

## Accurate sales forecasts

There is nothing more frustrating than submitting sales forecasts which turn out to be wildly wrong. Let's be honest, a high proportion of sales people do not like to disappoint their boss (or themselves) and forecast more prudently. It's easy to prefer pleasant surprises to unpleasant shocks. One of the reasons for this behaviour is that customers are not always in a position to follow through and buy according to our time-frame. So this makes us cautious about making overpromising sales forecasts and under delivering the number.

If you follow this logic to its conclusion, it can also be difficult for the organisation to manage its performance and its resources, when 'better than expected' sales are achieved and the company cannot find the resources to fulfil orders. It is fair to conclude that under-promising sales forecasts are not much better.

So what can be done to improve sales forecasts when:-

- sales people are cautious with their numbers
- customers can frustrate our efforts
- external factors can trigger events which can impact sales both negatively and positively?

There are a number of tools available to help. Here are just a few:-

1. Pipeline (funnel) management – Organisations which focus on effective sales performance are usually skilled at evaluating their sales funnels. They know the success rates of each member of their sales team and they have a high visibility of all the important sales opportunities. Every member of the sales team knows:-
  - How much work needs to be done to identify and create opportunities
  - evaluate which ones are most likely to close and which ones might be better to walk away from and "lose fast"
  - what commitments must be made at each step both by the company (and the customer) to ensure the sale moves forward

A 'healthy' funnel is one with a realistic appraisal of opportunities – not some long-used percentage probability measure with no science behind it.

2. Communication – Although this sounds obvious, we notice almost every day how sales people miss valuable signals from their customers during their dialogue with them.

3.

In the 2009 Global Sales Best Practices Study more than 85% of world-class sales organisations reported that their sales people, when asked to make a commitment by their customers, made a point of asking for commitment in return. However the total sample of all respondents' percentage fell to between 30 and 40%. What a missed opportunity to measure the extent of commitment the customer is prepared to make!

We also notice that many sales people fail to fully probe and understand the concerns of their customers. There is a difference between trying to overcome objections and trying to understand a “basic issue”. How this challenging situation is dealt with by the sales executive can be the difference between a win and a loss.

4. Account Relationships – Most forecasts for key accounts are sales led. A large number for next year’s sales revenue is often given “from the top” and is divided between new business sales and sales from existing large customers. Quite often the sales expected from larger customers are incentivised with a price discount based on volume. Can we honestly accept that selling or even negotiating? A strong account relationship is based on a win-win partnership where both sides understand each others’ business. There are numerous ways in account management to build value into the relationship. We know of many commercial relationships where mixed discipline teams in the selling and buying organisation have built a platform for business based on much more than price. Both sides have built a great long-term view of future business and both sides are committed to helping achieve it.

Think about it... How are you driving accuracy into your sales forecasting?