Is Sales forecasting an oxymoron? 10 ways to improve Forecast Accuracy

"How frustrating. The crystal ball is down again."

Studies suggest that Sixty Percent of forecasted deals do not close.

No wonder that as per a 2018 CSO Insight Sales Operations Optimization study 85.4 % of the respondents highlighted improving forecast accuracy as a high or medium priority area that need most improvement in the next 24 months. It is one of the important numbers that executives use to manage the expectations of anyone who has a stake and interest in the company, including board members, investors, industry analysts, Wall Street analysts, employees and, of course, the company's other functional areas including manufacturing, supply chain, delivery, etc.

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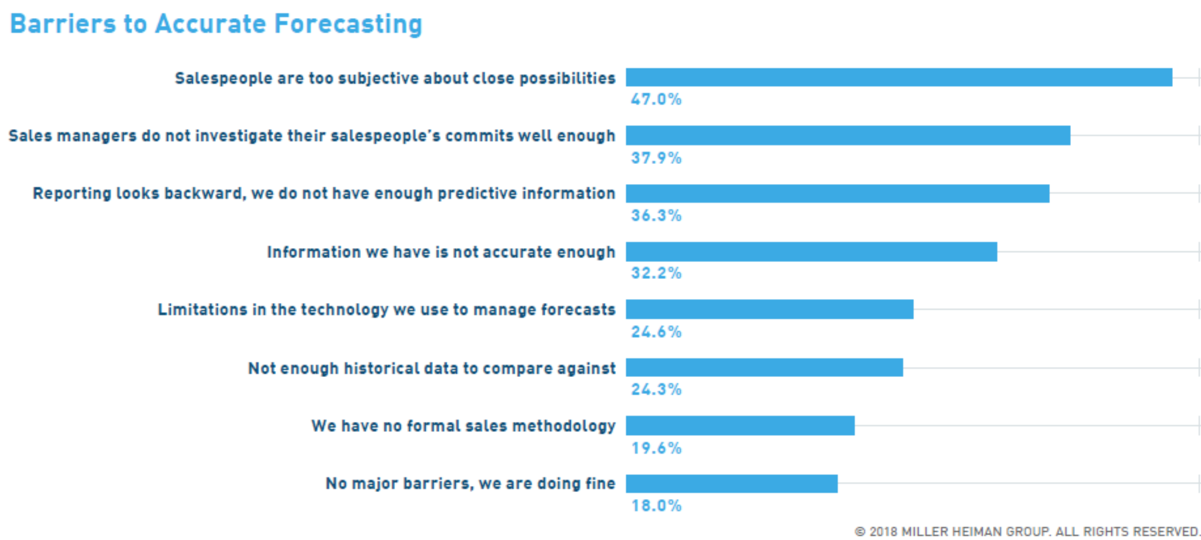
Providing accurate forecasts is one of the core responsibilities of all sales teams, and improving forecast accuracy is an ongoing challenge. While there is more data available at fingertips than ever, but can you trust that data to accurately forecast is still suspected. In some of the organizations, there is a need for defining the sales stages in the first place and in others defining the clear cut entry and exit criteria's for sales stages and lastly having better control in the sales cycle to forecast accurately.

Barriers to Forecasting

While the importance of accurate forecast is evident, many organizations have not been able to master it. The CSO Insight study highlighted the following barriers to accurate forecasting.



In reviewing the barriers above the following emerge as the possible solutions

1. **Clear definition of sales stages and entry/exit criteria's**

   Lot of sales organizations despite having a sales process, methodology, CRM, etc. still struggle with a unified definition of sales stages and entry or exit criteria's for different stages. Without a unified understanding or definition, one's forecast might still be a prospect for other or qualify for someone else. Forecasting done basis this definition would always be inaccurate. Organizations should clearly define and reinforce this definition to maintain the sanctity of the data in the CRM or forecast. Managers should coach sales executives to use the right definitions for forecasting.

2. **Not enough deals in the pipeline**

   One of the reasons why sales executives forecast wrongly is when they do not have enough deals in the pipeline and to avoid being questioned on weekly meetings for the lack of pipeline they keep on changing the forecast dates and keep the stale opportunities in the pipeline that they should have disqualified. Sales organizations, depending on the territory and model, should decide on an activity level and agree on new opportunities to be added every week/month and new meetings as well as account management meetings to keep the pipeline ticking and fresh.

3. Mutual written timelines

One of the prime reasons why forecasts fail is because the forecast is based on sales executive's assumptions or gut feels rather anything agreed mutually between the seller and buyer. Even at times, when the mutual plan exists, it's not with the economic buyer.

When we use mutual plans in our sales process and agree to next steps on both sides with economic buyers, great things happen. We increase our close-rates, forecast accuracy and have control in our hands.

4. Disqualify early

While having too less opportunities works against the forecast accuracy, the reverse is not true as well. Having a lot of opportunities if not qualified properly also defeats the purpose. Sales executives spend a lot of time nurturing the opportunities and if they can identify early on the opportunities that will not close and stop working on them they can use the same time and energy to work on the opportunities that can close. Having less number of better qualified opportunities to focus on results in better control over sales cycle and forecast accuracy.

5. Sales Process mapped to buyer journey

Sales is a two-way relationship. Yet, businesses focus only on their side of the equation. Sales forecasts are often based only on what sales executives intuition and assumption. This doesn't give you a clear idea, because it misses half of the picture. Considering and understanding buyer behavior is a great practice for improving forecast accuracy. In your sales process make it a point to have an understanding of buying process and buyer's journey mapped to sales process. Organizations that have a better understanding of the buyer journey and have triangulated it, they do very well in forecasting the deals very accurately.

6. Sales closure tied to a Mission Critical Priority

Often sales forecast slip as they are either not considered urgent or not tied to an Economic decision makers mission critical priority. Best practice is when your solution is tied to a mission critical priority which has a business outcome and date attached to it. Best sales executives then do the reverse engineering to forecast a closure date and are better placed to accurately predict it.

7. Sales Manager's coaching to investigate the forecasted deals

Sales Manager's play a very active role in making sure that the forecast is as accurate as possible. They are the second closest element to a deal and have a good understanding of all the forecasted deals. They also know the sales executives, their history of forecast and mindset of the sales executives. They know which sale executive forecast pessimistically or optimistically are they over committing or sand bagging. Sales manager is the best suited role to be the first filter to add some sense of judgment to the forecast. Best in class organization coach their manager's to inculcate right behaviors, tools and processes in their teams.

8. **Forecast Assessment Tool to objectively assess the probability of closure**

   More than the subjective assessment if there are tools/templates available which act as self assessment for sales executives to see whether they have a qualified prospect or not and for the managers as well to assess the probability of a forecast. Invest in these tools or methodologies to be more accurate about your sales forecasting.

9. **Reward right behavior**

   What gets rewarded gets repeated. Organization which measure and reward forecast accuracy tend to have higher forecast accuracy rates than others who don't measure it. Make it as an important KPI to measure, set expectations and reward over achievement.

10. **Use of technology to understand the past trends and predict the future**

    Technology only helps to the extent the data is entered in the system and how long the data is entered in the systems. However, a view into the historical data provides a good view into the seasonality, average win rates, deal velocity, etc. There are tools available to predict the probability of forecast closure depending on the extent of data available.

One of the main reasons why sales executives are not able to forecast accurately and hesitate is because they don't feel confident or are not equipped with the tools and methodologies to speak to an economic decision maker or research enough to create insights about the prospect organization or feels constrained to have a business conversation with economic decision maker. The trouble could also be that they don't have the skills to influence others or create consensus. The good news is that this all can be solved. The solution might lie in equipping them with tools and trainings to improve business acumen and negotiate better and automation tools to give them more client facing time.

If done well with implementation of processes, methodologies, tools, you can see drastic improvements in forecast accuracy.

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Some of the results we have impacted

- Sales productivity improvement for B2B SaaS provider by 30%
- Qualified pipeline increased by 400% within 3 months of signing for Travel & Expense management provider
- New Hire productivity reduced from 6 months to 3 months for Global IT Research organization
- Improved Forecast Accuracy by 20% for 120 strong sales team
- Improved retention business rate by 12% on a 25 Million USD business
- Win rate enhanced by 15% (6 months)
- Prepared 3 year Sales Plan, road map & GTM in 5 months for Digital Transformation Consulting

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