

The Business of Sales Forecasting

Dedicated Tools Can Improve Processes
and Results





Introduction

Sales forecasting has been an inexact science, often depending as much on gut instinct as on data. Two reasons for this imprecision are a lack of pipeline information and a reliance on spreadsheets to create and track forecasts. The alternatives, sales force automation suites, have often been viewed as incomplete for sales forecasting, difficult to use or both.

That's no longer the case. Today, sales forecasting technology exists that enables pipeline visibility and accurate forecasts, which are crucial for agile decision-making. Tools with robust analytics can greatly improve sales forecasts, providing insights that can improve sales pipelines and processes.

This e-book is based on Ventana Research's benchmark research into sales forecasting and is intended to help organizations understand the importance of accurate sales forecasts and how to create them.

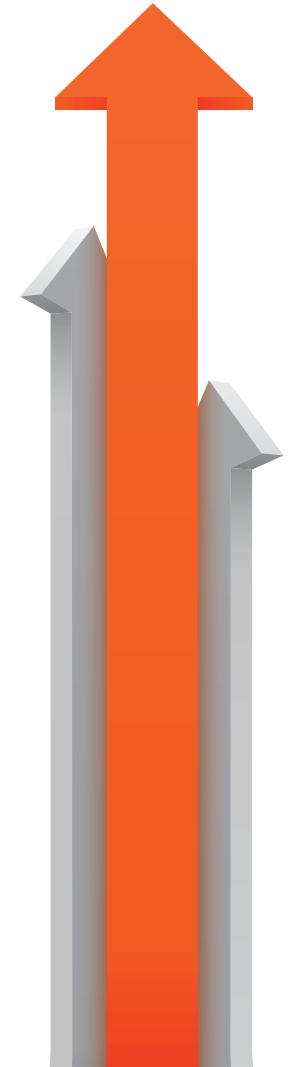
Improve Sales Forecasting



Our benchmark research report *The State of Sales Forecasting: Methods for Gaining Better Revenue Potential from Sales* reveals that **in more than half (53%) of organizations, inconsistent sales execution is a problem that motivates management to make new investments.**

Sales organizations' forecasts today are ineffectual because they rely on outdated information from reports and spreadsheets. Inaccurate forecasts delay taking timely action to improve sales. Sales force automation (SFA) and customer relationship management (CRM) systems don't help, since they aren't purpose-built for sales forecasting or pipeline management and so make it difficult for users to gain insights.

As organizations seek new approaches, it only makes sense that they should select tools that are easy to use by everyone involved in sales.



Takeaway: Sales must make forecasts easier and more impactful to improve results.

Visibility Is Essential for Forecasts



Ideally, organizations should review sales forecasts at least weekly.

Without regular, frequent reviews, it's not possible to change focus quickly when that's needed to improve sales processes and results. Pipeline reports from SFA systems often are static and don't provide the visibility that helps sales managers feel confident about the forecast.

Visibility into the sales forecast and its underlying pipeline also is vital to increasing sales effectiveness and hitting quotas.

Many sales organizations recognize this. Our research shows that limited forecast visibility is the third-most common impediment that motivates new technology investments, cited by 42 percent of organizations.



Takeaway: Establish complete sales pipeline visibility to inform forecasts and optimize sales performance.



Sales Forecasts Require Analytics



Effective sales forecasts depend on knowing the status of opportunities and the probability of closing each within a set timeframe.

Forecasts also must be flexible to accommodate changes in deal status. The most accurate sales forecasts include metrics on changes in these factors over time and highlight progress toward goals and issues as they arise.

These metrics are the product of analytics, which can produce them in visual and intuitive formats for sharing among key decision-makers and managers. Analytics also alert team members to take action. Our research shows that more than three-fourths (79%) of organizations view analytics as crucial to improving their ability to make accurate sales forecasts.



Takeaway: Adopt analytics that assess sales opportunities and provide notifications for taking action.

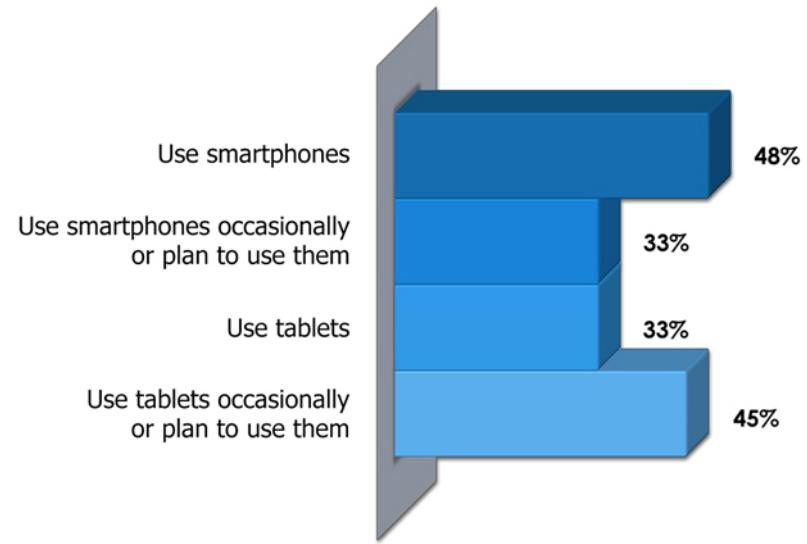
Mobility Adds Value to Sales Forecasts

Sales happen in many locations. It's essential to be able to update the sales forecast and pipeline using mobile devices. Our research finds a high rate of mobile device utilization and plans for deployment among sales forces:

- Nearly half (48%) of sales forces use smartphones, and another one-third (33%) have partially deployed or plan to deploy them.
- One-third use tablets, and nearly half (45%) have partially deployed tablets or plan to deploy them.

Mobile technology can improve sales organizations' efficiency and competitiveness. Nearly two-thirds (59%) of organizations improved the accuracy and timeliness of deal status and updates to their sales forecasts by using such devices. They can motivate sales professionals by making visible their progress toward quotas and commissions.

Mobile Device Use by Sales Forces



Takeaway: Enabling updates to the sales pipeline and forecast information on smartphones and tablets can improve accuracy and confidence.

Accuracy Matters in Forecasts



Accurate data for sales forecasts plays a crucial role in supporting agile decision-making. In our benchmark research half of those organizations not satisfied with their sales forecasting process complained of inaccurate data.

Inaccuracy can creep in in a number of ways. Sales reps and managers may estimate deal sizes or insert approximates as placeholders, or they may exaggerate the pipeline size or status to suggest quota progress.

Having analytics and metrics that are accurate measures of sales performance can make a difference for sales organizations.

Nearly half (46%) of those that make accuracy a primary measure of sales forecast performance are satisfied with their forecasting process.



Takeaway: Use metrics to establish forecast accuracy, ensuring the quality of the sales forecast.

Eliminate Spreadsheet Risks

Businesses use spreadsheets more than any other method to create sales forecasts, according to our research. Yet despite their popularity, the choice of spreadsheets is not a smart one.

Spreadsheet use causes problems, wastes time and resources and undermines accuracy.

Moreover, spreadsheets must be manually created, updated and maintained. They require time to ensure that data is aligned, aggregated and calculated correctly. And because they are not managed centrally, they are difficult to share consistently across an organization. Spreadsheets are poor proxies for real collaboration with timely reviews and feedback.

Our research also demonstrates that reliance on spreadsheets makes it difficult for nearly two-thirds of organizations using them to manage the sales forecast efficiently.



Takeaway: Avoid using spreadsheets. The risks far outweigh the convenience in using them.

Dedicated Applications Provide Value

Sales forecasting has evolved through the use of multipurpose tools.

According to our research, 86 percent of organizations still use such tools rather than dedicated sales forecasting technology.

The research makes clear that that's their loss. Those that use dedicated technology to create and manage sales forecasts report significant improvements in a process that, overall, only one-third of organizations are happy with today.

Nearly half of those using it report that dedicated sales forecasting technology improves the outcomes of their sales activities and processes; 22 percent called their improvement significant.

Using dedicated applications for sales forecasting improves the process and outcomes of sales activities.



Takeaway: Analytics done well improves the customer experience and benefits the business.

Simpler Is Better



Sales teams need to be able to accomplish a number of functions to establish an effective sales forecasting process. They must:

- Update sales opportunities quickly
- Drive deals through the pipeline in a consistent manner
- Compare quotas to sales forecasts in a timely fashion.

Sales organizations want systems that are easy to use, foster collaboration and allow them to quickly update and view the pipeline and the forecast. The vast majority (88%) of research participants cited usability as important or very important in selecting sales forecasting software.

From a capabilities standpoint, more than half (53%) identified collaboration between sales team members as key to improving the timeliness of sales forecasts.



Takeaway: Make it simple for everyone in sales to participate in the forecasting process.

Reliable Forecasting Delivers Benefits

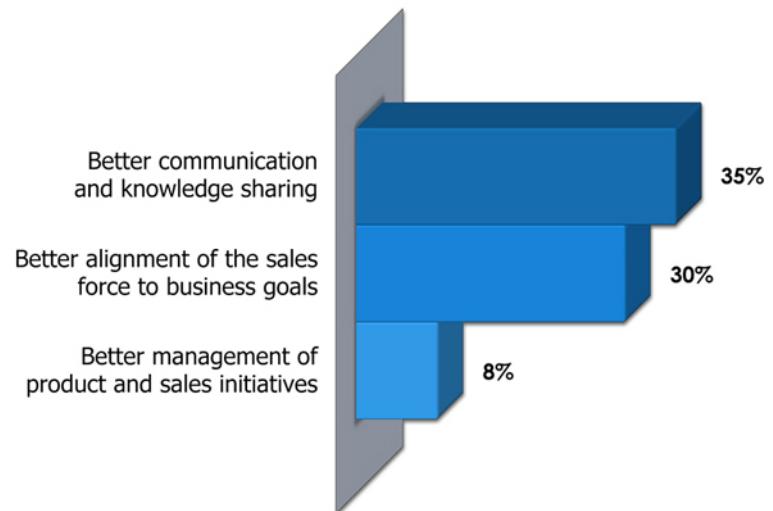
Our sales forecasting research identifies these as the top sales-related benefits from using dedicated technology:

- Better communication and knowledge sharing (35%)
- Better alignment of the sales force to business goals (30%)
- Better management of product and sales initiatives (8%).

From a capabilities standpoint, more than half (53%) identified collaboration between sales team members as key to improving the timeliness of sales forecasts.

Takeaway: Investing in sales pipeline and forecast optimization tools will yield tangible benefits.

Sales-Related Benefits
From Dedicated Technology



Conclusion

For more than a decade Ventana Research has conducted research and analysis to help sales organizations improve their sales pipeline and forecasting processes. The research shows that sales organizations that invest in dedicated technology to manage these processes are more satisfied with their forecasts.

We recommend that companies seeking to improve their success evaluate and invest in sales forecasting tools, including those that enable mobile data input, and implement continuous improvement initiatives aimed at sales performance and the overall sales process. These combined efforts can empower those involved in sales, enable individuals to achieve targeted results, and imbue the sales organization – and the business – with confidence.

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The research report *The State of Sales Forecasting: Methods for Gaining Better Revenue Potential from Sales* can be purchased from Ventana Research at www.ventanaresearch.com.

