

Forecast SKEW

What is Forecast SKEW?

Forecast SKEW is a measure of the degree to which the close dates of Opportunities in the forecast are clustered towards the end of the quarter.

SKEW is also known as the 'Hockey Stick' effect.

Sever SKEW is the number one reason for nasty surprises in the forecast.

Why does SKEW Happen?

Typically sales reps do not qualify an opportunity in terms of the probability of it closing by the Close Date in the same way as they do for the probability of winning the deal. The result is that the sales rep's take the 'safe approach' and forecast the deal to close at the end of the quarter ("Why put an earlier close Date, if you're not sure that date is real?").

This creates another problem in that the close date becomes self-fulfilling and the sales reps do not push to get the deal closed earlier in the quarter.

The net effect is that a large number of opportunities are forecast to close at the end of the quarter and the close rate is 'SKEWED' towards the end of the quarter.

What does SKEW Look Like?

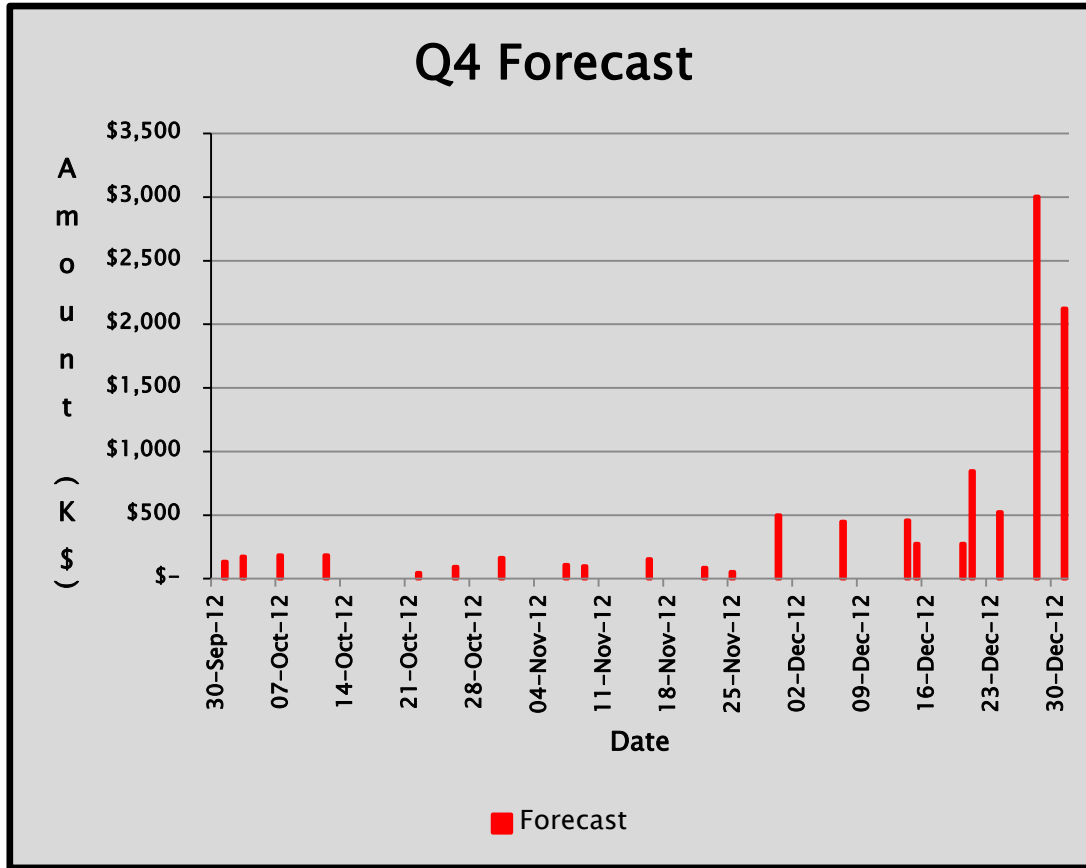


Figure 1: Q4 Forecast

Consider the following Q4 Forecast shown in Figure 1:

Forecast = \$9,950,000
 Quota = \$9,500,000
 Per Cent = 105%

Figure 1 is the typical forecast graph you would obtain from your CRM.

All in all, this forecast looks very doable and the sales force is confident of achieving it.

BUT.....

There are some potential SKEW problems that are hidden just below the surface that are not visible.

On the next slide, the same forecast data is graphed cumulatively.



What does SKEW Look Like?

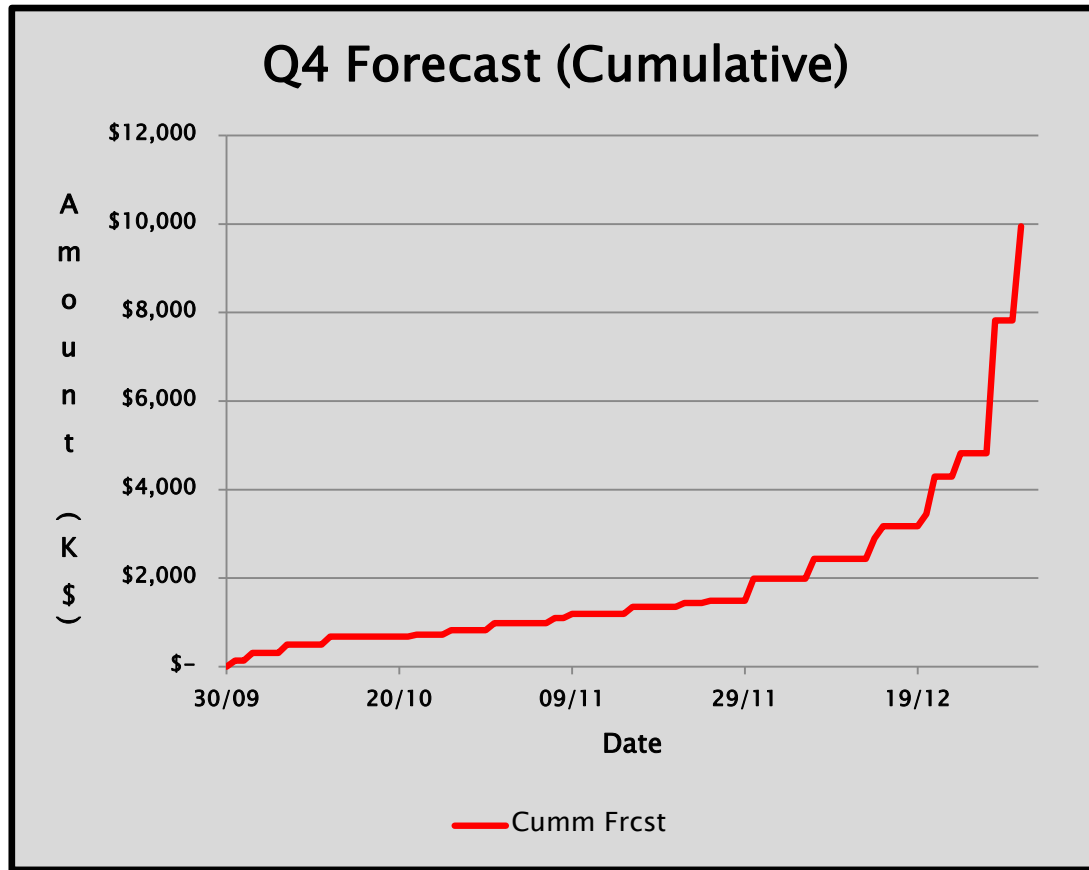


Figure 2: Q4 Forecast (Cumulative)

Figure 2 shows the cumulative total of the forecast for Q4 by date.

Notice the effect of Close Dates being clustered at the end of quarter, it shows that large proportion of the quarter's quota has to be closed in the last couple of weeks of the Quarter.

SKEW Ratio:

The SKEW Ratio is a measure effort required to make the forecast during the last 2 weeks of the quarter.

In Figure 1, the forecast has a SKEW Ratio of 3.1, which means that the sales force must close over 50% of the forecast between Dec 17 and Dec 31.

Given that some deals might slip and other deals stall, this forecast may not be doable.

A SKEW Ratio of <1.5 is desired.

What does SKEW Look Like?

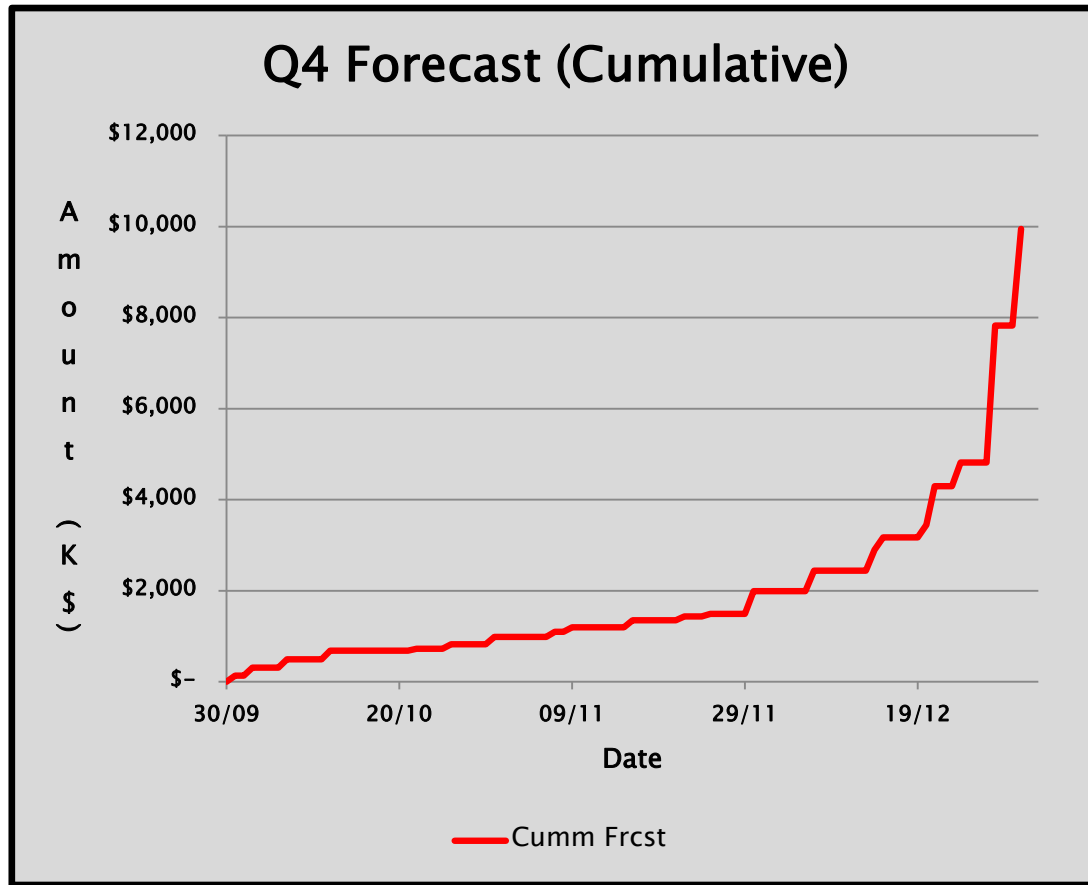


Figure 3: Sever SKEW

Figure 3 shows a forecast with sever SKEW.

Unfortunately this degree of SKEW is all to common.

The SKEW Ratio for the forecast shown in Figure 3 is 4.18, indicating that the sales force need close almost 70% of the quarter forecast in the last 2 weeks of the quarter.

Given that there are always some issues with getting the paperwork the chances of making the quarter are slim unless the sales force resorts to some drastic measures.

Why you need to know the Forecast SKEW Ratio.

The Forecast SKEW Ratio is a critically important metric as it provides an Early-Warning of potential problems and will eliminate surprises.

By managing the SKEW Ratio effectively you can;

1. Minimize End-of-Quarter surprises
2. Eliminate last minute panics to close deals
3. Minimize (and potentially eliminate) End-of-Quarter Giveaways.

How to Fix SKEW Problems.

SKEW problems can be fixed.

Follow this simple procedure and you will eliminate SKEW problems;

1. Identify deals that might slip into the next quarter
2. Qualify the Close Date to ensure it is realistic.
3. Don't wait until the last month of the quarter.