FUTURE PROOF: SALES FORECASTING IN 2021 & BEYOND

DATA ACCURACY AND AI DRIVEN FORECASTING MODELS

BoostUp

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FORECASTING IN 2021

It's blatantly obvious this past year has brought significant changes to every corner of our world. Perhaps one of the most significant of which is the complete digitization of work.

While steady progress was towards this digital transformation had already been made, COVID rapidly increased the speed with which businesses had to transform their ways of work.

In the sales space, all interactions have suddenly become digital. Buyers and sellers meet in virtual workspaces and have conversations through numerous text, voice, and video channels. The impact was also internal, as sales teams have found new ways to communicate, measure, and optimize without true face-to-face interaction. Platforms once considered a nice-to-have are instantaneously a necessity for any organization with a distributed sales force.

Gartner has found that 60% of B2B buyers use digital channels throughout the buying journey, and Salesforce research shows that 77% of sales leaders say their digital transformation has accelerated since 2019. Sales reps are no longer the channel for B2B sales, they are now just another channel.

This change was rushed, but it simply ushered in an evolution that was long overdue. The continued quest for more effective and efficient processes has long driven the digitalization of all things sales. Now, platforms are available to capture and record nearly every interaction between a buyer and a seller. This opens endless possibilities as to what can be measured and improved for increased sales effectiveness.

FORECASTING IN A DIGITAL SALES WORLD

The sales forecast is one of the most essential functions of any revenue team. In its most simple form, it is a prediction of expected sales revenue. However, sales forecasts are no longer so simple. Nearly every department, from sales to marketing, customer success, product, finance, HR, and their leadership functions are impacted by the sales forecast.

The forecast is used as a guideline for planning so teams can make better business decisions about planning, budgeting, and resource allocation. It sets expectations and lays the groundwork for the organization as a whole. That means the forecast has to be accurate and reliable. Data shows that companies with accurate sales forecasts are 14% more likely to grow their revenue year-over-year and 8.2% more likely to reach their goals. Yet, 55% say that they do not have high confidence in sales forecast accuracy.

This recent digitalization of sales has allowed for huge advancements in sales forecasting. Since all sales communications and interactions are now digital, they can be captured, measured, and improved. It also means that they can be leveraged when it comes to forecasting.

WHY YOUR SALES FORECAST IS SO IMPORTANT

For The Board

Investors and board members want an understanding of exactly where the company stands, what leadership plans to achieve, and how they will go about it.

The sales forecast provides these members with progress against goals, how they were met, or why they were missed. Also, the forecast tells them what to expect and the resources required to get there.

For Leadership and Management

A proper sales forecast leads to better business decisions at every level. For leadership and management, the forecast enables them to properly assess and address the business requirements to achieve the desired results. The pressure is certainly on for revenue leaders, a recent CRO Insights found that the average CRO tenure was only 18 months, with a large factor being missed forecasts.

Leadership must determine how to effectively allocate resources like time, funds, and personnel to grow the business and efficiently manage its cash flow. An accurate sales forecast is crucial in this because it not only tells them how much income to expect, but what will be needed to support that new revenue growth.

Sales leadership needs to determine if they need to invest in new technology, training, or people. Marketing leadership needs to know if they need to increase demand generation or shift strategy. Success teams need to know if they should bring on additional headcount or develop new processes to support an influx of new customers. Product leadership must decide if they should create new features or make adjustments to be more competitive and support different types of users. Finally, HR must know if they need to support new hiring and onboarding initiatives.

WHY YOUR SALES FORECAST IS SO IMPORTANT

For Sales Teams and Reps

At a more micro level, the sales forecast obviously impacts the sales team. Outside of hiring and onboarding needs, managers and reps need to assess their current capabilities and performance against their new goals.

Since a sales forecast is directly achieved by the salespeople themselves, sales managers need to assess how to empower their reps to achieve it. They should look at if their reps need training, what tools or productivity improvements are needed to create or respond to deals faster, and what platforms enable them to be more effective.

Sales forecasts also serve as a roadmap for managers. They can compare progress against their goals to identify problems before they arise. They can see empty pipelines, decreasing close rates, or slipping deals.

Salespeople can take their own individual forecast and understand exactly what they have to accomplish in a given week, month, or year to meet their goals and contribute to the overall organization.

> *Set clear expectations across the GTM leadership team. Ensure everyone is on the same page, and all align their revenue goals towards the corporate objectives and revenue goals put in place. That foundation allows for a more tightly aligned forecasting process.*
>
> ***- Ben Schafer, Sales Operations Manager, Udemy***

SALES FORECASTING METHODS

Like most data-driven exercise, a sales forecast can be driven through two different types of data: quantitative and qualitative.

Large, complex organizations with well-structured teams and the resources to invest in sales enablement, automation, and analysis platforms will likely find their forecasts in the quantitative category. They will be able to collect, analyze, and interpret sales data to create a forecast.

Smaller, less established companies may find themselves relying more on a mixture of qualitative and quantitative metrics. They likely have enough sales data to build a picture through analysis, but they will also be taking the “gut” feelings of their sales reps into account.

It is obvious that hard data is superior to the gut feeling when it comes to making predictions. Research has found that organizations deemed “best in class” have taken strategic action to replace the intuition of salespeople with predictive analytics for forecasting by a rate of 2 to 1.

> *Larger companies can use probabilistic methods based on past results and metrics that have been proven successful over time. If you are a smaller company, in addition to your QBR-driven bottoms-up forecast, sharpen your skills by building a probabilistic model that you can use to compare to your bottoms-up view.*
>
> ***- Volney Spalding, VP Strategy, Operations and Enablement, Invoca***

SALES FORECASTING METHODS

Anyone in sales will be familiar with sales forecasting methods and the benefits of each. Every method takes into consideration one or more of several factors, including: Deal source, deal age, deal size, and the probability of close. These factors are interpreted through different lenses that judge the likelihood of success using everything from gut feeling to historical averages.

Some of the most common sales forecasting methods include:

Type	Method	Pro's	Con's
Lead Value	Uses historical data to determine the value of leads from each source.	Ability to focus on specific lead sources.	Sales cycle length can vary, making the forecast inaccurate.
Opportunity Stage	Determines the likelihood of a close based on the deal stage.	Quick, easy, and objective.	Susceptible to inaccurate data, does not consider the age of the opportunity
Historical "Run Rate"	Regression model based on historical data that is extrapolated to the next time period.	Data accuracy is not as important.	Bad for businesses with variances in performance over time. Ignores actual sales pipeline.
Pipeline Analysis	Bottoms-up method that accounts for the entire pipeline	Accounts for variances in business.	Requires honest reporting on behalf of reps.

SOURCES OF INACCURATE FORECASTS

Inaccurate forecasts are often caused by the same internal errors. The most common of which is the misalignment or poor definition of sales stages and poor data.

74 percent of best in class organizations have formal definitions of progressive sales stages, along with weights used for predicting whether they will close.

To create an accurate forecast, you must have a true understanding of how deals progress through your pipeline. Since this is done through deal stages, you must have a clear, actionable, and easy to understand the definition of each deal stage. Define how an account enters that stage, what happens within it, and how it leaves. The less room for interpretation, the more accurate your forecasts will be.

An accurate forecast also requires accurate data. If the data is faulty to begin with, it will only lead to an inaccurate prediction. Obtaining accurate data in a sales environment has been proven to be difficult, as manual data entry has been proven to be entirely inaccurate. The sales reps creating the data, often don't have the time or feel the need to record it. Furthermore, most automated capture tools just don't automate enough, sometimes they just remind reps to record information, others don't associate the data properly.

The poor recording of sales data results in the "garbage in, garbage out" scenario, where analytics, forecasts, plans, and strategies are based on incomplete, unreliable, and false data therefore resulting in incomplete, unreliable, and unusable analytics.

The problem is so pressing that Forbes reports that 84% of CEOs are concerned about the quality of the data they are basing their decisions on.

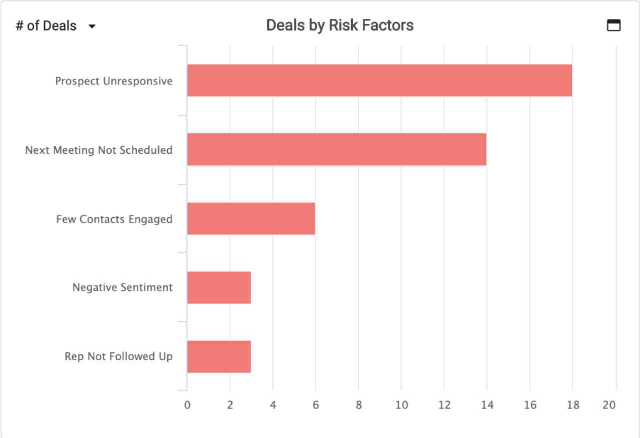
To get accurate sales data, you must enable reps to easily document it, automate its collection, or both. Salesforce found that 69% of the top-performing sales organizations automate repetitive tasks like logging sales data and customer notes.

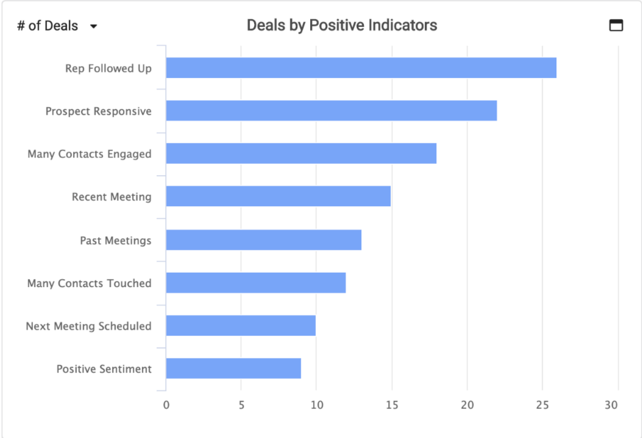
SOURCES OF INACCURATE FORECASTS

The benefit is twofold. Automated data collection assists reps by allowing them to focus on what really matters… selling. The less time they spend on periphery activities, the more time they can spend engaging with opportunities. Secondly, salespeople must be shown that the data is not being used against them, but rather to their benefit.

In sales meetings, don't position the data as a tool to find mistakes, show how that using the insights derived from it leads to won deals by addressing the actions it takes to win.

For example, BoostUp can determine if key contacts are missing from a deal, or if important meetings have not been held. If that's the case, salespeople can specifically engage with those contacts or hold meetings on the required topics in order to move the deal forward.





> *Don't rely solely on manual forecasting from your AE's. Have at least one data-based method to cross-check. I also recommend you backup your opportunity data regularly.*
>
> ***- Todd Rode,Vice President of Sales* Operations, Stratasan**

DIGITAL SALES FORECASTING

The sudden digitalization of sales has not only impacted the way that we conduct business, but how sales forecasting is done. It comes down to two factors. Firstly, the ability to capture, record, store, and measure nearly every sales interaction allows us to see the emails, phone calls, meetings, and interactions that take place within a given deal.

Secondly, the advancements of AI and computer learning have led to a revolution in the ability to measure, analyze, interpret, and understand those sales interactions.

In the last two years, there has been a 76% increase in the number of organizations using AI, and top-performing sales organizations are 2.8 times more likely to use AI than underperforming ones.

Contrary to popular belief, AI is incredible for empowering us to do better work. In fact, teams who use artificial intelligence are adding headcount more rapidly than those who do not use it (57% vs 18% growth).

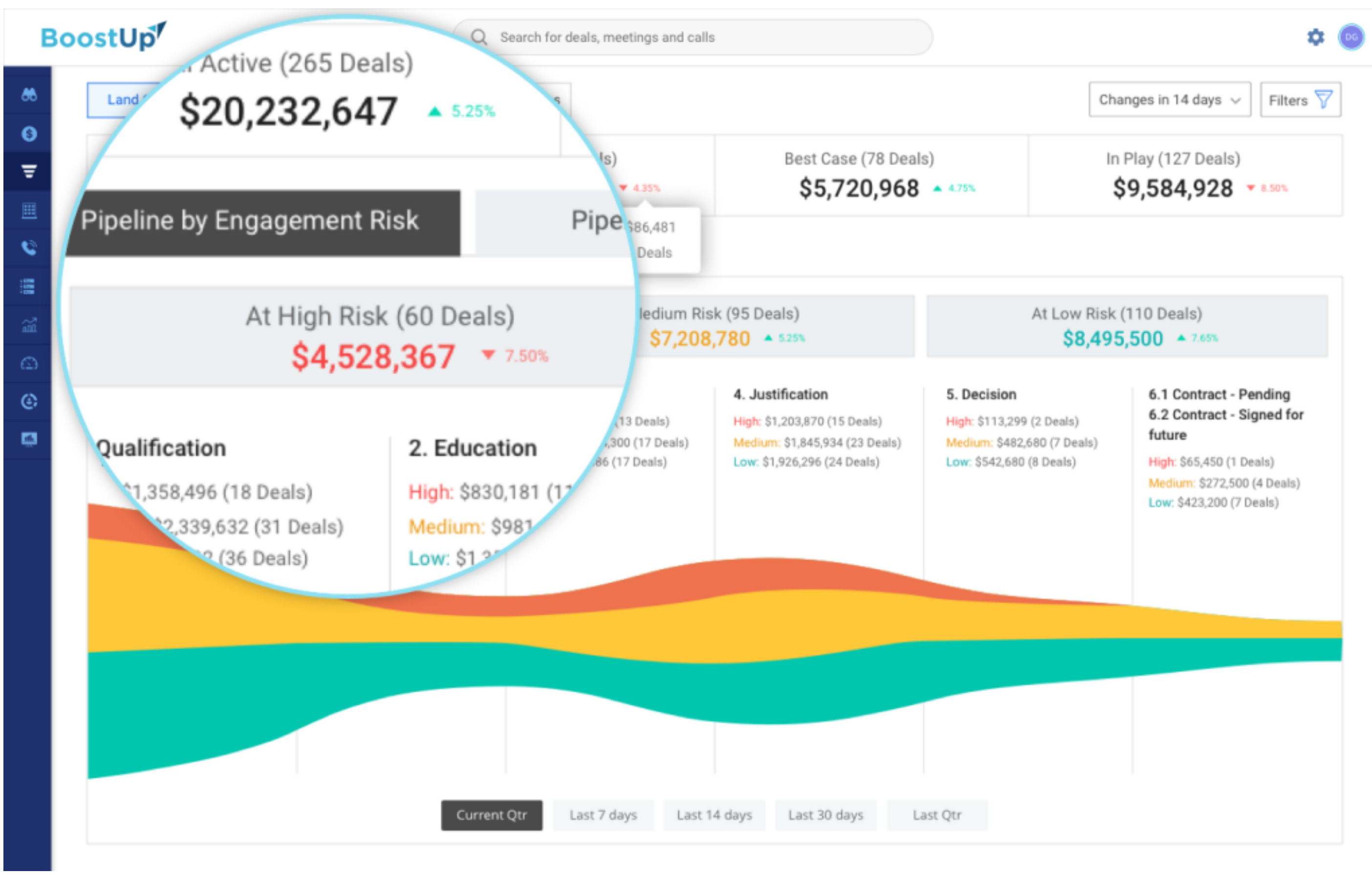
AI automates arduous, time-consuming tasks, recognizes patterns, and surfaces information so we can do what we do best... make decisions. Once again however, AI is only as good as the data that it is fed. Therefore you must ensure that your artificial intelligence is receiving the most accurate data possible, or else the predictions and insights that it provides you with are useless.

This means that rather than basic, manually driven forecasting methods, teams can now perform highly advanced, data and statistics-driven analysis in real-time. The benefits are twofold. First, Teams can make far more accurate forecasts based on historical data and contextual information. Analysis models take into account the context of interactions, and the sentiment (positive, negative, or neutral), of interactions with prospects.Second, these predictions can be made nearly instantaneously and are tracked against in real-time, meaning that sales teams can watch progress against their goals and make adjustments before problems arise.

DIGITAL SALES FORECASTING

The impact of AI goes deeper as well. Artificial intelligence is extremely effective at recognizing patterns and can predict outcomes based on them. Deals can be monitored by more than activity. Since these activities and engagements are now all digital we can look into those activities for deeper meaning. Emails are analyzed to see who they were sent to and what keywords they contain, we can examine how engaged key contacts are, and what their roles are. We monitor who attends meetings, the purposes for which they are held, and what was said within them.

All of this builds a clearer and clearer image of what a successful deal looks like. AI searches for patterns in this data and uses it to spot at-risk deals that may slip or become a loss and suggest the actions needed in order to improve the chances of a win.



TIME-SERIES FORECASTING IN DIGITAL SALES

Many are likely already familiar with basic forecasting techniques like lead value, opportunity stage, and run-rate methods. However, digital sales data and AI have now opened the door to highly advanced, computer-driven models that are entirely automated.

Time-series forecasts are likely the most familiar. They involve finding structures like patterns, trends, and rates within historical data and then applying it to the future to generate a prediction. This method has formed the basis for the majority of the most common forecasting techniques.

In your historical sales performance, a time-series forecast will search for peaks and troughs that occur month-to-month, as well as build a moving average over the course of a specified time period. The progression of this average through the variances in sales will indicate the trend with which your revenue generation is moving.

Based on this trend, you can extend your predictions out into the future in order to create a sales forecast. The patterns detected by the analysis will also indicate your most successful months and your slower ones, addressing the variance in buying habits in most industries.

Many platforms use a time-series based AI. This can be very effective, but it all comes down to your data. Time-series data analysis works best when the following conditions are met:

- Your organization has years worth of accurate and reliable selling data
- Sales cycle lengths and deal sizes are consistent across the entire team
- The sales process has remained constant for years
- The sales team has remained consistent for years and their quota attainment has reminded constant

Under these conditions, time-series AI can provide accurate forecasts and trends. However, the vast majority of modern-day B2B companies cannot meet any of these requirements. Most sales organizations have been through a constant state of change for the last several years. New products, new reps, new processes, new markets, new technologies, new pricing, new territories, and so on will all cause models based on time-series analysis to be inaccurate.

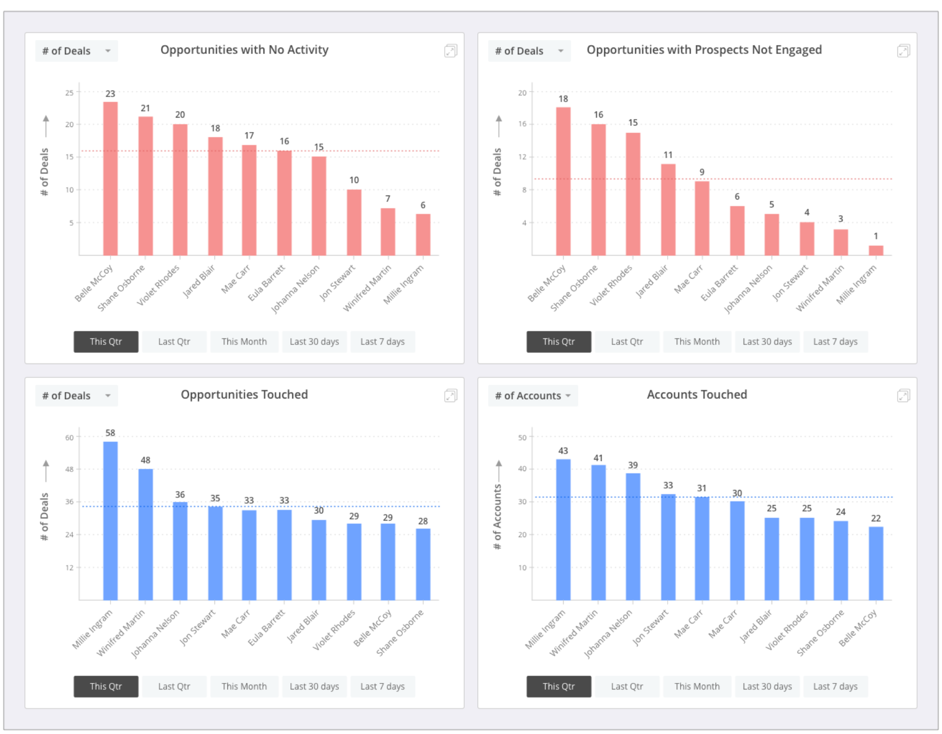
CONTEXTUAL AI SALES FORECASTING

Now, AI can bring it a step further. Teams can progress beyond overall forecasting and analysis, and can predict whether or not an individual deal will close based on historical data and contextual analysis.

Contextual AI does not depend on historical information as its primary source of truth, therefore shielding it from the inaccuracy it can cause. Contextual AI uses an analysis of the current deal conditions to monitor and predict outcomes. It examines:

- What topics have been discussed
- How engaged the champion is
- The next scheduled meetings
- The seniority of the contacts that are engaged
- When the last touch occurred

Contextual AI uses actual activities and engagements from within a deal to better predict the outcome.

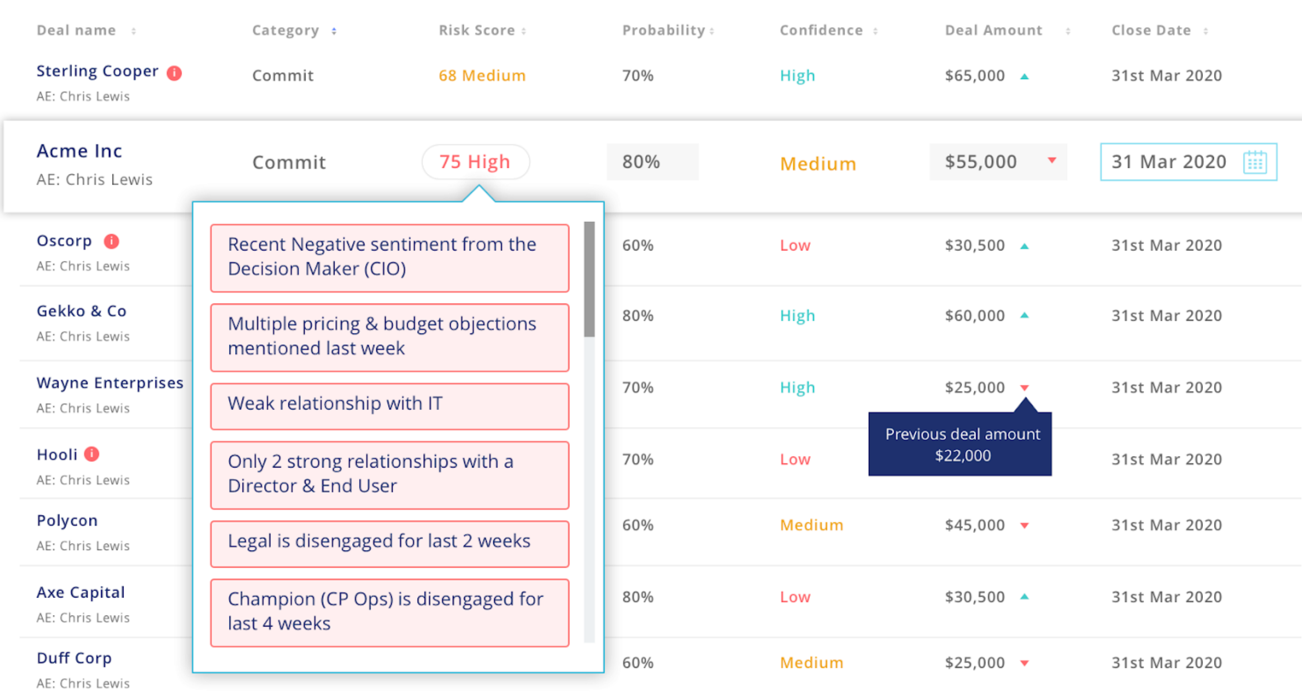


HYBRID AI SALES FORECASTING

BoostUp recommends utilizing time-series AI in combination with contextual AI to deliver the most accurate forecasting projections and deal insights. This hybrid approach has the following advantages over both time-series and contextual AI.

- Accurate Forecasts: More context delivers much more accurate and reliable forecasts. Teams using a hybrid approach easily land within 5% of their forecast projections.
- Actionable Insights: Insights based on context allows sales managers to identify early warning signs that increase opportunity win-rate and lowers slip-rate.
- Enhanced Coaching: Deal insights based on the context and sentiment of all engagement, and more importantly, the lack of engagement) creates signals for managers to coach more effectively and improve forecasting.

The hybrid approach to sales AI leads to better forecast predictions, improved intelligence, and more actionable and reliable predictions, inherently improving your ability to drive more predictive revenue and more confidence and accuracy in your forecast.



HYBRID AI SALES FORECASTING

Based on prior performance, platforms like BoostUp can build the ideal image of a winning deal. This then acts as a point of reference to which the AI can compare active deals.

Imagine for your organization, BoostUp determines that your winning deals have an upper-level sales leader attend the demo, contain a meeting with the head of IT, and maintain engagement with a director.

The platform can monitor individual deals for the attainment of the ideal profile, and adjust their probability of closing based on this contextual data. Individual deal risk rates are rolled into the larger forecast so leadership and management can watch their pipeline health in real-time.

Moreso, the BoostUp can provide perspective actions in the form of the best next steps to help reduce individual deal risk and increase overall pipeline performance.

BOOSTUP.AI

RELIABLE FORECASTING | ACCURATE PIPELINE | DEAL ACCELERATION

Goodbye seller opinions, hello contextual intelligence.

BoostUp believes the revenue process is the most important business process for any B2B organization. That's why we've built the first complete, accurate, and actionable revenue intelligence on the market. BoostUp helps companies improve efficiency, predictability, and growth across the entire sales process to achieve revenue excellence.

BoostUp provides revenue teams complete visibility and transparency into their business and sales process, drives process excellence, and identifies risk and opportunity in the pipeline while improving forecasting rigor and accuracy. This drives team efficiency, leads to a high-performing sales team, and boosts sales execution and revenue.

Powered by BoostUp's Revenue Excellence Platform

Obtain accurate and reliable forecasting.

Improve forecast accuracy by over 25% and be more confident in your forecast projections.

Receive real-time BI & reporting agility.

Recapture 20+ operational hours a week. Get standard BI dashboards and create new reports easily.

Drive frontline manager performance.

Save $1M+ a year by identifying at-risk deals, early and often, to prevent deals from slipping.

Powered by BoostUp's Revenue Excellence platform.

Contact Us to Learn More