Is 'What If' Missing From Your Sales Forecast Equations?

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Your sales staff's numbers and payroll may be growing today, but what lies ahead?

To succeed, businesses must navigate a rocky road of unpredictable labor costs. At the same time, employers face fierce competition for the most talented salespeople.

Adding to the difficulty companies have in reaching their full potential may be a workforce that is not engaged or fully motivated. More than two-thirds of American workers – 68.5 percent – feel actively or passively demoralized in their jobs, reports Gallup’s March 2015 workplace poll.

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Staff dissatisfaction can erode a company’s sales productivity and output at the same time those workers continue to command higher compensation.

With such conditions, sales managers often worry about reaching their targets and if their sales teams are achieving their full potential.

It’s easy to forget that it isn't just revenue boosting the bottom line.

For continued corporate success, employers must not only establish a culture that recognizes and rewards performance but also simplifies, streamlines and automates, complex commission and bonus program structures. These incentive compensation plans must

include not only monetary rewards, but promotions and non-cash rewards to recognize those who meet and exceed company quotas and goals.

That’s why implementing sales forecasting software has become one of the hottest trends – and tools – for today’s highly successful companies.

What fuels sales forecasting software adoption is the chief component of “what if” analysis. "What If" analysis is the process of creating, comparing and changing models of variable pay plans.

Once users evaluate the many options in the field, they can then implement the best for their situation. The analysis tool aids firms that are unsure how incentives adjustments will affect staff performance and engagement by simply and quickly model several options.

While attempting to maximize revenue and profits,managers strive for the right balance of incentives to retain staffers and soptimize labor costs. Knowing and understanding the available options is also vital in setting the right daily, weekly, quarterly or annual quotas.

Wrestling with spreadsheets for hours and days while steering a sales team is just as precarious as unfolding and reading a map while barreling ahead down the road. Wouldn’t it be more reassuring and effective to simply plug in data and compare various options for merit increases, commissions, incentives and future salaries?

That’s why many now turn to sales forecasting software, while companies not using such tools are missing out.

Insufficient Forecasting Can Be Costly

The latest economic figures show problems ahead for management:

Labor productivity in the business sector fell at a 2.2 percent annual rate during the fourth quarter of 2014, the U.S. Bureau of Labor Statistics reported in March 2015. Meanwhile, output rose 2.6 percent and work hours swelled 4.9 percent.

Worse, unit labor costs in March rose 2.6 percent over the past year and 4.1 percent in the past quarter. That three-month change reflects a 1.9 percent boost in hourly compensation and a 2.2 percent drop in productivity.

For employers, the combination of those factors makes the goal of increasing profits harder. Management's ingenuity and nimble analysis of the route ahead and behind has become essential to prevailing in a tough economy.

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Challenges

Sales projections based on instinct or guesswork can be wildly off-target.

So many factors are involved in retaining current workers, luring future hires, tweaking performance and tracking sales progress. These elements also include setting salaries, defining sales territories, focusing on group and personal quotas and balancing labor costs.

Only by being aware of past numbers, current resources and future needs can one accurately project – and satisfy – corporate objectives.

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Armed with the proper knowledge, firms can crunch the numbers, seeing how various changes in quotas, incentives and other indicators would affect productivity and sales. These all contribute to the equation that companies use to measure their overall performance.

Unless an employer knows which sales pros are the best, middle and worst performers, it's difficult to set budgets appropriately to reward top sellers with bonuses, promotions and raises without eroding profits.

Why waste money on pointless perks? Incentives must be meaningful.

Some workers prefer higher commissions, while others desire the security of boosted base pay. Some may find it hard to remember incentives and corporate goals a year or a quarter away while dealing with daily stressors. Others prefer bigger rewards even if the wait is longer.

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Without the right tools, businesses also cannot truly gauge the capabilities of their staff, or know which salespeople struggle to meet quotas and which ease up when approaching quarterly or yearly deadlines.

Data also can convey what boosts or erodes worker engagement.

Many complex details are needed to clarify the full scope of issues that may block the full productivity of a business' sales force.

Users can look at alternatives to estimate individual- and role-based bonus payouts, thereby incentivizing optimal behavior.

Solutions

Sales compensation analytics – as cloud-based software – reveal potential detours in meeting sales goals swiftly, allowing firms to spryly set or adjust salaries, incentive compensation and other labor costs for the short and long term.

"What if" analysis enables managers to test performance and target sales scenarios before implementing any goals and determine how many hires or furloughs most likely will spur profits.

Users can look at alternatives to estimate individual- and role-based bonus payouts, thereby incentivizing optimal behavior. Models allow managers to experiment with new and existing incentives by comparing rewards side-by-side per individual, plan and team.

Collecting sales performance data also makes it possible to predict how much each new salesperson will sell and what revenues he or she will garner. The size of salaries and frequency of incentives can be set to maximize each individual's potential.

Once on board, staffers can be tracked side-by-side to determine where they stack up within the workforce.

This helps management judge past measures and plan future quotas, bonuses and budgets. Contributing to the bottom line are sales performance metrics, such as revenue per salesperson, frequency and value of sales per rep and team, quality of contact methods and number of formal quotes versus closed deals.

Some of the information can be shared with staff. Simply knowing where they stand also might lead employees to take control of their output and challenge themselves to beat prior benchmarks.

Bringing in top performers from one office to coach lesser performers in another can also raise productivity.

By reviewing the entire workforce, specific territories and each salesperson, managers can determine how to motivate by honing group and individual quotas and quests. Leaders also can determine which incentives should be monthly, quarterly or yearly.

To inspire loyalty, the right software enables smoother handling of bonuses, promotions, noncash payouts and other incentives – shown in colorful, easy-to-understand charts and graphics.

Once payout amounts, accruals and other finances have been explored, setting final budgets becomes easier.

Most important, such analyses can be fast and accurate - whether reviewed every day, week or month. The objective is to remove risk for executives and avoid frustration among the ranks due to unattainable challenges or lethargy from inadequate ones. Either may lead to an unmotivated workforce or higher turnover.

Analyses lead to more accurate sales forecasts, better salary planning, improved control of labor costs and a more motivated and loyal workforce.

Conclusion

Seek the most comprehensive yet limber sales forecasting compensation software on the market.

Reviewing past data, analyzing present conditions and predicting future opportunities all improve corporate odds in an environment clouded by falling output, motivation and loyalty, Only then will "what ifs" along the route to success become clear roadways that help your business reach its goals - and fullest potential.

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