The 5 Most Important Numbers for Sales Forecasting

Sales Leaders Resources

3FORWARD

Sales Readiness Series: Hosts

Dan Hudson
President, Co-Founder
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Challenges to Revenue Planning

2009 CSO Sales Compensation Survey

- 2009 Quota's up 31% from 2008
- Reps achieving quota down to 52.4 in 2009 from 61.2 in 2008
- 1 in 4 firms expect that less than 50% will make quota in 2009
- Most firms target 70% of sales team to make quota

Aberdeen Lead Lifecycle Management July 2009

- 81% of BIC use Lead Management tools
- 16% of total leads deemed sales ready actually close
- Best in Class firms avg 35% YOY increase in annual revenue
  - Middle 50% = 18%
  - Laggards = 6%

Bid To Win Ratios – Aberdeen 2009

- Best in Class   36%
- Industry Avg   10%
- Laggards   5%

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Sales Opportunity Stages

	Lead Stages
A	Identified – intend to pursue
B	Contacting – attempting to engage
C	Qualifying – introductory dialogue occurring
D	Engaged – actively discussing opportunities
E	Idle – lost traction, attempting to re-engage
F	Cold – lost traction, not currently pursuing

	Sales Opportunity Stages	Probability	Activity
1	Opportunity ID'd	0%	Potential opportunity identified
2	Idea Discussed	0%	Client confirms issues, challenges, need…
3	Concept Solution Delivered	10%	Written concept submitted to prospect
4	Solution Meeting Complete	20%	Concept discussed; including how and when to begin
5	Full Solution Delivered	40%	Solution submitted, including outcomes, timeline & pricing
6	Solution Validated	50%	Proposal modified if necessary / Resubmitted
7	Verbal Approval	75%	Client decision maker accepts proposal
8	Negotiation of Terms	90%	Contract and SOW in review / negotiation
9	Formal Award	100%	Contract and SOW signed
10	Opportunity Lost	0%	Autopsy / Return to Nurturing
11	Deal Dead or Delayed	0%	Return to Nurturing

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"Qualified Opportunities" in our Revenue Planning Model must be in these stages.

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3	Concept Solution Delivered	10%	Written concept submitted to prospect
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Definitions in 3FORWARD's Model

"Required New Revenue" equals converted CYR necessary to achieve annual revenue objective.

"Required Qualified Pipeline" defined as total value of pipeline in the "40% or greater" status

"Required Qualified Pipeline" calculation = Annual Value Closed During Quarter divided by Win Probability

Erosion equals degradation in base revenue – planned or unplanned

Annual Value Converted assumes XX% of sold contract value ultimately invoices

Starting Point: Goals and Assumptions

Revenue and Sales Goals (Inputs)

Year	Revenue Goals	Base Revenue and Erosion Projections		Targeted Win Rates	Revenue Conversion
	Revenue Objective	Current Base Revenue	Est. YOY Erosion %	Win Probability	Contract Conversion
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Lowering these percentages 'de-risks' your plan by highlighting the need for greater pipeline. We'll show you how it works.

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Quarterly Forecasting Model

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Pipeline and Quarterly Revenue Projection

Award Totals	Required Qualified Pipeline (2) (2a)	Annual Value Closed During Quarter	Annual Value Converted at Signing (3)	2010 Plan Year One Q1	Q2	Q3	Q4	CYR 2010	2011 Base	2011 Plan Year Two Q1	Q2	Q3	Q4	CYR 2011	ABR Base
'10 Q1 Wins	$15.00	$3.00	$3.00	0.38	0.75	0.75	1.13	3.00	0.00					0.00	0.00
'10 Q2 Wins	$17.50	$3.50	$3.50		0.44	0.88	0.88	2.19	1.31	1.31				1.31	0.00
'10 Q3 Wins	$12.50	$2.50	$2.50			0.31	0.63	0.94	1.56	0.63	0.94			1.56	0.00
'10 Q4 Wins	$20.00	$4.00	$4.00				0.50	0.50	3.50	1.00	1.00	1.50		3.50	0.00
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	$64.00	$16.00	$16.00											7.63	8.38

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Only required inputs are in Light Green cells.
This is what you believe / need to close in each quarter of the upcoming year. The model calculates the effect of that revenue over the subsequent four quarters.

Output: Multi-Year Forecast

Three Year Summary Forecast (Results)

						Projected New Revenue	Pro-forma Forecasted Total	Variance to Current Year
Revenue Projection Plan 2010-2011								
Year	Existing Base Revenue	Erosion	Adjusted Base	YOY Growth Target	Required New Revenue (1)	(Table 3)	Revenue	Objective
2010	$6.00	$0.60	$5.40	$12.00	$6.60	$6.63	$12.03	$0.03
2011	$18.40	$1.84	$16.56	$24.00	$7.44	$7.63	$24.19	$0.18

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Output: Multi-Year Forecast

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These first five cells were your inputs from Goals and Assumptions

These calculations are based on your goals / assumptions and the quarter by quarter revenue you 'forecasted' in the Quarterly Forecasting Model.

This reveals what must be sold and converted to guarantee a positive Variance to the Current Year Objective.

Knowing what must be sold determines how much "Qualified" pipeline you need going into each quarter.

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Objective of the Model: Identify what must be sold <u>and</u> converted to guarantee a positive Variance to the Current Year Objective.

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Revenue and Sales Goals (Inputs)

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16

Recommendations

- **Shorten sales cycles**
  - Cross sell and up sell existing clients when appropriate

- **Increase deal size**

- **Identify the attributes of a qualified best fit target**
  - Segment and target more accurately
  - Stop pursuing low probability targets

- **Implement lead management technology**
  - Improve sales efficiency
  - Better leads result in shorter, faster, and better quality sales cycles

- **Implement lead nurturing to produce more sales ready leads**

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Takeaways

- **Validate and test your 5 numbers**

- **Also calculate your Sales Cycle and Sales Rep Efficiency**

- **Purge your pipeline of dead and unqualified deals**

- **To boost win probabilities**… consider increasing walk away ratio (disqualification %); Three points to measure:
  - Lead qualification
  - Field sales team
  - Proposal team
    - ➢ *Post-disqualification decision = Nurture or Reject*

- **Estimate throughput requirements**
  - Divide qualified pipeline by average deal size, sales rep efficiency and proposal team throughput

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Resources and Information

Purging Pipeline Tips

- [Time Helps No Sale – How the Pipeline Got Over Inflated](#) (blog post)
- [Basics for Sales Force Development](#) (blog post)
- [Escaping Pipeline Purgatory](#) (webinar replay)
- [Successful Sales Pipeline Habits](#) (blog post)

Rebuilding Pipeline

- [3FORWARD's Sales Readiness Checklist](#) (blog post)
- [Finding and Creating Qualified Opportunities](#) (webinar replay)
- [Finding Good Leads, Today's Toughest Sales Challenge](#) (blog post)
- Finding, Creating and Managing Leads – New Webinar, Jan 21
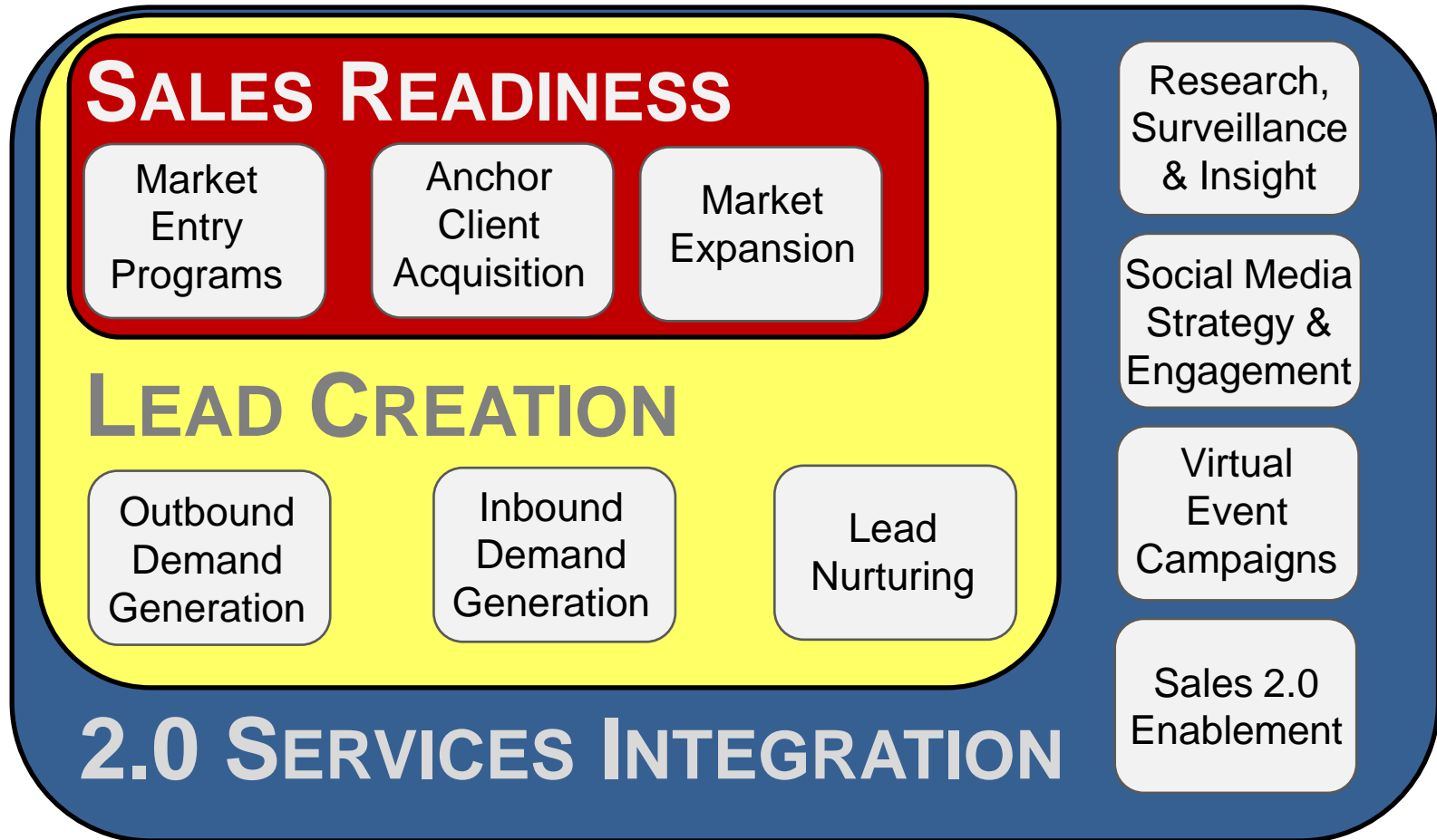- Sales Intelligence and Insights – New Webinar, Jan 27

Benchmarking

- [CSO Insights](#)
- [Sales Benchmark Index](#)

3FORWARD's Old School / New Tools directory

- [9 categories of sales and marketing best practices and dozens of downloads](#)

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3FORWARD's Sales Transition Model™

SALES READINESS

- Market Entry Programs
- Anchor Client Acquisition
- Market Expansion

LEAD CREATION

- Outbound Demand Generation
- Inbound Demand Generation
- Lead Nurturing

2.0 SERVICES INTEGRATION

- Research, Surveillance & Insight
- Social Media Strategy & Engagement
- Virtual Event Campaigns
- Sales 2.0 Enablement

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