# 5 Ways to Improve Forecast Accuracy and Reduce Revenue Risk

## A New Approach to Active Sales Forecasting

An Inside Look at How Leading Companies Are Benefiting
from Deeper & Real-time Intelligence, Visibility and Reporting

With nearly 104,000 customers and growing, salesforce.com customers get it. They know that the cloud-based Salesforce CRM suite is a critical tool for capturing and reporting account data, identifying new revenue opportunities and improving business performance. They see the impact on their organizations, their employees and their bottom lines.

Many of these companies, however, still face challenges in a key area: sales forecasting.

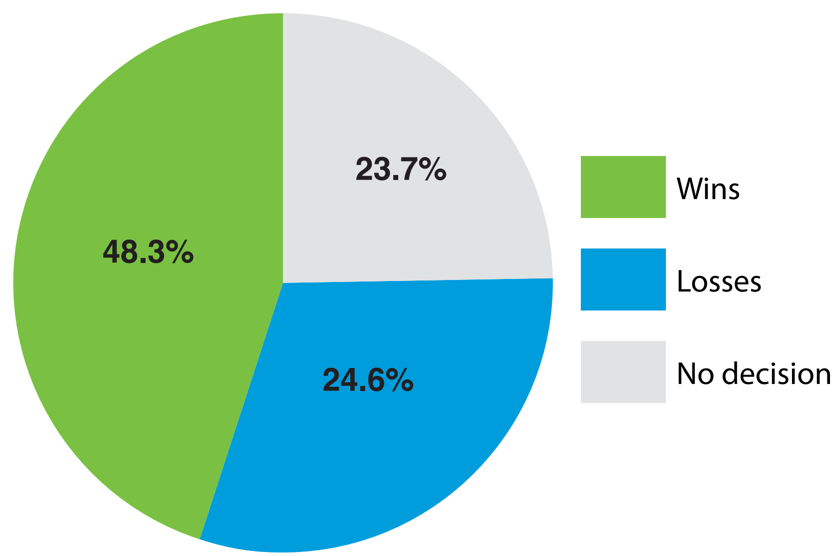
Forecasting is a critical tool for managing risk, improving business productivity and increasing sales. It allows companies to deliver more revenue and higher profits – and to do so in a predictable manner. That's because accurate sales forecasts lead directly to better sales performance.

So why are so many organizations' sales forecasts still so abysmally bad? Why is the gap between forecast revenue and actual performance still so wide, and why do organizations have so much difficulty closing that gap? According to the *2012 CSO Insights Sales Performance Optimization Survey,* for example, less than half of all forecast sales opportunities actually result in wins.

The fact is Salesforce – like other CRM solutions – was never designed to supply what is needed to create meaningful and accurate sales forecasts. Salesforce reports and dashboards provide a snapshot of current pipe, but fall short of providing historical data that is key to predicting accurate forecasts. The problem is not just that forecasting is largely a manual and error-prone process today, but also that it's almost impossible to improve forecasting without analysis and insight into current and historical CRM data – a task that Salesforce CRM was not designed to address.

In an attempt to get those insights, many organizations have traditionally turned to homegrown solutions that combine Salesforce and Excel spreadsheets, among other tools. However, that results in a painful manual process that still results in forecasts that are based mostly on instinct and guesswork.

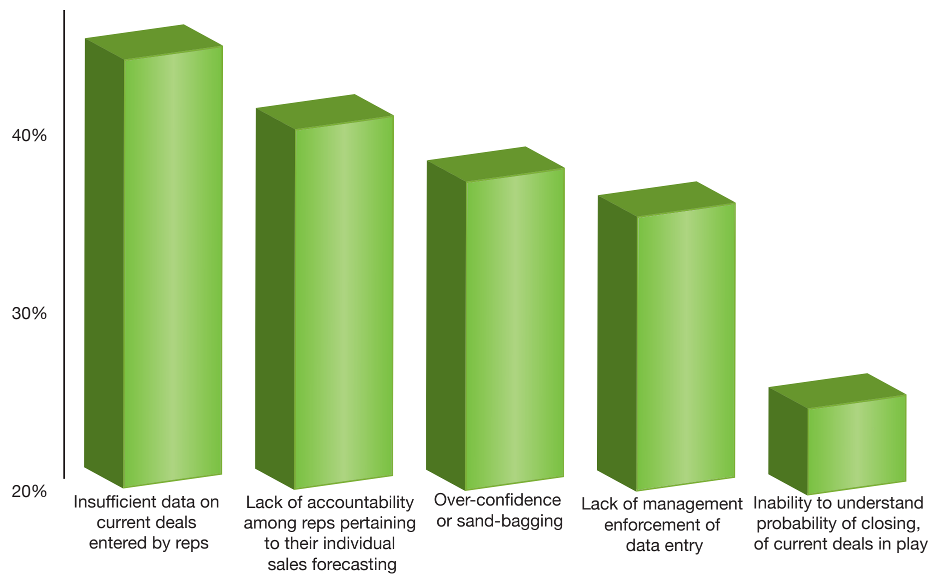
**Outcome of Forecast Deals 2012**




*Source: 2012 CSO Insights Sales Performance Optimization Survey*

The information gathered using Salesforce and Excel can show current sales data, but it cannot provide the sort of analysis that allows sales teams to improve their forecasts over time, identify potential risks in the sales pipeline and close opportunities more effectively.

**Barriers to Effective Sales Forecasting**




*Source: Aberdeen Group, June 2012*

## Fortunately, there's an alternative.

Progressive salesforce.com users are eliminating the blind spots that put their forecasts at risk by making a dramatic change in how they forecast and manage their sales pipelines. These companies have adopted "active forecasting"—integrating analytical insights into their forecasting processes and into how they monitor and manage the opportunities in their forecasts. Active Forecasting collects, organizes and analyzes pipeline data, automatically discovers insights hidden deep inside, and delivers them to the right sales managers at the right time. Active Forecasting projects likely outcomes, and prepares a rich set of hierarchical forecasts, reports, and analyses. It provides an in-depth view of opportunities, bookings, revenue, and other metrics organized by rep, territory, region, product or any other way you want.

This E-book will explain in detail how active forecasting is transforming these modern enterprise sales organizations. We'll look at why makeshift, spreadsheet-based approaches to forecasting fall short and how those shortcomings impact sales effectiveness. We also will show the ways that active sales forecasting addresses these problems, making an organization's Salesforce investment even more valuable and productive.

# Move Beyond Spreadsheet 'Magicment'

**"Unfortunately, most people in sales do not realize the limitations and risk of their current approach in using spreadsheets."**

Mark Smith, Chief Research Officer, VENTANA RESEARCH

## CHALLENGE 1 Spreadsheet Madness for Forecasting

Today, many organizations depend on a combination of Salesforce CRM and Excel spreadsheets to create de facto sales forecasting "systems." Yet almost half of the companies polled in a 2012 Ventana Research study admitted that "reliance on spreadsheets made it difficult for sales to manage effectively".

Additionally, first-line sales managers spend nearly one-third of their time on pipeline monitoring and forecasting activities – including spreadsheet work — rather than spending time on coaching, client visits or other productive tasks, according to IDC's *2012 Sales Investment and Productivity Planner: Trends, Benchmarks and Essential Guidance for Technology Sales Organizations.*

Companies see spreadsheets as a necessary evil because they attempt to do something that Salesforce CRM wasn't designed to do: analyze current and past sales data while enabling the forecasting process. The problem is that spreadsheet-based forecasts are hard to create, even harder to maintain and highly susceptible to errors. Also, like any manual business process, spreadsheet-based forecasting is nearly impossible to scale.

## SOLUTION 1 Intelligent Sales Forecasting Based on Historical Trends

Active sales forecasting integrates with an organization's Salesforce CRM and dramatically simplifies the forecasting process. Not only does it eliminate the manual complexities of spreadsheet solutions, but it also captures and analyzes the full history of all Salesforce data. That helps managers to identify important trends and changes that cannot be seen in Salesforce but that are critical to improving the forecast and understanding how to close more of the opportunities in the pipeline. Using on-demand forecasting tools, a sales organization can quickly and easily kick the spreadsheet habit and focus its efforts on far more valuable, revenue-generating activities.

Active sales forecasting is also highly scalable – a vital advantage for large or fast-growing organizations. "We don't want to cause a nightmare for our sales operations teams having to download tens of thousands of opportunities and do a lot of Excel work to find the answers," said Mark Ellison, Director of BI Delivery for Avaya's global sales organization. "To me that's not management – it's 'magicment,' because there's no control and it's not necessarily a repeatable process."

**49%** SAY SPREADSHEETS IMPEDE SALES MANAGEMENT

*Source: Ventana Research Sales on the Cutting Edge Benchmark Research for 2012*

# Uncover the Hidden Insights in Sales Data

## CHALLENGE 2 Lack of Visibility to Pipeline Change

Salesforce is designed to capture the current state of an organization's sales performance. Those "here and now" snapshots are important, but they can't capture or analyze long-term sales pipeline trends.

The problem is that without this sort of historical analysis, businesses aren't able to identify key patterns of success and failure within a sales organization. What types of deals are more likely to close, and which ones tend to fall apart? How do organizational or personnel changes map to changes in sales performance? What factors can predict opportunities that are going off track? These are the vital questions that go beyond "here and now" and into "how and why" – and the ability to answer them can have a major bottom-line impact.

"When we went live with Salesforce, it had great reporting capabilities," said Ellison. "The problem is that everything looks as it is right now – but sometimes you need to capture change and see what happened over time. Let's say you have a sales manager who runs his dashboard one day, and his pipeline is $100 million. The next day he runs the same dashboard, and the pipeline is $90 million. Well, what happened to that $10 million?"

**"We have been utilizing Salesforce.com for nine years, which has a lot of great data in it, but C9 gives us more visibility into the pipeline."**

Vice President of Operations

## SOLUTION 2 Manage Risk Based on Historical Insights

Tracking spreadsheets and manual forecasting techniques lack the accuracy and flexibility to answer these types of questions. Active sales forecasting, by comparison, is designed specifically to track and analyze changes within an organization's sales pipeline. It automatically tracks the health of your forecast by applying historical patterns of success and failure to opportunities as they move through the sales cycle, and alerts you to deals that move in or out of your pipeline. Because it has that information, it can then uncover patterns and trends in historical data. With that information it can also reveal the risk factors and best practices that determine success or failure, and it uses those factors to assess future sales performance far more effectively.

The benefits are obvious: Managers get accurate and reliable forecasts because they are not forced to resort to guesswork or error-prone manual processes. They also get a vital early-warning system to spot potential problems in the sales pipeline before they ruin the forecast and impact the organization's bottom-line numbers. "The idea is you take a full snapshot of your system every single day – and it shows you exactly what happened to that $10 million," Ellison noted.

"It's not just the things you win or lose," he added. "It's what things get de-forecasted, where the close dates get moved beyond the current quarter, or whether a deal that started the quarter at $1 million ends it at $10,000."

# Stop Playing the Sales Guessing Game

## CHALLENGE 3 Guesswork Forecasting

What goes into a company's sales forecasting process? The answer often involves a patchwork of Salesforce data, spreadsheets, email reports and dashboards combined with a generous dose of gut instinct and guesswork. It's a recipe for trouble: Even if a forecast hits the mark one quarter, how can an organization consistently repeat its success when it has no idea how it happened in the first place?

More often than not, of course, forecasts based on guesswork don't come close to hitting the mark. Those guesses are rarely based upon a truly objective approach to the forecasting process. Even the most experienced managers have a hard time separating intuition from emotion, and sales reps naturally want to put a favorable spin on their own reporting data – assuming they provide any timely data at all. According to a 2012 Aberdeen Group study titled *Sales Forecasting: How Top Performers Leverage the Past, Visualize the Present and Improve Their Future Revenue,* nearly half of the companies surveyed said that "insufficient data on current deals entered by reps" posed a barrier to effective sales forecasting, while many other companies cited a "lack of accountability among reps" or "over-confidence" as significant problems.

"It's a tired and sad story," said Beagle Research Analyst Denis Pombriant. "Sales teams miss their revenue numbers because they are not even aware that the deals in the forecast aren't as solid as their gut instinct tells them."

**"C9 delivers on our need for forecast accuracy and drill downs with the right level of analysis in an easy to use environment."**

Vice President of Sales, DocuSign

## SOLUTION 3 Data-Driven Accurate Forecasts

Active sales forecasting replaces guesswork and gut instinct with objective insights gleaned directly from an organization's existing Salesforce data. Active sales forecasting adds historical perspective, reveals important trends and patterns in sales data, and identifies the key factors that lead to better sales performance. Above all, however, it allows organizations to create reliable sales forecasts that no longer rely solely on emotion or intuition to predict future sales results.

There's no denying the value of shifting an organization away from subjective forecasting methods. According to the Aberdeen Group, for instance, nearly half of all companies with best-in class sales performance have replaced "intuition-based sales resource allocation with fact-based predictive analytics" – twice the uptake rate of companies with lagging sales performance.

"By using analytical processes, organizations are more likely to hit their numbers by more intelligently allocating extraordinary resources to the most appropriate opportunities, and thus removing emotion from the calculus of sales forecasting," said Peter Ostrow, Analyst at Aberdeen Group.

# Enable Superior Sales Management

## CHALLENGE 4 Pipeline Blindness

For too many enterprises, the sales pipeline is about as transparent as a brick wall: Leads go in, deals come out, and what happens in between is a complete mystery. That's especially true when sales managers attempt to understand how their organizations perform across multiple dimensions, including time periods, business units, leadership hierarchies, product lines and geographical regions.

This lack of visibility into the pipeline plays havoc on sales forecasts, and it also creates a number of related leadership and management problems. Sales managers, for example, spend inordinate amounts of time interrogating field reps in order to understand how they're performing. Yet in spite of this effort (or perhaps because of it) managers lack the insights they need to conduct effective sales coaching; instead, they fall back upon a system of punishment and reward that's based entirely upon a rep's short-term performance. Ultimately, managers find themselves managing by post mortem – searching for insights only after a deal succeeds or fails.

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According to CSO Insights partners Jim Dickie and Barry Trailer, these problems are inevitable when the forecasting "tools of choice are core CRM systems and spreadsheets." The goal for managers, they state, should be "to know which reps need what type of help to resolve what issues related to what deals to get them to close opportunities when promised."

Unfortunately, they conclude, "we have been hard-pressed to find companies accomplishing that by analyzing week or month old data using spreadsheets."

## SOLUTION 4 Gain Visibility into At-Risk Deals

Active sales forecasting enables a very different – and far more proactive – approach to sales management. It does this first by monitoring changes to the sales pipeline in ways that a Salesforce system isn't designed to do. "When the odds of an opportunity closing increase or decrease, when the dollar volume of the deal goes up or down, when the close date moves in, moves out, or is dropped altogether…the system immediately detects those events," Dickie and Trailer explain. "The application proactively notifies the appropriate manager of those changes."

This process, in turn, enables what the experts refer to as "management by exception" – focusing resources explicitly on at-risk deals that require urgent attention, rather than spending time poring over spreadsheets and interrogating sales reps. When a sales forecasting early-warning system points to problems with a particular product line or business unit, managers can identify the underlying causes far more effectively. When the analysis points to a particular issue with an individual sales rep, a manager knows exactly where to focus coaching and mentoring efforts.

**"C9's ability to show us what's changed in our pipeline effectively bridged the 'data gap' to make our sales managers' one-on-one sales rep coaching painless and productive."**

CRM Project Manager, Thermo Fisher SCIENTIFIC

"If I see a large number of pushed-off deals and I see that it's the same account manager, I can now have a coaching session with him," said Avaya's Mark Ellison. "I can understand why it happened, and improve it as we go forward. And what we see as we go from quarter to quarter is less of that volatility in our sales funnel."

Scott Johnson, Sales Operations Manager for Stanley Black & Decker, agreed that active sales forecasting enables a more productive and systematic approach to sales management. "Our process improvement really stemmed from our ability to come up with a 'pipeline playbook' that outlines a cadence and reporting structure," he explained. "We had been using salesforce.com for nine years, but [active forecasting] gave us greater visibility into that pipeline."

# Identify and Minimize Risk

## CHALLENGE 5 Understanding Revenue Risk

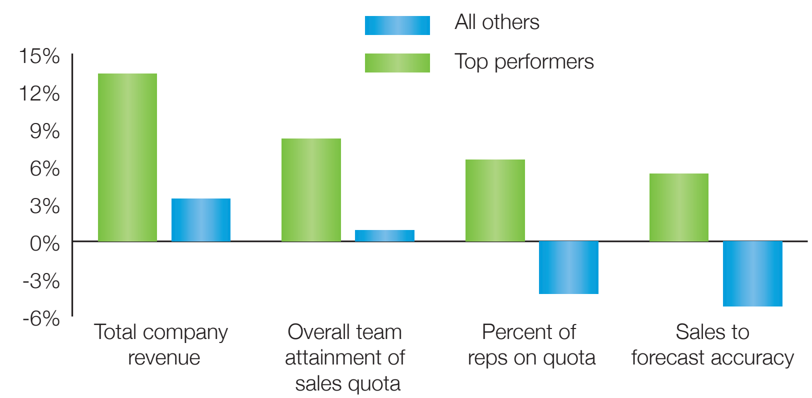
What strategic purpose does a sales forecast serve? Predicting future revenue is certainly one goal, but it's just part of the bigger picture.

In fact, sales forecasts can – or at least should – help an organization think through and answer any number of important questions. What traits define an at-risk deal? Why do some deals get pushed back, while others close so quickly? How and why does sales revenue fluctuate across business units, product lines or geographic regions? Are efforts to address sales pipeline problems improving things or actually making them worse? Organizations that answer these questions are better able to identify and address sources of business risk – and that, in turn, enables better forecasting and higher revenue.

Here's the problem: Traditional forecasting methods rarely even try to answer these questions, let alone answer them correctly. What information is available takes time to compile, and it's usually obsolete before a decision-maker even sees it.

This is why inadequate forecasting contributes directly to business risk. Deals fall through without warning – and often for no apparent reason. Inaccurate revenue estimates blindside executives, board members and shareholders. Business leaders are forced to react to each new crisis as it erupts, since they don't get the information they need to adopt a more proactive strategy.

**It's All About Trust**




*Source: Aberdeen Group, June 2012*

The consequences for a company are profound and far-reaching. "This is not only a problem for accountants," Ostrow noted. "It can impact such widespread decisions as hiring, product development, marketing spend, cash flow changes, and even merger-and-acquisition strategies," the *Sales Forecasting* report noted.

## SOLUTION 5 Identify and Reduce Revenue Risk

Business risk. By analyzing historical trends and current data, organizations gain greater visibility into their sales pipelines, sales organizations and long-term sales performance trends. Those insights, in turn, make it possible to create far more accurate forecasts that allow a company to assign resources, manage personnel, project revenue and set realistic business expectations.

Put another way, active sales forecasting goes beyond simply showing managers what happened. It also shows you *how and why* changes to the sales pipeline impact key performance indicators. When managers identify the traits associated with at-risk deals, for example, they gain the ability to address these underlying problems and then to measure the effectiveness of corrective measures.

"[C9] will help our sales managers improve results by giving them information that identifies opportunities that are in danger of falling out of the forecast, and opportunities that can be accelerated, in time for them to take action to bring in that revenue," said Thomas Eggemeier, EVP Global Sales, Genesys.

In organizational terms, the link between accurate forecasting and business performance is clear. According to the Aberdeen Group, firms taking a best-in-class approach to sales fore-casting gain a significant edge in terms of forecast accuracy – even when looking at forecasts created as long as six months in advance. Those companies with trustworthy sales forecasts showed nearly four times as much revenue growth as other companies. And 97% of these companies achieved their sales quotas, as opposed to just 55% of companies not adopting a best-in-class approach.

In other words, active sales forecasting has proven its ability to reduce some of the key sources of uncertainty – and risk – in the organizations that employ it.

**"The reason we chose [intelligent sales forecasting] was because of the incredible ability it has to tell what happened in a pipeline. For so long we would look at pipeline reports – something was changing, but we could never figure it out. Now we're actually able to see it in an application, right there in front of us."**

Brian Frank, Global Sales Operations Leader, LinkedIn

# **Conclusion:** Increase Forecast Accuracy to 95%

As the anecdotes and expert insights presented here demonstrate, adding historical context and multi-dimensional insights to an organization's Salesforce data can provide huge benefits across the enterprise. But it's worth re-emphasizing one vital point: The business gains we're talking about are quantifiable, and in many cases they are dramatic.

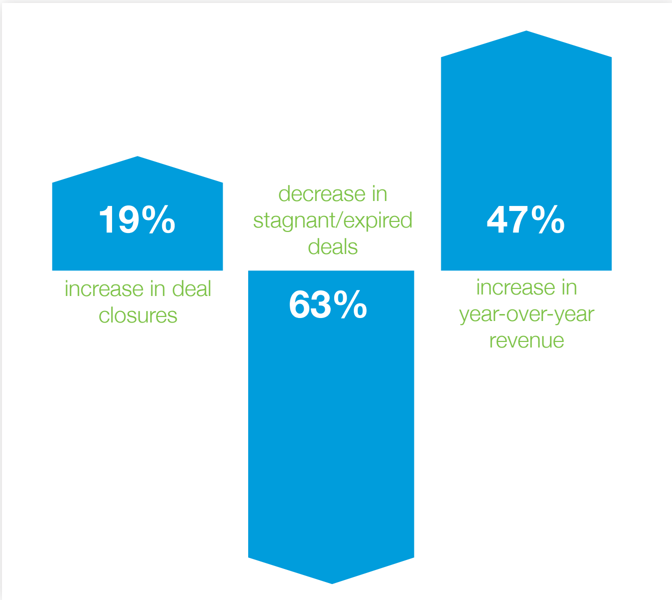
Case in point: Stanley Black & Decker, with annual revenue of more than $8 billion, adopted intelligent sales forecasting as the lynchpin of its pipeline management strategy. By supplementing its existing Salesforce system with this technology, the company got a 19% increase in close rates, a 63% drop in stagnant or expired deals and a 25% decrease in close-date changes – all within the first year of adoption. Those improvements, in turn, drove a year-over-year 47% growth in revenue.

More generally, best-in-class companies adopting such solutions enjoyed an impressive 91% customer retention rate, versus a 32% retention rate among companies that have lagged in adoption, according to Aberdeen.

Do the math, and for many enterprises those kinds of gains can translate to millions in additional revenue from their sales pipelines. They can also benefit from the bottom-line impact of predictable, reliable forecasts that enable effective planning; more impactful sales force training; and cost savings associated with a move away from time-consuming, error-prone manual forecasting processes.

**Stanley Black & Decker used intelligent sales forecasting to drive a 19% increase in its close rates, a 63% drop in stagnant or expired deals and a 47% increase in year-over-year revenue.**

StanleyBlack&Decker




That's the power of intelligent sales forecasting -- and it's the kind of power that is now available to any company that wants to take its existing Salesforce CRM investment to the next level.

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# About C9

C9, the Revenue Performance company, helps organizations analyze and optimize revenue across marketing, sales, service and support. Only C9 Applications and Active Data enable companies to increase revenue by improving visibility and predictability, generating more accurate forecasts, and identifying revenue risk.

C9 helps grow revenues for industry leaders including Avaya, BMC Software, CA Technologies, EMC2, LinkedIn, Pandora, Progress Software, Siemens and Stanley Black & Decker.

## Active Insights. More Revenue.