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**Anaplan**



# ***TRANSFORM YOUR SALES FORECASTING CAPABILITIES WITH DELOITTE***

*Sales forecasting disciplines and tools for success*

In the current climate, sales strategy leaders face distinct challenges brought on by evolving customer behaviors, ongoing economic uncertainties, and the shifting pace of technological progress. With a deep understanding of the current state of the business and the ability to predict what's ahead, sales leaders can overcome these challenges and answer key questions such as: How do we structure sales teams? Which opportunities should we invest in? How can we better align functions to execute on changing strategies? Which actions will yield the greatest results?

However, few sales and revenue leaders have the real-time forecasts and insights needed to answer these questions with agility. This hinders their ability to guide sales teams to hit sales targets. It can also directly impact their careers as many CEOs and CFOs look to their revenue leadership to provide them with accurate sales forecasts for the month, quarter, and year.

To transform sales forecasting from a challenge area to one that generates strategic insights to inform the business, organizations need to (1) implement a systemic forecasting approach and (2) address data quality and governance challenges, and leverage technology solutions with powerful analytics capabilities.



# Now, near, and far sales forecasting

Sales forecasting is a vital business process that estimates or predicts a company's sales revenue for a specific time period. It is typically based on past performance data, market trends, and predictive analytics to inform strategic decision-making and drive business growth. There are several common factors that impact a sales forecast:

*Internal factors, such as turnover rate, territory changes, and new company policies*

*A company's products or services, like new product launches and enhancements*

*External factors, including economic conditions, supply chain disruption, and new legislation*

*Marketing and advertising*

In essence, a sales forecast is a measure of how a market will respond to a company's go-to-market efforts.

There are three different kinds of forecast, and each serves a distinctive purpose: end-of quarter sales forecast, bi-annual sales forecast, and long-term sales forecast. See Fig 1 below.




TYPE	DESCRIPTION	IMPACT
 <b>End-of-Quarter Sales Forecasts</b> <i>(Quarterly, by week)</i>	<ul style="list-style-type: none"> <li>• Week-by-week forecast of sales for current quarter, by product, account, geography, etc.</li> <li>• Predicts market's response to go-to-market plans (e.g., pricing, promotions, deployment), enabling course corrections</li> </ul>	<ul style="list-style-type: none"> <li>• Improve management of leads and sales funnel</li> <li>• Forecast attainment and performance manage sales</li> <li>• Adjust promotions and market development funds</li> <li>• Update demand and supply plans; manage capacity</li> <li>• Manage bottom-line by adjusting admin budgets</li> </ul>
 <b>Bi-Annual Sales Forecasts</b> <i>(Twice per year, by month)</i>	<ul style="list-style-type: none"> <li>• Annual sales plan, by product, route to market, and geography developed using long-term and quarterly sales forecasts as inputs</li> <li>• Provides foundation for annual budgeting and operations planning; provides insight for mid-year course corrections</li> </ul>	<ul style="list-style-type: none"> <li>• Establish sales and operations budgets with link to revenue forecasting</li> <li>• Determine where headcount investments will be made</li> <li>• Develop annual demand and supply plans (e.g., raw material purchases), and establish services capacity</li> <li>• Create marketing plans and establish promotions mix</li> </ul>
 <b>Long-Term Sales Forecasts</b> <i>(3-5 Years)</i>	<ul style="list-style-type: none"> <li>• Top-down view of market potential, customer trends, and competitors' actions</li> <li>• Informs bi-annual sales forecasting and budgeting process, as well as long-term decision-making</li> </ul>	<ul style="list-style-type: none"> <li>• Align branding, product roadmaps, and R&amp;D</li> <li>• Communicate long-term outlook to analysts</li> <li>• Shape corporate investment strategy (e.g., M&amp;A)</li> <li>• Conduct long-term supply and service chain planning (e.g., mfg. facilities and service hubs)</li> </ul>

Fig 1: Types of sales forecasting

# What makes sales forecasting an integral business process?

Sales forecasting is essential for predicting customer behavior, identifying potential risks, and seizing new market opportunities.

Additionally, forecasting now plays a pivotal role in an organization's planning and strategic decision-making processes as well as managing supply chains, setting realistic goals, determining budgets, and planning for future growth.

In this dynamic business landscape, accurate sales forecasting is the key to maintaining a competitive edge and transforming business outcomes, including:

**7.4%**

*larger YOY deal size*

**22%**

*increase in accuracy*

**6.7%**

*faster sales cycle time*

Despite the importance of sales forecasting, only 45% of sales leaders and sellers have high confidence in their organization's forecasting accuracy. And 89% of revenue leaders believe that bad forecasting has negatively impacted their business.<sup>1</sup>

Why is there a disconnect between current performance and full potential of sales forecasting? In this paper, we will explore what is causing this gap, what can be done to close the gap, and how Deloitte can help your organization realize the full potential of sales forecasting.

Accurate forecasting is dependent on pipeline data hygiene, effective and timely pipeline reporting by sales, and insights-based deal inspections. These require both sales and sale-adjacent functions to diligently play their respective roles in sales forecasting processes.

PERSONA	BUSINESS GOALS	PERSONA NEEDS	KEY ACTIONS
<b>Sales Representatives</b>	Sales representatives must be <b>aligned with the broader sales strategy</b> to ensure solid coverage and response to opportunities.	<ul style="list-style-type: none"> <li>Is my pipeline sufficient to meet my quota for this quarter?</li> <li>Do I have a good balance of net new and expand opportunities?</li> <li>How backloaded is my pipeline?</li> </ul>	<ul style="list-style-type: none"> <li>Understand and evaluate pipeline needs and sales expectations</li> <li>Track targets and quota versus the forecasts</li> </ul>
<b>Sales Managers and Leaders</b>	Leadership must be able to <b>understand and disseminate</b> what the organization must do to meet targets and goals.	<ul style="list-style-type: none"> <li>Are my forecasts aligned with the broader business strategy?</li> <li>Are the opportunity forecasts made by my team going to meet targets?</li> <li>Where can I best support my team?</li> </ul>	<ul style="list-style-type: none"> <li>Effectively communicate expected sales outcomes to sales and business teams</li> <li>Align sales teams with sales strategy and business need</li> </ul>
<b>Sales Operations</b>	Sales operations teams must have clear access to forecasting data to properly <b>align sales with the broader business needs</b> and report success to leadership.	<ul style="list-style-type: none"> <li>How accurate are teams at forecasting their quarter close?</li> <li>Is leadership aware of our KPIs?</li> <li>Do our metrics align with the broader sales strategy?</li> </ul>	<ul style="list-style-type: none"> <li>Improve forecasting accuracy with variance analysis and market data</li> <li>Develop and communicate real-time pipeline insights to leaders</li> </ul>
<b>Other Organization Functions</b>	The broader organization <b>needs clear expectations of the sales organization</b> . This allows accurate planning and investment in the success of other functions.	<ul style="list-style-type: none"> <li>Will our investments in products pay off with increased sales?</li> <li>Are we on track to meet finance targets?</li> <li>How are we performing as an org?</li> </ul>	<ul style="list-style-type: none"> <li>Evaluate impact of sales plans on other business functions</li> <li>Develop investment plans in desired strategic areas and understand impact</li> </ul>

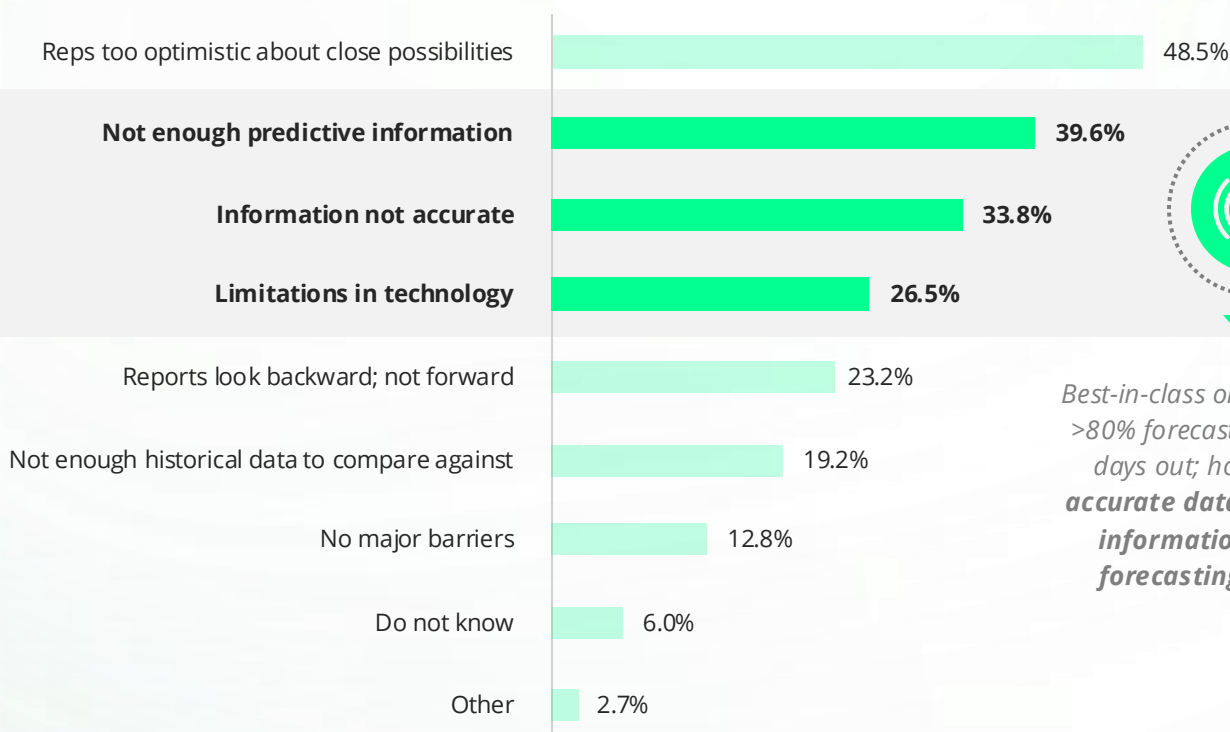
# Hurdles to improving sales forecasting accuracy and processes

Despite its huge impact, sales forecasting presents several challenges to organizations. The most pressing challenges include:

- 1** Data and analytics, as multiple, varying data sources across the business lead to poor transparency, accuracy, and reliability
- 2** Incomplete and inaccurate CRM data, resulting from low adoption, inconsistent usage, and poor data hygiene
- 3** High degree of judgement applied to overall forecast at various levels, rooted in tribal knowledge that is not captured in the data
- 4** Limited analytics capabilities within the organization or inconsistent set of products utilized to derive analytics, leading to disparate outputs

*Organizations continue to struggle to effectively use their data to produce reliable forecasts.*

## Top barriers impacting opportunity management and forecasting accuracy



*Best-in-class organizations have >80% forecasting accuracy, 30 days out; however, **lack of accurate data and predictive information can impact forecasting capabilities***

# Getting started: Sales forecasting leading practices

To overcome these hurdles, organizations need a systematic approach to revamping their sales forecasting capabilities. This requires:

## **Creating cross-functional alignment:**

Begin by improving your understanding of the role that forecasting plays in strategic imperatives and improving outcomes, then clearly identify stakeholders.

## **Building trust in the forecasting methodology:**

Traditional approaches predict change poorly—they're either highly qualitative or use quantitative methods that only apply when the future follows historical trends. Conversely, predictive analytics can align an entire organization to a methodology that removes qualitative bias in favor of proven, empirical approaches.

## **Establishing clear governance and accountability:**

As previously mentioned, multiple functions within the organization use sales forecasts for different purposes. Given the complexity and number of functions involved, it is important that organizations have a well-defined governance structure. A well-thought through governance structure captures the purpose of each type of forecast, the stakeholders involved in process, their roles, expected outcomes, and timing of actions.

## **Managing data quality:**

Data quality will never be perfect. Sales forecasting design must account for this reality and produce relevant outputs using the best inputs available. Sparse data modeling is used to identify and rectify missing and incorrect data, while data quality monitoring can help improve quality for the most critical data elements.

# The sales forecasting ecosystem: Using the right technology

Several good sales forecasting solutions exist in the market today and they are only getting better. Many sales and revenue leaders may feel their current homegrown solutions are “good enough”, but companies like Clari, Gong, and Aviso provide more powerful purpose-built tools which increase CRM adoption and hygiene. These tools also leverage artificial intelligence (AI) and machine learning (ML) in their forecasting models, which can increase model accuracy over time and provide real-time insights to guide deal inspection.

For example, many organizations that use Clari can predict quarterly performance within 3%-4% accuracy during the first 2-3 weeks of the quarter.<sup>2</sup> Clari’s unique use of ML helps power speed and accuracy by ingesting information from Salesforce, calendars, emails, and more. It analyzes this information to learn patterns and human tendencies, then factors those insights into forecasts to adjust for a regional sales representative who tends to over-estimate forecasts or another who sandbags. This allows the tool to get smarter and more accurate over time and reveal patterns, such as how many times a closing date can move before the probability of closing decreases.

Because sales forecasting is the top area where executives prioritize use of artificial intelligence (AI), this ML capability has likely helped establish Clari as a leader in forecasting—Deloitte research found Clari is business leaders’ top choice for sales forecasting tools, earning a ranking of 9 out of 10.<sup>3</sup> But tools such as Anaplan and Gong are catching up by offering differentiated capabilities.

Anaplan offers another powerful forecasting solution. Anaplan’s platform gives organizations the flexibility to build their own unique forecasting model that connects with other elements of planning for a more unified, complete picture of enterprise planning. It’s also a good option for organizations that use a client relationship management (CRM) system other than Salesforce—Clari currently only works with Salesforce—or whose geographic regions do not align with existing territory maps.

In addition to Clari and Anaplan, several other vendors offer solutions that can facilitate accurate sales forecasting. Selecting the right tool depends on an organization’s unique needs and Deloitte professionals can help recommend a best-fit solution.

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# Deloitte's SPOT framework: Our approach to end-to-end transformation

Identifying the right sales forecasting technology is one piece of the puzzle. To maximize the value from these investments, organizations must take a holistic view.

Deloitte's SPOT framework helps organizations accelerate value derived from sales forecasting capabilities.



## Strategic alignment

Understand the heart of each business segment and the role that forecasting plays in strategic imperatives and improving outcomes.

- Develop clear understanding of **Stakeholders**
- Ensure alignment of **forecasting horizons**
- Align critical reporting and **metric requirements**
- Understand inputs and **forecasting expectations** of teams



## Process transformation

Refine the blueprint for forecasting. Understand the cadence, metrics, and level of detail required to streamline the forecasting process.

- Find opportunities for **improvement in process** blueprint
- **Drive engagement** with teams and stakeholders
- Identify ways to **reduce waste** of data, tools, and resources
- Streamline and **increase forecasting velocity**



## Operating model design and enablement

Equipping people with the information and model they need to do their job effectively is imperative.

- Ensure the **organization structure** is appropriate for forecasting goals
- Develop **meaningful feedback mechanisms** to improve over time
- Create a **culture** where forecasts drive success
- **Engage business partners** in a meaningful way



## Technology, analytics, reporting

Teams need the right tools and technology to succeed. In sales forecasting this means automating tasks and removing barriers to insights.

- Enable the **right tools** at the right time
- Put the **right data** in front of the right teams
- **Integrate systems seamlessly** across the technology ecosystem
- Leverage **modern analytics** through artificial intelligence (AI) or machine learning (ML) and leading vendors



# Sales forecasting tools and SPOT framework in action

To help demonstrate the immense value organizations can realize by adopting modern sales forecasting solutions and Deloitte's SPOT framework, consider these two experiences of real Deloitte clients.

## CASE STUDY 1:

### Sales forecasting processes revamp with Anaplan



#### **Problem:**

A global telecommunication company struggled with inconsistent sales forecasting processes, primarily due to the independent nature of regional sales organizations and the use of multiple legacy systems.

#### **Objective:**

The company aimed to establish a consistent sales forecasting process for all staff, including sales reps, sales managers, sales leadership, and sales operations—all of whom had varying roles, responsibilities, and expectations based on their region or sub-region. The company also sought to eliminate the significant effort required by sales operations teams in compiling numerous spreadsheets and homegrown databases to generate monthly or quarterly sales forecasts. Their goal was to create a comprehensive solution for sales forecasting that would reduce dependency on legacy applications.

#### **Solution:**

Deloitte helped address these issues and implement a standardized global approach to utilize opportunity data as the primary input into Salesforce.com. Our team introduced a single global tool, Anaplan, for sales forecasting which encompassed capabilities for order and revenue forecasting. The process automated the use of opportunity data from Salesforce to ensure timely forecast production and consistent opportunity usage. Furthermore, the forecast outputs were designed for use in downstream processes driven by finance and supply chain.

#### **Results:**

The company now has a well-defined and globally standardized sales forecasting process. The use of Salesforce.com data in the forecast has become consistent and well-defined, and Anaplan has helped reduced the manual effort required to distribute, receive, cleanse, collate, and roll-up forecast inputs.

## CASE STUDY 2:

# Revenue gains and efficiency improvements using Clari



### **Problem:**

A software organization struggled with the lead-to-cash (LTC) process, suffering from revenue leakage, forecasting errors, and poor pipeline visibility.

### **Objective:**

They needed a technology solution to empower accurate forecasting and downstream sales capabilities.

### **Solution:**

Deloitte helped the organization overcome these challenges and transform the end-to-end LTC process using Clari. With Clari, sales and revenue teams can accurately forecast across multiple transaction types and various LTC systems with development and testing timelines that align to agile program methodology. Clari also helped improve collaboration to develop mature data definitions and agree on calculation methods for critical metrics.

### **Results:**

With Deloitte's experienced guidance and Clari's market-leading features, the organization now uses a convenient, intuitive system and methodology for sales forecasting. The secure system is accessed with Single Sign On (SSO) and provides enhanced reporting capabilities to empower sales pipeline management. New sales and renewal teams report improved forecasting accuracy and overall sales process improvements.

*As markets continue to shift and evolve, accurate sales forecasting will become increasingly critical to organizational success. Deloitte's sales forecasting offerings can help organizations improve forecasting accuracy, reduce sales cycle times, and increase deal sizes.*

Ready to begin your transformation journey with Deloitte?

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<sup>1</sup> 2021 Forrester/Clari joint study of revenue leaders

<sup>2</sup> Clari Labs survey of 2,000+ customers

<sup>3</sup> Deloitte's Future of Sales research

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