Analyst Insight

Aberdeen Group
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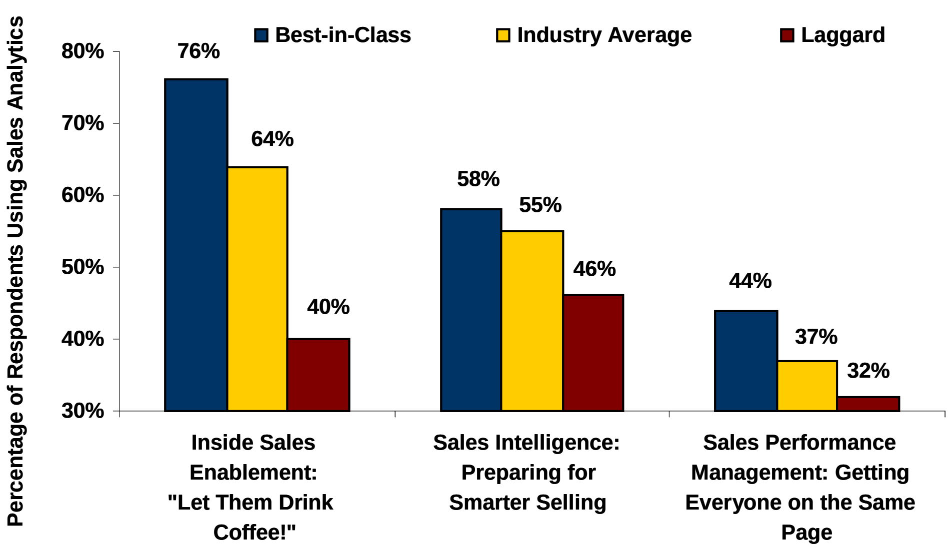
Best-in-Class Sales Organizations Blend Forecast Accuracy and Pipeline Velocity to Seal More Deals

Enterprise sales organizations are under increasing pressure, often both from internal and external stakeholders, to provide more accurate sales forecasts of top-line revenue in order to better predict, and improve, the long-term health of their company. To maintain a competitive position in the market, companies are turning to sales analytics solutions that provide an enterprise-wide data flow into the forecasting process, thus creating a more refined snapshot of future revenue and empowering more efficient, margin-driven sales activity as well as more pure selling time by the sales team itself.

Business Climates Demand Better Sales Forecasting

In an ongoing series of Aberdeen research studies, the consistently high adoption rates of sales analytics solutions among top-performing sales teams reveal a clear trend toward the business value the Best-in-Class place on accurate sales forecasts. The three studies represented in Figure 1 indicate how the top 20% of performers among over 1,300 companies use these tools to obtain a more accurate view of their organization's current and future health.

Figure 1: Best-in-Class Deployment of Sales Analytics Solutions



Source: Aberdeen Group, September 2010

Analyst Insight

Aberdeen's Insights provide the analyst perspective of the research as drawn from an aggregated view of the research surveys, interviews, and data analysis.

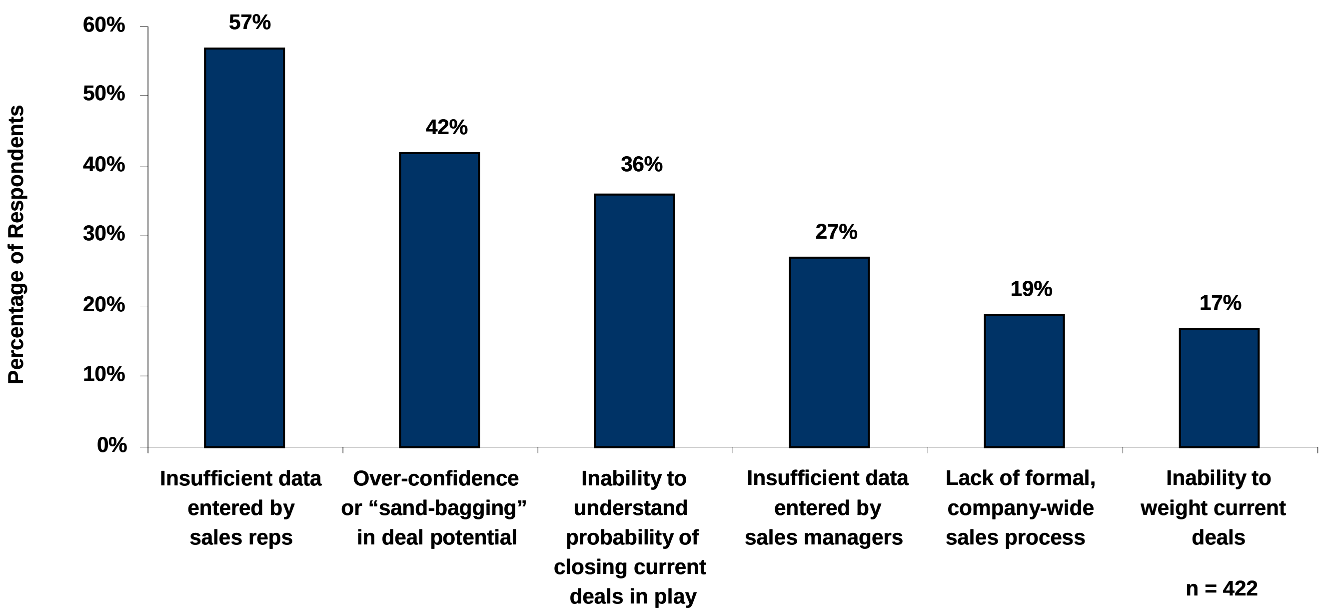
Fast Facts: Sales Analytics Benefits

- √ Users of sales analytics / forecasting tools outperform non-users by 1.46-times in the accuracy of their sales forecasts
- √ Companies using sales analytics/forecasting tools outperform others by 1.3-times in achieving their overall annual sales quota
- √ Users of sales analytics have 1.5 times greater current win/loss rate compared to non-users
- √ Companies using sales analytics achieve 3% year-over-year improvement in the accuracy of their sales forecasts compared to no change for non-users

Achieving these clear views, however, is not easy. Indeed, limitations on internal visibility into predictive business results are compounded by the changing dynamics of many business environments, and thus affect both forecasting accuracy and, ultimately, an organization's actual revenue flow. As a result, flawed source data affects decisions on how sales execution will occur and then, in turn, the level and type of resources that will be applied to sales situations based on past successes / failures, sales cycle timeframes, and close ratios.

Sales forecasting inaccuracies are not limited to over-eager deal-closing expectations at mid-quarter; publicly-held firms are taken to task for missing their number on the plus side of estimates, as well. Hence, predictability and holistically sound forecasts remain an important goal, in all cases when an organization's ability to leverage opportunities that might be missed when over- or under-performance trends are not visible to senior management, or detected in enough time to respond.

Figure 2: Best-in-Class Barriers to Accurate Sales Forecasts



Source: Aberdeen Group, June 2010

Figure 2 shows the barriers that most frequently prevent accurate sales forecasting, as reported by Aberdeen’s 422 survey respondents in *Sales Forecasting: Analytics to the Rescue!* (June, 2010). The most commonly cited issues are specific to sales practitioners themselves, with data entry and emotions playing what must be considered by management staff a rather annoying role in creating a sustainable and efficient business operation. Instead, let us now explore how top performers distance themselves from the crowd by applying process, organization, management and analytic technology to their pipeline management environment.

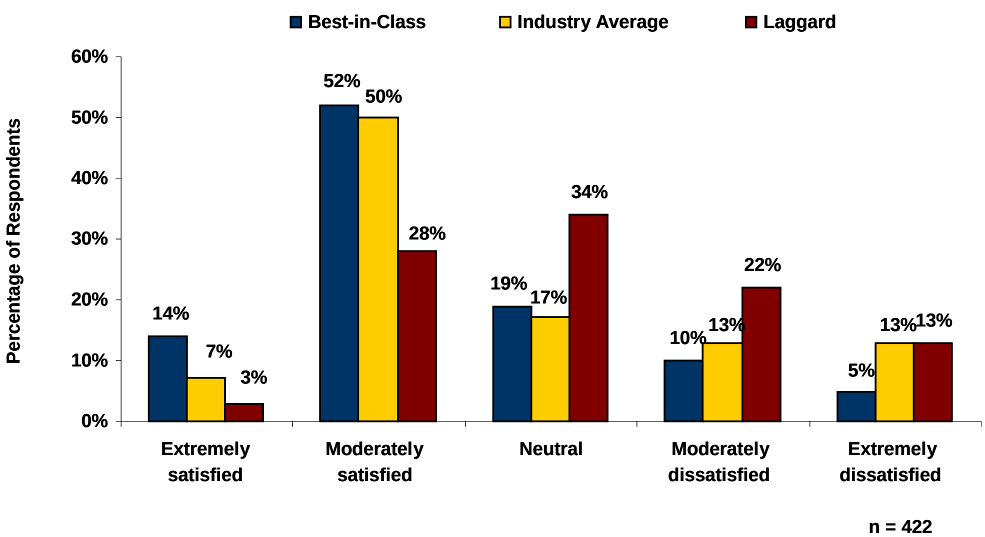
Table 1: Top Performers Revise Sales Forecasts More Frequently

Maturity Class	Frequency of Sales Forecast
Best-in-Class	18.5 days
Industry Average	31.2 days
Laggard	41.7 days

Source: Aberdeen Group, June 2010

As Table 1 indicates, a simple starting point among Best-in-Class companies (see sidebar) seeking to maximize revenue is to revise and publish their sales forecasts more frequently, more than twice as often as Laggards. As a result, these top performers report a better sense of satisfaction with the accuracy of how their sales pipeline is reported and published (Figure 3). The fact that relatively few companies are extremely "satisfied" with their forecast indicates a widespread desire for better insight into how sales reps, teams, product and geographies will combine to help reach or exceed quotas. Still, since 64% of the Best-in-Class report some positive degree of satisfaction, compared to 57% of Industry Average and 31% of Laggards, as the saying goes, "they must be doing something right."

Figure 3: Satisfaction with Sales Forecasts by Maturity Class



Source: Aberdeen Group, June 2010

Deconstructing Best-in-Class Best Practices for Sales Forecasting

Within the sales forecasting research findings, a number of business competencies, process and technology enablers, were revealed as more frequently adopted by the Best-in-Class firms, in comparison to other companies. Fully 76% of these top performers, for example, report a deploying a process for "formal definition of progressive sales stages, used

The Sales Forecasting Best-in-Class

In April and May 2010, Aberdeen surveyed 422 end-users to understand how the top performers among them deployed sales analytics and forecasting solutions to improve sales effectiveness. The Best-in-Class yielded:

√ 12.6% average annual increase in overall team attainment of sales quota, vs. 0.3% and a 7.9% decrease for Industry Average and Laggard firms.

√ 83% average forecast accuracy, vs. 77% and 44% for Industry Average and Laggard firms.

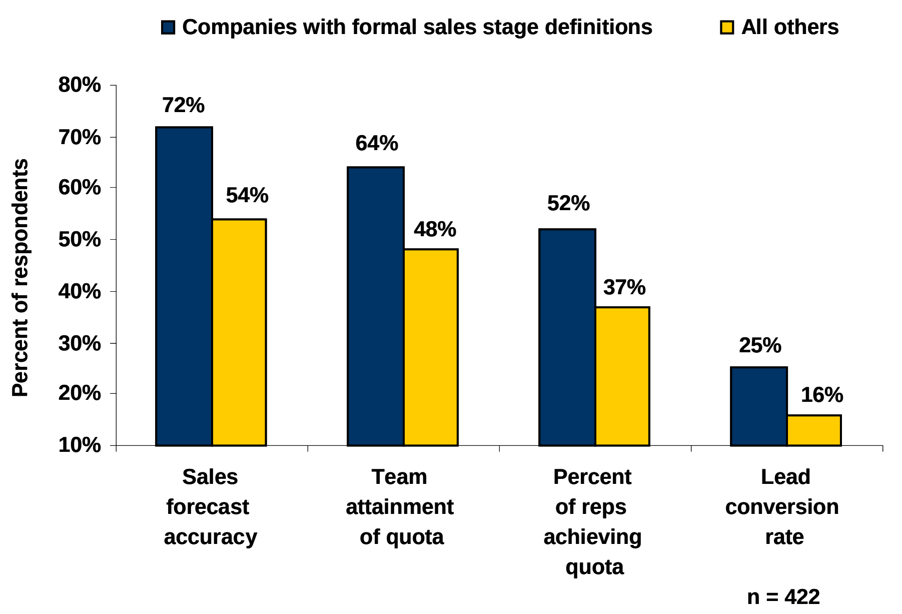
√ 9.1% average annual increase in gross revenue per sales rep, vs. no change and a 4.8% decrease for Industry Average and Laggard firms.

to weight sales forecasts." The Best-in-Class are 52% more likely than Laggards to formally define sales stages and create weighted sales forecasts based on the trajectory and timing of each deal under consideration. The opportunity to align a more accurate forecast with the overall company's need to predict performance is enhanced when the likelihood of every opportunity to close automatically increases when each successive sales stage is reached. These stages can be defined in myriad ways, though many companies will use a chronological construct such as:

1. Prospect
2. Confirmed Interest
3. Timing Aligns
4. Budget Identified
5. Decision-Makers Engaged
6. Proposal Submitted

Indeed, as Figure 4 indicates, those companies in the sales forecasting research indicating an adoption of this process capabilities show stronger performance across a number of current Key Performance Indicators (KPIs).

Figure 4: Performance Improvements Associated with Formal Definitions of Sales Stages



Source: Aberdeen Group, June 2010

Aberdeen research reported in *Lead Lifecycle Management: Building a Pipeline that Never Leaks* (July 2009) bolsters the importance of standardizing the rankings of sales opportunities, in that 78% of Best-in-Class companies agree that "marketing and sales collaboratively define what constitutes a 'sales-ready' lead." In order for an automated forecasting or analytical technology solution to function properly, it is crucial to avoid any conflicting data borne out of inconsistent opportunity definitions.

Fast Facts

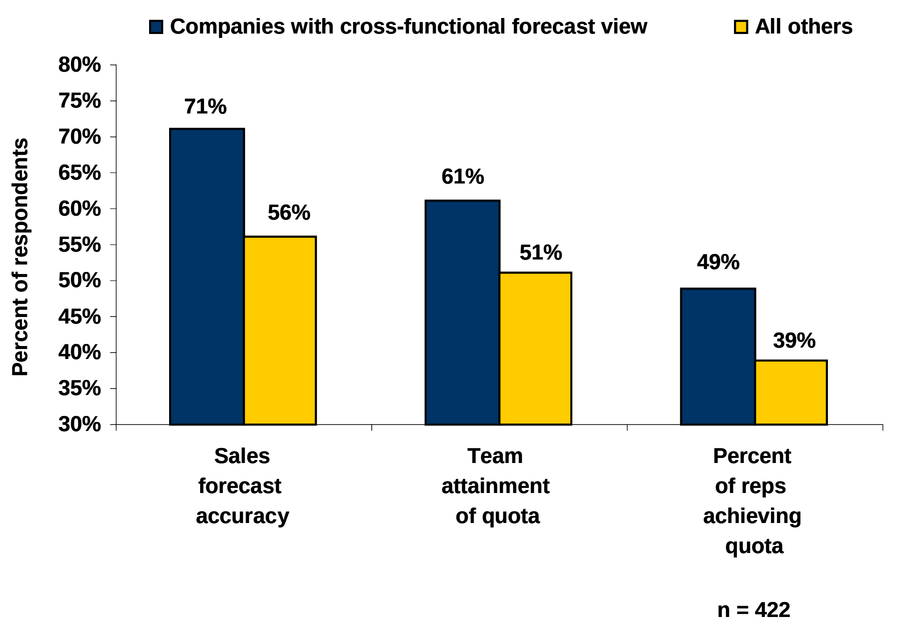
√ The average demographics among survey respondents include: 5,640 employees, 1,387 sales reps, $947M annual revenue, and a 132-day sales cycle

√ The average performance among all companies in terms of sales effectiveness metrics is: 56% overall team attainment of annual quota, 45% of reps achieving quota, 19% lead conversion rate (marketing to sales), and a 25% win/loss rate (sales-accepted lead closes)

√ Sales forecast accuracy averaged at 65% among all survey respondents

Cross-functional access to the sales forecast, promoted by the Best-in-Class 29% more often than Laggards (81% vs. 63%), is a sort of business environment "no-brainer," considering how crucial revenue flow is to constituencies throughout the enterprise, rather than just sales leadership. In the March 2010 report, *Providing a 360° View of the Customer - Better Service - Higher Sales*, 52% of the Best-in-Class provide all internal stakeholders – marketing, customer service, finance – with a technology-based common view of the customer, in order to better enable a "one voice" approach to maintaining customer loyalty and spend; while only 25% of Laggards do so. It makes sense that the same variety of teams will benefit from an ability to make their own department-specific plans based on a direct and more accurate understanding of pending revenue streams. Figure 5 shows the improved performance of sales forecasting adopters of this organizational capability; these deployments were also associated with average deal sizes of $407,000, compared to $196,000 for all other companies, and $1.03 million in average revenue per sales rep, versus $830,000.

Figure 5: Business Benefits from Cross-Functional Forecast Views

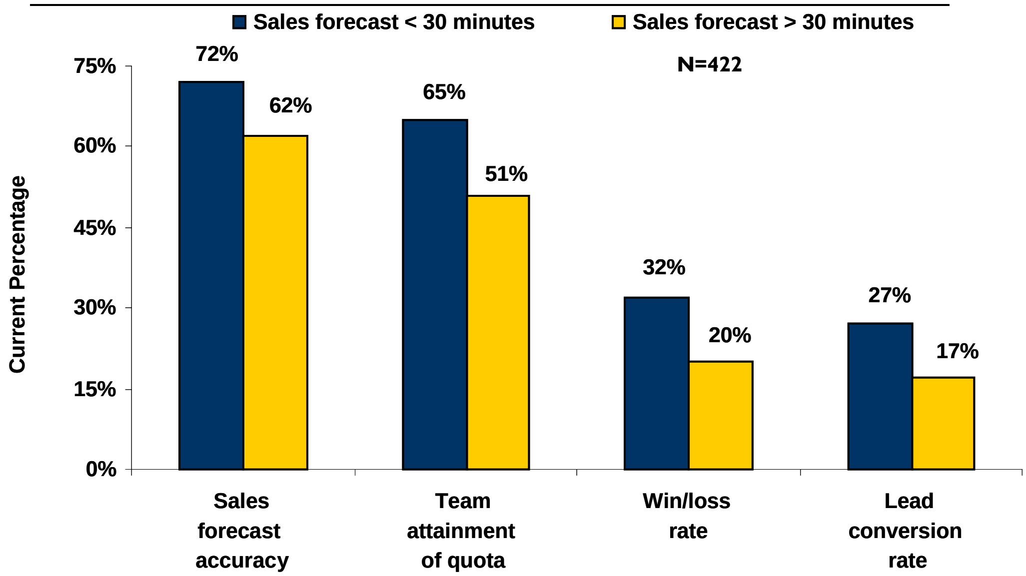


Source: Aberdeen Group, June 2010

Time is Money: The Impact of On-Demand Forecasts

One of the pain/pleasure aspects of sales forecasting is the trade-off between the efforts it can take to produce a solid, accurate view of the pipeline, versus the effort it takes an operational, administrative or even executive-level team member to gather, calculate and publish the numbers. In analyzing the performance of survey respondents whose sales analytics automation allowed them to pull a reliable forecast in under a half-hour, Figure 6 reveals their consistent levels of achievement as superior to companies whose systems require more time to do so.

Figure 6: Performance Impacted by Rapid Sales Forecasting



Source: Aberdeen Group, June 2010

Moreover, analyzing the year-over-year performance of these two groups further validates the rewards of investing in forecasting tools that yield quick results: the rapid-response companies saw an average 3.3% annual increase in overall team attainment of quota, whereas the less-efficient forecasters experienced an average annual **decrease** of 1.5%. Similar positive/negative deltas exist around lead conversion and win/loss rates, providing further substance to the maxim, "time is money."

Once the frequently-pulled forecast is set, sales leaders then want to see how their pipeline is progressing against goals. Using "re-forecasts," they can proactively identify risks and opportunities and take corrective actions during the forecast period in order to make their number. Looking back to Table 1, Best-in-Class organizations re-forecast every 18.5 days, but this is only possible if the time it takes to re-forecast does not place an undue burden on the sales or operations team; hence, the performance impact of taking 30 minutes or less to re-forecast, as outlined in Figure 6, is directly related to the frequency of re-forecasting.

Finally, a wise approach confirmed by the research is that of customizing the view of the forecast for different job roles within the sales organization. More than four out of five Best-in-Class sales teams configure the screens differently for sales reps, line managers and senior sales leaders, in order to provide the best "what's in it for me" picture of the appropriate level of individual or group performance; less than half of Industry Average firms are doing this for their staff.

Case in Point: Covad Communications

Consider the case of Covad Communications, a business communications and network solutions provider with multiple business lines that, according to Gay Thorne, VP of Sales Support and Operations, had for some time created a very cumbersome sales forecasting environment. "In aggregate," she explains, "our sales managers were spending 80 hours every month on manual reporting," trying to bring together quota and performance data from voice, wireless and access service business lines. "Our systems didn't talk to each other, creating a significant drag on productivity," Thorne continues, including the frustrating and time-consuming sales forecasting process.

Once Covad deployed a Salesforce.com CRM system that began to unify the company's view of each business line's sales data, Thorne explains that their 65 sales reps, "now had much better ability to focus on their tasks at hand, document all activities associated with each opportunity in one place, and save a lot of time on data entry and reporting." Covad then deployed a sales analytics tool from Cloud9 to provide forecasting muscle on top of the CRM, which not only saved valuable management time but also, "provides the ultimate luxury for sales leaders – the ability to manage by exception – which allows us to avoid drilling down on every opportunity, and instead focus our key resources and attention on just those deals and projects that have been red-flagged by the system as problems in need of attention."

"We are seeing more focus and increased sales throughput as a result of Covad's sales forecasting implementation, and we have far more visibility into, and efficiency in managing, our overall sales activity."

~ Gay Thorne, VP of Sales Support and Operations, Covad Communications

Thorne reports that because their multiple sales teams share many cross-functional resources, such as marketing, finance, product development and finance, "we quickly identify exceptions to the forecasted sales volume, and have replaced tiresome block-and-tackle, firefighting meetings with smoothly incorporating the new analytical results into our weekly process at all levels, right up to the CEO." As a result, Thorne concludes, "We are seeing more focus and increased sales throughput," as a result of Covad's sales forecasting implementation, "and we have far more visibility into, and efficiency in managing, our overall sales activity."

Conclusion

Whether a company is trying to move its performance in sales forecasting from Laggard to Industry Average, or Industry Average to Best-in-Class, the following actions will help spur the necessary performance improvements:

- Give your executives the right view of the forecast so they can quickly and decisively make the 30,000-foot decisions impacting enterprise performance.
- Automate your sales forecasting process with analytics solutions
- Set the stage for success with formal descriptions of how your company defines sales opportunities at each chronological watershed moment in the customer management lifecycle.
- Share sales forecast access with all stakeholders in your organization who can benefit from understanding what lies ahead in the revenue column.
- Customize the view of the forecast for different job roles within your sales organization.

- Use existing data to improve forecast accuracy by deploying solutions that collect valuable information from multiple data silos within the enterprise.
- Analyze and improve deal velocity with analysis of deals that sit in pre-defined sales stages for a longer period of time than the norm.
- Consider both the top and bottom lines regarding the sales opportunities that don't live up to their full revenue potential because of price erosion, discounting, over-negotiation or simple neglect or deal abandonment.

Ultimately, the promise of contemporary sales analytics solutions depends on an enterprise's ability to accurately anticipate its overall business health by corroborating two-dimensional CRM data with intelligence stored elsewhere within the organization. When information from other groups (such as in finance, supply chain, customer service and marketing) are linked to sales information, the enterprise can better focus sales efforts on the newly-identified, most profitable opportunities in the pipeline. Add to this the value of empowering sales reps, their managers and company executives with role-specific views of the past, present and future – and better quota achievement should become well within the reach of an increasing percentage of companies. In the end, of course, gathering the data is only part of the challenge; acting decisively and intelligently based on what it tells us remains the most important key to long-term sales success. For more information on this or other research topics, please visit www.aberdeen.com.

Related Research	
Sales Forecasting: Analytics to the Rescue; June 2010 *Optimizing Lead-To-Win: Shrinking the Sales Cycle and Focusing Closers on Sealing More Deals*; May, 2010 *Providing a 360˚ View of the Customer: Better Service - Higher Sales*; March, 2010 *Sales Intelligence: Preparing for Smarter Selling*; February, 2010 *Inside Sales Enablement: "Let Them Drink Coffee!"*; December 2009	*Customer Analytics: Leveraging Customer Data to Fulfill the One-to-One Marketing Imperative*; December 2009 *Sales Training: Translating Tribal Selling Knowledge Into Bottom-Line Productivity*, September 2009 *Lead Lifecycle Management: Building a Pipeline that Never Leaks*; July 2009 *The Carrot or the Stick? Competing Strategies for Sales Effectiveness*; July 2009

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