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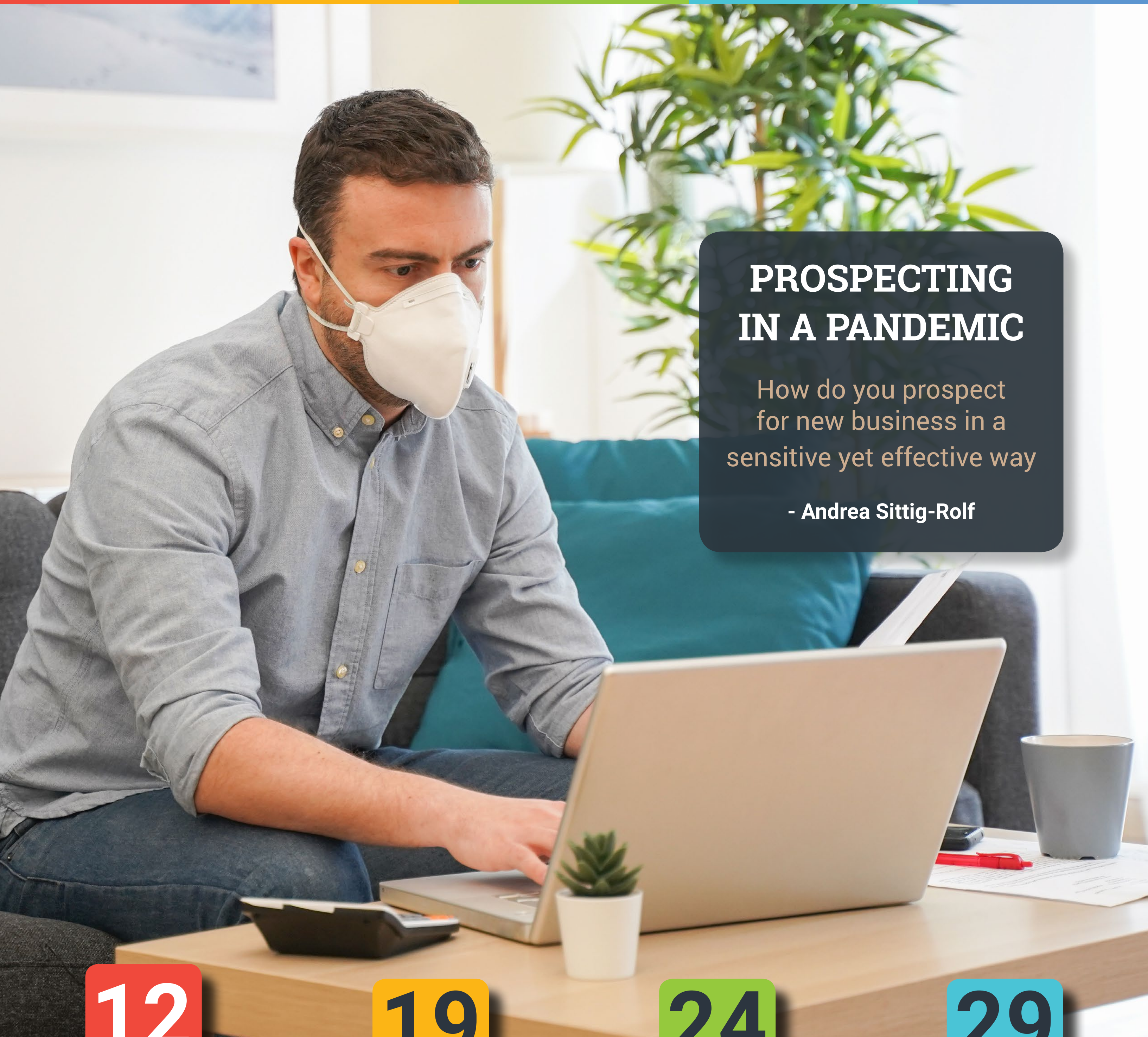

PROSPECTING IN A PANDEMIC

How do you prospect for new business in a sensitive yet effective way

- Andrea Sittig-Rolf

Forecasting: The Sales Truth No One Wants To Admit

Understanding possibilities

By Gerri Knilans

Sales forecasting is a tool that has been used for decades by sales management professionals in an attempt to predict sales success. While no one is saying that sales forecasting should be discarded, the truth is it may not always be the best and most accurate way to ensure salespeople meet their goals.

For starters, a salesperson doesn't have complete control over what a potential customer might do when it comes to making a final decision. Similarly, a longstanding customer that was calculated into a forecast may decide to turn elsewhere, hold back on spending or even go out of business.

That said, there can still be value in crafting a planning document, even if it's just a jumping-off point to establishing a stronger relationship between sales management and their teams. Face it, a sales manager who signs off on a forecast and presents it to a company's upper management or ownership will be more motivated to help that team work toward achieving the sales goals. Remember, it's most often a head coach or manager who gets let go when a professional sports team underperforms—not the whole squad.

Understanding Possibilities

"Sales forecasting helps give insight into how a company should manage its workforce, cash flow and resources," says Nadra Scott, vice president of sales for Mel Wheeler Inc. in Roanoke, Virginia. Wheeler Broadcasting owns a group of radio stations in southwestern and central Virginia, and several elsewhere. Scott's salesforce sells spots for those stations and digital-platform-only ads. "Our sales forecast won't accurately predict the future; we just want to have a look and have an understanding of what might happen."

Scott points to customer/client attrition—some of it out of the control of the sales team—which could be as high as 10 to 16 percent in her business. "If a large advertiser decides not to use radio [going digital only] it could swing net billing by five percent." In her world, a new retail outlet opening (and willing to spend big on one package), election-year campaign spending on ads and (negatively) new radio station formats entering the market can skew forecasts from year to year.

Rene Zamora, the founder of Sales Manager Now, a consultancy that manages small business sales teams, says forecasting is difficult when processes and criteria are not clearly defined. "We tend to lean on feelings or historical trends—our gut. It feeds on itself. If you don't define [the criteria] up front it becomes unreliable." Zamora says forecasters then create their own and often inaccurate filters, which skews the outcome.

Factors Salespeople Can't Control

In addition to the decisions made by buyers or potential buyers, there are other known factors that salespeople can't control. These impact buying decisions and include:

- Poor quality and/or slower production schedules (if a manufacturer, for example)
- Economic conditions including recession that cause current or potential customers to pull back on making purchases
- Changes in management for potential customers/clients that lead them in another direction
- Loss of valuable sales-team personnel or under-performance by employees in those positions (this may be a sales manager issue; however, if they are responsible for hiring the wrong people, not giving them the tools/support needed or putting unrealistic timelines and pressure on salespeople can affect forecasting and therefore results)
- The lack of resources allocated for promotion and marketing, i.e. traditional media and digital advertising campaigns, printed materials, trade show participation and other sales support activities
- Failure to explore new, niche markets for product lines, even if some modification is required, to help meet the forecasted numbers.

In short, sales managers or those in upper management/ownership may need to look at what obstacles are standing in the way of their sales team's success. Is it truly something out of their control, or is it more of an operational or systemic issue?

A Starting Point

Bob Kelly is the founder and chairman for the Sales Management Association, a global organization with members involved in various facets of the sales process. Forecasting is often "the number-one challenge" for SMA members, in part "because it takes a huge amount of time for most organizations, an all-consuming activity. And it yields really poor results if you judge them by their accuracy." In fact, Kelly points to data that says only three in 10 firms are satisfied with their forecasting. There is better enabling technology these days that can give forecasters a fighting chance. They collate more relevant data and allow more sets of eyes up and down the chain of command to suggest tweaks before sales forecast is approved. "Data is getting better, but companies still have a long way to go in the way they use it for forecasting," suggests Kelly. Bias and self-interest can help skew a forecast as can "sandbagging," or lowballing predictions to make the results look even better when sales come in well over that mark. For these reasons, it's better to view forecasts as talking points—a baseline to start conversations between a manager and his/her sales team, rather than as a pinpoint-accurate document to live by.

Forecasting based in part on track record can help focus a sales team and provide a baseline, as long as many of the same conditions that were in place the previous year are still valid. While it provides direction, flexibility and agility are also important. Also, it helps if the upper management team receiving these forecasts is on the same page and is willing to work with sales management to make course corrections if needed. These may include:

- Price adjustments reacting to competition
- Rolling out or expediting product development in response to market shifts and client/consumer preferences
- Making sure the best personnel is in place to meet the forecast at all levels—in sales, production, marketing support, etc.

Leading Indicators for Better Forecasting

Information such as the numbers of sales calls made, proposals sent out and an understanding of who is in the decision-making food chain may help formulate a more accurate forecast. How engaged is the potential customer? "These are more fine-tooth comb things that ensure a stronger position to be accurate on your forecasting," says Zamora. Kelly calls it a more consistent set of definitions around how they create a sales forecast. Composite forecasting, he says, uses the sales pipeline approach—a set of stages that starts with a lead, advances to qualification and then to a proposal. A value can be assigned to a potential client and that number can be used to help assemble a forecast. A one-million-dollar deal, for example, with a 50-percent chance of closing can be assigned a $500,000 value toward the forecast. "You need to have really clear definitions, including when is an opportunity qualified? When can you move it from one stage to the next?

Those points in the sales pipeline must be clearly defined," says Kelly. He also notes that a focus on sales revenue as opposed to profitability is ill-advised: gross or net margins might be a better indicator of a company's health. "Just focusing on revenue is often simplistic."

Forecasting is Not Foolproof

The truth is that there might be no foolproof way to know about forecasting accuracy. A forecast is never 100 percent. No matter how much time the sales department puts into it, there are too many unknowns and variables. Does that mean you shouldn't do it? Of course not. But, make sure to monitor sales activity. Keep a pulse on the sales funnel and know where you have to allocate resources and adjust. Seek input from the salespeople and revise as necessary. Most important, remember sales managers and their teams need to work together to turn efforts into actual sales.

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Gerri Knilans is the President of Trade Press Services. As marketing communications strategists, serving organizations of all sizes and types since 1995, the company provides writing, media outreach and general marketing support to help clients accelerate growth and generate more visibility, credibility and name recognition in their marketplaces.

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