Video script – Joe Galvin

Sales forecasting has traditionally been one of the great challenges faced by sales leaders and sales reps. Why? Because it's a requirement for them to understand where their buyers are in their process, what they're looking to achieve, and when they'll be making their decision, the criteria to drive it. Therefore, the forecasting process attempts to capture, based on a timeframe, when opportunities will come to closure, what the value of those opportunities and product mix will be. The ability to predict that can drive greater predictability and understanding of where the business is going, as well as drive certain financial parameters around tracking to targets and the company's ability to achieve their goals.

In absence of any true facts, sales leaders rely on certain sales myths. One that's very common is the three-to-one ratio. That suggests you need to have three times the revenue value in your pipeline to support your forecast for the month or the quarter. This is based upon sales experience and judgment, with no real facts to support or document whether or not the pipeline is sufficiently strong to support the forecast or the full-year growth plan.

Organizations have had to rely on this three-to-one fallacy to be able to have insight into whether their pipeline is sufficiently strong and robust enough to support their forecast. This is based on an environment that's dominantly driven by the credibility and the judgment of the sales leaders making those assessments. Today we see a movement towards an age of accountability, accountability for sales to be able to answer not just what they believe, but what they know. Sales fundamentally has to answer three questions: what did you do, what will you do, and how will you do it? Being able to answer the "what will you do" question requires the ability to look inside the pipeline and discern which opportunities will not just close, but whether or not there's sufficient strength inside the pipeline to support that forecast and the go-forward forecast for the quarter or balance of the year.

Analytics can better help support forecasting by providing more than just a revenue perspective to the equation, that being the ability to understand what conversion rates are inside the pipeline, sales cycle length by sales opportunity, in effect, adding a three-dimensional view to the opportunity that complements the traditional revenue-only view of the traditional pipeline.

The organizations that we find are most successful in converting opportunities are those that have visibility and transparency to the attributes of opportunities that are successful. By understanding what makes an opportunity win, why it results in a close, is understanding where and how it overcomes the obstacles and challenges as it moves through the pipeline. Replacing judgment with fact allows organizations to focus their resources, their training, and more importantly, their sales people on those opportunities that are most likely to close.

More so than ever before, sales is in the age of accountability. That means that the credibility-based forecast of what a manager believes is no longer sufficient to satisfy the data demands of the organization. Sales has to fundamentally answer three questions: what will you do, what did you do, and now they'll have to answer the question of how will you do it? This will require the ability to provide analytics behind the dynamics of the pipeline and how opportunities evolve from when they enter until they close.