

# Linking Forecast to Future...

## a look at sales forecasting

An InfoMentis White Paper



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*By Bobby Knight*

## Introduction

For many companies, the sales forecasting experience can be summed up in the lyrics of the Jimmy Buffet song "**A Semi-True Story**"...

*"It's a semi-true story...Believe it or not  
I made up a few things...And there's some I forgot"*

In this White Paper, we'll identify many of those things that contribute to a "Semi-True" forecast. Our intent is to raise your level of awareness about a few of the complexities faced when working with forecasts, and to offer a logical, practical approach to resolving this dilemma. So... *Why do sales organizations continue to struggle with forecasting?*

Frequently, there is little or no correlation between Sales' selling cycle and the Customers' buying cycle. This lack of consideration and understanding of the Customers internal clock for making decisions leaves salespeople few choices but to manage the deal by their sales process.

If you doubt this, take an informal survey of sales executives and ask them how many deals slide from quarter-to-quarter carrying a 50% close expectancy. Answer: few.

Now ask how many deals slide from quarter-to-quarter carrying an 80-90% close expectancy. Answer: many.

## Warning Signals

This strongly suggests the sales person is in the latter stages of their sales effort, while the deal sliding from quarter-to-quarter suggests the Customer may be no more than midway to reaching or making a decision. This one factor - *lack of correlation between buying and selling cycles* - is a major contributor to inaccurate forecasting. The remaining variables that contribute to inaccurate forecasting are far too numerous to address here, but, to get you started, here's a list of warning signals contributing to inaccurate forecasts:



## **Twenty Warning Signals of Inaccurate Forecasting**

1. Knowledge gap between tenured sales reps and less experienced reps.
2. Aggressive forecasting from “on the bubble” sales reps.
3. Mature territory vs. new territory.
4. Risk considerations of established products being sold vs. new offerings.
5. Conservative forecasting from the “hero” sales reps.
6. Close date falling on end of month or end of quarter.
7. Selling into new customer vs. selling to install base.
8. Entering customer “buying cycle” late vs. early.
9. Soft economic conditions.
10. Industry specific volatility.
11. Repeated request for forecast in the same reporting periods by sales management.
12. Same rep, different “forecast amounts” when asked to “forecast again.”
13. High percent probability to close combined with far off close date.
14. You’ve previously sold to and “lost” with this customer.
15. Selling “strategically” into a “transactional” buy.
16. Non-governmental deals with RFP when you didn’t help create the RFP.
17. Does forecast amount assume “list” or eventual “discount price”?
18. Sales rep can’t articulate what’s “at risk” for the customer if the close date slides.
19. Forecast amount exceeds “typical order” threshold of customer.
20. Forecast amount exceeds “your typical order” amount for that offering.



## Two Converging Cycles

### Their Buying Cycle



**Key Question:** Is there a correlation between where you enter their buying cycle, gaining access to relevant customer executives and forecast accuracy?



### Your Selling Cycle

The answer to the Key Question is a resounding yes. Using this generic representation of Customer Buying Cycle and Sales Selling Cycle, surveys revealed that most sales people were entering their customers Buying Cycle during or just after the "Initiate Project" phase. Additional surveys have also revealed a correlation between the Customers' "executive involvement" in making major decisions and their participation during specific phases of their buying cycle. Surveys revealed that executives were heavily involved both early and late in their buying cycles but disengaged during the middle phases. This suggests that salespeople attempting to gain access to senior executives (where critical information required for accurate forecasting is obtained and or verified) will experience considerable difficulty gaining that access to executives because they are temporarily disengaged. There is evidence to also suggest that the earlier in the buying cycle the salesperson is engaged, the higher level of trust and relationship they may experience. Clearly these factors favor more accurate understanding of *how-why-when* the Customer is making their decision, and thus, a more accurate forecast.

## Possible Solution

What won't work...just automating the process with a good CRM/SFA solution; that's like saying good accounting software makes up for poor accounting practices.

What will work...providing the *forecast* with an underpinning of **"Process & Logic."**



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## Components of Process & Logic

The best way to avoid “Semi-True Stories” is to apply a common set of assessment criteria across the sales organization. These criteria manifest themselves in the form of “opportunity assessment” tools and “buy-side/sell-side” milestones presented in common definable steps.

**If:** Process = opportunity assessment and Logic = common definable steps; **Then:** Accurate Forecast = Marrying deal specific assessment criteria with common, definable sales steps in the presence of the customer’s buying cycle.

Shown below is an exaggeratedly simple example of how this concept is applied. The representation below shows:

- defined sales process
- simple opportunity assessment criteria
- customer buy-side considerations

Listed also are closing expectations expressed as a %. These percentages are merely representative and do not reflect our specific recommendation because the consideration of expressing closing percentages based on where you are in your sales cycle warrants far more examination and discussion than this brief white paper can justify.

Forecast %	Defined Sales Process	Maps to	Assessment Criteria	Buy-side Milestones
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30%...**Qualified phase**...maps to...***there is a project, project is funded, customer has to act***...Buy-side milestones...***customer acknowledges that you are a capable solution provider.***

45%...**Defined phase**...maps to...***buyer selection criteria is understood***...Buy-side milestones...***customer willingly shares critical information with you.***

75%...**Developed phase**...maps to...***your product resolves their problem, you have inside support***...Buy-side milestones...***customer acknowledges you are on the short list, identifies your faults.***



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95%...**Selected phase**...maps to...*buyer risk is mitigated, access to senior executives*...Buy-side milestones...*customer proactively requests documentation or contracts*.

While the example is simplistic in its description, it's easy to imagine the impact of having each phase of the sales cycle being quantified in more depth, balanced by buy-side expectations, and managed to the extent that a deal does not advance from one phase to another, without meeting the minimum requirements of that phase. Marrying Process with Logic is just one way to reduce the "**Semi-True Story**".

This paper is the first in a series of articles dedicated to understanding and ultimately improving the accuracy of sales forecasting. For more revealing data on how to improve your forecasting accuracy, contact InfoMentis (info@infomentis.com).

### **About the Author**

**Bobby Knight** is a 25-year veteran of the high tech industry whose sales experience is derived from a broad range of roles and responsibilities. Since 1990, thousands of sales professionals have benefited from his expertise with sales process, account management, opportunity management, and partner and alliance relationships.

Prior to joining InfoMentis, Bobby spent the last 14 years working with sales people on every continent. Notable clients, such as Hewlett Packard, Sun Micro Systems, 3Com, Microsoft, SouthWestern Bell, Cadence Designs, and Pacific Bell, realized improved selling skills, operational effectiveness, and forecasting accuracy through his work as a consultant and through NextLevel Consulting, a company founded in 2001.

Additionally, Bobby has held various senior management and sales roles in Cybrant Software, On-Target/Siebel, Policy Management Systems Corporation, Control Data Corporation and Automated Data Processing.



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