# Forecasting Management & Accuracy:

A recent study by CSO Insights (www.CSOInsights.com) on forecasting accuracy found that on average for the companies they studied that;

“Of deals that the sales force FORECAST they would win, the actual results were’’

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| WON | 46% |
| LOST | 30% |
| No Decision | 24% |

In other words, forecasting accuracy is less than 50%.

Your situation may be better or worse, but research by CSO Insights and other well respected firms continues to show that in general forecasting accuracy is low and is one of the primary, if not the primary, concern of most senior sales management.

Why is forecasting accuracy so low?

Before we can answer that question we need to understand why forecasts are missed.

The answer is as simple as it is obvious; ‘A forecast is missed because one or more opportunities that were expected to close did not close when they were supposed to.’
Every sales manager who has ever missed his/her forecast knows this.

The real question that we need to ask ourselves is, “Why didn’t the opportunity that we expected to close, close when it was supposed to?”

Unfortunately, the answer to this question is also equally as obvious, “Because the opportunity was lost, cancelled/delayed or slipped into the next quarter.” Which means that the sales rep had not qualified the opportunity as well as they thought they had, and, consequently did not have as true an understanding of their chances of winning the deal and of it closing by the forecasted close date as they should have.”

How best to solve this problem?

In the traditional world of sales management the answer might be; more sales training; more oversight; more work – all effective in their own right, but on their own they do not solve the problem? The solution lies with the front-line sales manager, the person the sales rep reports to; that’s the individual we need to help.

It’s safe to assume that no sales manager would forecast an opportunity if there was chance of not winning the deal or that it might slip into the next quarter. And, it comes as no surprise that sales reps are often overly optimistic about their chances of winning a deal and even more so about the date they expect the deal to close; and as a result are eager to forecast it. So it’s left to the sales manager to ‘filter’ the sales rep’s enthusiasm and ‘weed-out’ those opportunities that they might not win or could slip into the next quarter.

The real question is: 'How can we help the sales manager identify the risk in the forecast and better manage it?"

To effectively manage the forecast the sales manager must be able to measure and track the critical attributes of opportunities that indicate whether or not they will win the deal and if the forecasted close date is realistic. And, they must be able to do so in real-time as the opportunities move through the sales process. With this information the sales manager can adjust the forecast to accommodate this new data. The good sales managers can call upon their knowledge and experience to get a 'sense' of these attributes, but true accuracy only comes with verifiable data.

To echo Peter Drucker's famous observation that; "You can't manage what you can't measure." Unless the sales manager can accurately measure these critical attributes, they are only making a 'qualified guess', and senior management must hope that the sales manager's guess is better than the sales reps'. But, as the results of CSO Insights research, and others, indicate they is a lot of room for improvement.

The sales manager is challenged because none of the traditional measurements, such as Amount, Number of Deals in the Forecast, position in the sales cycle, etc. provides him/her with any insights as to whether or not a specific opportunity will be lost or slip into the next quarter.

If you consider a typical opportunity in the forecast (or pipeline) there are 4 major attributes that sales management is concerned about, these are:

1. The amount (size) of the deal
2. How well it's qualified
3. Probability of winning
4. The close date

Normally, the deal size (or amount) varies only slightly (+/- 10%) from the forecasted amount, so this rarely causes any surprises. Consequently the sales manager need only focus on;

1. How well the opportunity is qualified
2. The probability that they will win the deal
3. The probability that the deal will close when the sales rep forecast it to close.

Here then, is the heart of the problem; these three (3) primary attributes of an opportunity that can negatively impact the forecast (not winning or the deal slippage) are provided to the sales manager, by the sales rep, who we know can be overly optimistic.

And this makes sense; if a sales manager, when reviewing an opportunity, thought that the deal was poorly qualified, not certain of winning it or that it might slip into the next quarter, they would not put it in the forecast.

What the sales manager needs is a tool or process that will allow them to quickly and accurately obtain an independent assessment of the opportunity from which they can either validate or reject the sales rep's assessment of the opportunity and confirm its inclusion in or its exclusion from the forecast.

Such a solution must to do 3 things for the sales manager (and sales reps);

1. Provide an objective assessment of how well the opportunity is qualified
2. Provide a realistic assessment of the probability that the sales rep will win the deal
3. Provide a strong indication as to whether or not the deal will close by the Close Date.

Another requirement is that the tool provide the information on an opportunity-by-opportunity basis, and be based on factual evidence, not subjective 'best guesses or historic results. Furthermore, it must allow the sales manager to measure these attributes on an ongoing basis to track the sales rep's progress with an opportunity as it moves through the sales cycle.

The Aberdeen Group (www.Aberseen.com) in a recent study found that close to 1/3 of the sales managers they interviewed stated that needed more visibility into the sales pipeline (and forecast) than they currently had.

And this is exactly what Occulus does.

In addition to allowing the sales manager to manage the sales teams more effectively, Occulus provides sales opportunity analysis and qualifying capabilities that provide an independent assessment of how well the opportunity is qualified, the probability that the sales rep will win the deal and how realistic the forecasted close date is.

And what might happen if a sales manager was equipped with a tool that provided increased visibility and greater control over the sales pipeline and forecast? According to a report by McKinsey & Co. (www.McKinsey.com), a revenue increase from 2% to 10% could be achieved.

**The Occulus Solution**

If you would like to learn more how Occulus can help you manage your sales teams more effectively and deliver the benefits of significantly improved forecasting accuracy, increased revenues and reduced sales expenses, please contact us at: Info@OcculusSales.com