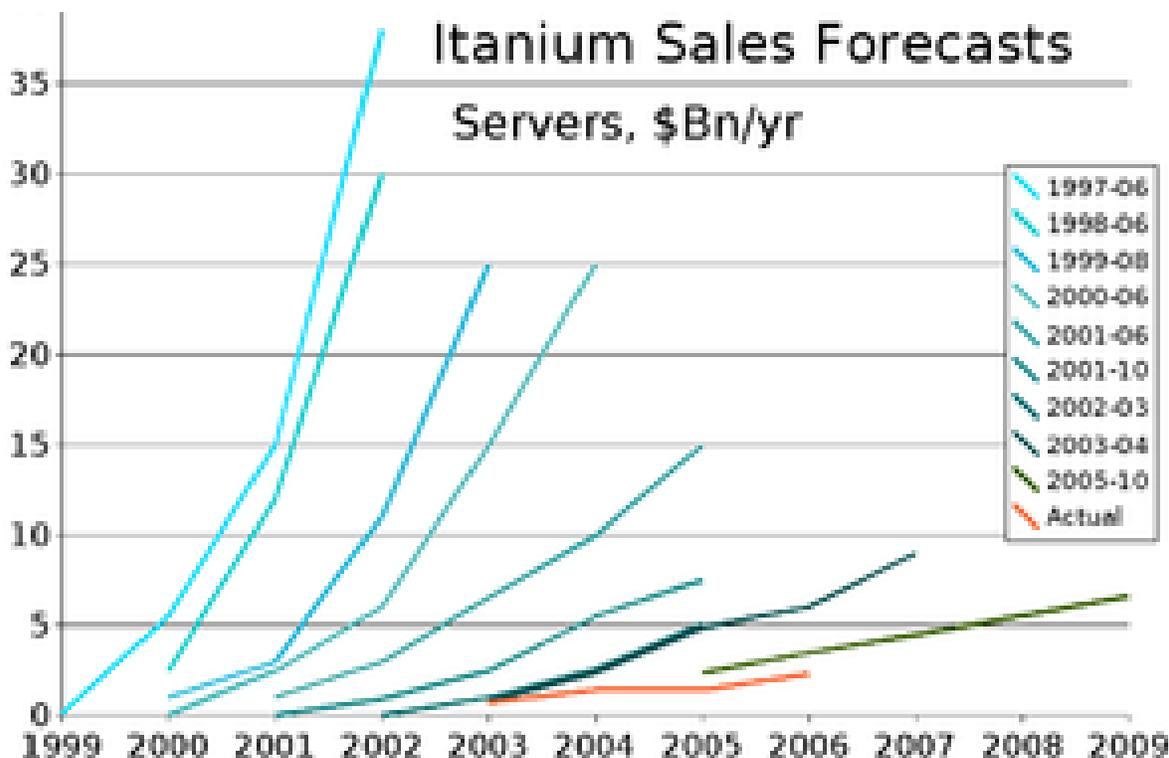


Four Principles for Great Sales Forecasts



Sales Forecasts

To say that forecasting is the bane of existence of most sales managers and leaders is a bit of an understatement. For most representatives, the choice between working on the forecast and getting a root canal would lead to a trip to the dentist. And yet, most organizations rely heavily on the “data” that is produced in forecasts to make decisions on everything from budgets to bonuses.

I use quotes around the term data, because while the term is appropriate, many a forecast are a “wish-cast.” That is, the data is based on too much hope of what will happen and not enough empirical evidence to be accurate.

If you want to produce better sales forecasts, then it is incumbent upon sales leaders to take a different approach. Simply providing routine inspections of the numbers reported up the chain of command and making adjustments based on gut feel is not enough. In order to produce a good forecast, sales leaders need to pay attention to the following principles:

- **Good forecasting requires a good sales strategy.**

When a map is wrong, it fails to accurately depict the reality of the landscape, and the same is true when a forecast is incorrect. In short, a forecast does not a strategy make. Good sales strategies take into account the outcomes that need to occur in order to move closer to closing business.

A good strategy may include a SWOT analysis, or a clear understanding of the customer criteria for decision and how you rank against the criteria, but most importantly, it will direct your tactics and help you determine the logical series of next steps. And if an account is worth occupying space in your sales funnel it deserves the strategic consideration and attention required to move deftly through your pipeline.

- **Good forecasting requires an understanding of your buyer's behavior.**

"If you want to learn how sellers ought to sell, learn how buyers buy," frequently admonished one of my mentors. And if you want to have an accurate forecast, the same holds true. Too many forecasts are simply lists or histories of what the seller has done without taking into consideration what the buyer is doing.

The sales process, however, only moves forward when the buyer takes action, so it is incumbent on the sales organization to get very clear on how your buyer is making the decision. What is the process they will use? What stages of the decision cycle are ahead? And what should you be doing differently at each stage.

- **Good forecasting requires a milestone driven pipeline process.**

Once you are clear about how the client is buying you can apply your pipeline process. Ever looked at a forecast and said, "This account is not in the late stages, it is an early stage opportunity?"

The key to being effective here is to make sure your pipeline process addresses the key milestones in your selling environment. Are needs analyses, field studies, or demo's important milestones that client's commit to in the sales process? Pre-proposal review meetings? If so include them in the appropriate stages of your pipeline process and manage to the events that lead to the completion of these milestones.

Whatever milestones they are, or whatever your unique vernacular calls them, make sure they are embedded in your pipeline process so that they serve as guideposts for where you really are in the pipeline.

- **Good forecasting requires continual improvement.**

A forecast is a snapshot not a movie. At any given time you need to remember that, done well, forecasting represents a moment in time, and since the landscape is constantly changing, forecasts need to be continually refined.

You may experience changes in your business or in the marketplace that indicate that an additional milestone be added to your process. Or perhaps you find that over time, the values you placed on each of the stages in the pipeline need revision because you have more predictive data about closing rates.

With these principles, forecasting can become a strategic endeavor with a positive impact on results versus an inspection exercise that produces an educated guess.

The best sales leaders I have worked with use the forecast as a tool to help them manage and lead the business, support strategic decisions, and determine how to allocate resources. Not just another spreadsheet to check the box on.

Use these principles to help your sales organization to forecast more effectively and you will have created great value for your company and made your job much easier in the process.