

The Wild, Wild West of Sales Forecasting

By Marie Warner

As seen in... **CustomerCentric Selling® News**

For Vice Presidents of Sales in technology firms, the pressure to hit revenue targets has never been greater. With reduced sales staff, and the demand to accurately forecast revenues quarterly, monthly (or even weekly), the top sales executive must feel like the lone sheriff in a final shoot-out with Billy the Kid. But the cavalry can come to their aid - if the Vice President adopts process-based sales methodology and implements these best practices with his/her sales managers throughout the sales team.

How wild is the sales frontier? A recently released 2002 survey of technology Sales Vice Presidents shows continued and increased pressure placed on the "Chief Revenue Officer." The average tenure of the Sales Vice President was *only 12 months* - down from an 18 month average in the prior year's survey results. No Vice President surveyed had been in his/her position longer than 3 years - down from 4 years in the prior survey. On average, revenue targets and prices had decreased slightly, by an average of 7%. But this decrease comes off of a whopping *94% average increase* in quota targets in the prior year.

Forecasting and meeting revenue targets will continue to be the most important job for even the roughest, toughest senior sales executive. Forecasting revenue targets and communicating revenue expectations (especially revenue shortfall!) is too important a task for the Sales Vice President to delegate down to the individual sales rep - particularly if that Vice President of Sales wishes to beat that 12-month average tenure.

In fact, rolling up sales reps' forecasts is like a high-stakes card game in Dodge City. Here are the high-stakes players and their forecasting styles:

"Close-to-the-Vest" Chester - Chester plays his cards very, very close. He wants no one (especially his Sales VP) to know what Aces or Deuces he's holding, whether these are terrific revenue opportunities or unqualified tire-kickers. Chester will never willingly update a pipeline report, and is very unlikely to invite any support staff or senior sales manager on a key call. Chester mistakenly thinks that sharing his cards with his Sales Manager will put more pressure on him to actually win a hand.

"The Joker's Wild" Jesse - Jesse plays each card as though it were a take-the-pot winner - even if he's holding a hand of losers. Poor Jesse forecasts even unreturned voice-mail messages at 50% of closure. Jesse's outrageously optimistic sales forecasts grossly pad the Sales VP's overall rolled-up revenue number, resulting in missed revenue targets and mistakenly set expectations. As Jesse's wild-eyed guesses on closure dates for unqualified deals continue to slip, the unfortunate Sales Vice President struggles to explain a dramatically lengthening sales cycle to the Board.

"Bad News" Bart - Bart, like Jesse, doesn't understand what kind of hand he's holding. But Bad News Bart is so pessimistic that he won't forecast a deal to close until the ink is drying on the contract. Bart gets discouraged when deals stall - usually after he delivers his proposal. Not knowing why, Bad News Bart assumes the worst and folds his hand. This happens so often, that Bart no longer forecasts any deals to close until after negotiations are underway. His Sales VP is surprised when the un-forecasted deals do close - and so is Bart.

City Slicker Sam - Sam's an outsider from Marketing, and joined the game with his own stack of chips. Even though he's not a member of the Sales VP's posse of players, Sam's hand can spoil the whole table. Why? Sam's marketing research showed untapped demand for the product the sales team sells. In fact it was Sam's market research that caused quota numbers to double last year.

With these high-stakes players and their forecasting styles (found in most sales teams) how can the Vice President of Sales create reliable forecasts, and meet revenue goals? That Sales VP needs a way to grade the probability of closure of potential selling opportunities, and to manage key milestones in the pipeline of sales activity, in order to *audit* and *control* the revenue forecast.

And without the ability to audit and control? After months of delivering missed revenue forecasts to senior management and the board and reporting slipped close dates for major deals, it's showdown time at the OK Corral for the Sales VP.

Better plan on becoming part of that 12-month statistic.

There is a way for the Sales Vice President, through process-based selling methodology, to gain control of the revenue forecast, to build a winning hand, and to "clean up the town". He does this by compelling his sales managers to audit the sales forecast by *prospect opportunity* - *not revenue*.

The job of revenue forecasting is simply too critical to abdicate to the sales representative. Two issues make *revenue forecasting* nearly impossible for the typical sales representative:

1. Lack of a defined sales process: With no defined process to draw a sales roadmap with **objectively** measurable milestones at key steps in the sales cycle, each individual rep's forecast is biased by that rep's opinion. "Joker's Wild" Jesse will forecast dramatically different revenue targets than "Bad News" Bart.

2. Inflated Sales Revenue Forecasting: There is a natural tendency in every sales organization to "buff-up" the revenue forecast at each level of sales management. Why? Because no sales rep or sales manager alive likes to deliver the news that a quota target is expected to be missed. So the numbers that do reach the Sales VP for final tally are "buffed" and rolled by the regional sales managers; those numbers were "buffed" and rolled up from their district sales managers; *and* those numbers were "buffed" and rolled up from their territory sales managers. The final forecast tally bears little if any resemblance to reality.

These two issues can be addressed when the VP of Sales implements a process-based forecasting discipline throughout his sales organization. How? To build an auditable revenue forecast, the sales manager (regional, district or territory) must manage activity on the rep level by **opportunity**, not by revenue. Each sales representative must report the progress of the prospect as an opportunity moving through specific quantifiable milestones.

Each major milestone mandates completion of certain "sales process deliverables". How does this work? For example, in debriefing sessions with each sales rep, the sales manager *will verify that a new prospect, early in the sell cycle, represents a truly qualified opportunity*. The verifiable deliverables which signal prospect commitment at this milestone are:

1. A goal, problem or need has been shared by the buyer with the sales rep;
2. The sales prospect (not the sales rep!) has stated they do believe that the offering will empower them meet their goal or solve their problem;
3. The sales prospect (not the sales rep!) ascribes measurable value to this solution; and
4. The sales rep has documented all the above in a **sales cycle control letter**, plus has requested and been granted access to key players in the evaluation and purchase decision.

The Sales Manager's post-call debrief questions with each sales rep reviews the prospect's conversation to verify this critical **commitment to evaluate**. The Sales Manager also examines and verifies these sell cycle control letters. The sales rep is responsible for these tangible sales process deliverables, and the field sales manager is responsible for auditing and verifying them.

A well-defined sales process specifies appropriate sales process deliverables at each key milestone along the sales cycle. Unless these deliverables are completed by the sales rep, the opportunity does not advance to the next milestone, nor is it included in the forecast. In other words, there are no shortcuts to the forecasted "close".

Can the Wild West ever be won? The VP of Sales' will always be "on the line" for meeting revenue targets and producing accurate sales forecasts. Predicting and attaining quota goals remains a great challenge, even as the tech economy slowly recovers; this is reflected in the brief average tenure of the VP Sales. But armed with a process-based sales methodology, and disciplined management audit of opportunities, the VP of Sales and his organization can benefit from increased revenue, more accurate forecasting and improved margins from shortened sale cycles. The Vice President of Sales can tame the Wild West of sales forecasting.

Copyright 2003 - 2009 All rights reserved.

About the Author

Marie Warner is founder and President of Warner Professional Sales, LLC. Warner Professional Sales helps companies achieve **sales force success through people, performance and planning**. Warner Professional Sales helps companies get more revenue growth from their sales force by *recruiting* the right sales staff, 2) *training and developing* those sales professionals to consistently exceed revenue goals, and helping management to define and implement the best sales "process" and tactics for sales cycle control, territory assignments and quota planning.

Marie brings to client engagements over two-decades of leadership in the sale of technology, consulting and financial products and services to the Fortune 1000 and major financial institutions. This includes nine years of experience as Chief Sales Officer, in both enterprise-level and start-up organizations.

Marie Warner has authored articles in ***Mass High Tech, SalesResources.com, SalesVantage.com, EyesOnSales.com, Software Sales Journal, SalesDoctors, and Women's Business*** addressing successful sales strategies and tactics. She is a member of NETSEA (New England Technology Sales Executives Association), WITI (Women in Technology, International), Human Capital Institute, The Commonwealth Group, NAPS (National Association of Personnel Services) and participates in numerous other entrepreneurial, technology and marketing organizations.

Marie Warner can be reached by email at mwarner@warnerprosales.com or phone at (617)489-4528.