The State of Sales Forecasting
Methods for Gaining Better Revenue Potential from Sales
Research Report Executive Summary
Sponsored by
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Ventana Research performed this research to determine attitudes toward and utilization of sales forecasting. This document is based on our research and analysis of information provided by organizations that we deemed qualified to participate in this benchmark research.

This research was designed to investigate sales forecasting processes and technology and to identify best practices and benefits. It is not intended for use outside of this context and does not imply that organizations are guaranteed success by relying on these results to improve sales forecasting. Moreover, gaining the most benefit from sales forecasting requires an assessment of your organization’s unique needs to identify gaps and priorities for improvement.

The full report with detailed analysis is available for purchase. We can provide detailed insights on this benchmark research and advice on its relevance through the Ventana On-Demand research and advisory service. Assessment Services based on this benchmark research also are available.

We certify that Ventana Research wrote and edited this report independently, that the analysis contained herein is a faithful representation of our evaluation based on our experience with and knowledge of sales and sales forecasting, and that the analysis and conclusions are entirely our own.
Executive Summary

In today’s competitive markets sales forecasting is an essential business process. Effective sales forecasting processes and applications can help companies maintain or improve business performance, reduce costs and increase customer satisfaction. A forecast available to all who need it and based on accurate, up-to-date information can improve efficiency across the sales, finance and operations functions. It also can provide a basis for coaching and collaboration in the sales team and help managers determine how to maximize the potential of every account and territory.

In the last few years, as the demand for better sales forecasting and planning has grown, sales, marketing and finance managers have turned to applications to improve sales projections and help streamline the functioning of their operational departments and processes. Past research that we conducted on this topic showed a need for such tools; then only one-third (35%) of organizations said their sales forecasts were more than 80 percent accurate. Now it has become more important.

Ventana Research undertook this new benchmark research to document and quantify what has changed as well as to acquire real-world information about levels of maturity, trends and best practices in this area. We set out to determine the attitudes, requirements, current practices and future plans of organizations using or evaluating sales forecasting processes and tools. As is the case with all our benchmark research, we investigated market trends, business drivers, technical requirements, barriers to adoption and timelines for implementing sales forecasting.

The research shows that organizations are unsettled concerning their sales forecasting. In a key finding, more than half reported that they are only somewhat confident (44%) or not confident (11%) in the
information generated by their sales forecasts. Yet sales forecasts are based on fundamental business information involving accounts, customers, revenue and pricing. Clearly companies have cause to worry if this information is not a reliable guide to their business direction.

The research finds that confidence is an issue in the realm of technology as well. More organizations are only somewhat confident (40%) in their ability to select and use sales forecasting technology than are confident (35%); slightly more are not confident (14%) than are very confident (12%). Almost half of all participants (44%) and nearly two-thirds (64%) of those in IT said management is considering further investment in sales technology because of impediments in the sales organization; the most common of these are inconsistent execution (for 53%), scattered information (48%) and limited visibility (42%). When asked to rank ways in which they are most dissatisfied with their technology, the largest percentage of participants (25%) placed first data becoming outdated quickly, which links to the lack of confidence in forecast information. Only 5 percent said this in our earlier research; we attribute the dramatic increase to the greatly increased flow and volume of data today.

A related concern is how participants feel about their organization’s sales forecasting process. Although 55 percent said that sales forecasting is very important to the success of their organization, two-thirds said they are not satisfied with the current process. The most common complaints, each cited by half or more, are that the process is not reliable, data is not accurate and the process is too slow.

Sales competition today occurs in a fast-moving and rapidly changing environment of customer expectations, demands and predilections, so it is no wonder that a slow forecasting process is a source of complaint. And indeed, the research reveals that most organizations don’t produce their forecasts on a timely enough basis: One in three require three weeks or longer to generate the forecast while only one
in four do it in less than a week. Given these time frames it is understandable that a majority of organizations create sales forecasts monthly (38%) or quarterly (20%); only one in five do it weekly, which could give them an edge.

Issues involving data accuracy and availability likely impair the speed with which sales forecasts are produced. The research shows that the tasks in which research participants spend most of their time in the sales forecasting process are reviewing pipeline and forecast data for quality and consistency (27%) and preparing sales data for analysis (19%); in addition 12 percent spend the most time just waiting for sales data and information. These preparatory activities can be frustrating and get in the way of acting on sales opportunities. Automating them can help reduce the time it takes to generate the sales forecast and get it into the hands of those who need it.

Technology designed for sales forecasting typically includes data management capabilities to ensure that information from sales force automation and other sources is integrated efficiently. If data is not readily available, the forecast takes longer to create. The research finds that two out of five sales organizations that take fewer than two weeks to generate their forecast have used dedicated technology for sales forecasting for more than a year, and 11 percent of those that have used it for less than a year take fewer than two weeks. As well as the product’s functionality, experience in using it and the data can speed up the process.

The research suggests that frequency of reviewing the sales forecast can provide a leading indicator of potential sales forecasting performance. More than half (57%) of sales organizations in this research that take less than two weeks to generate their forecast review their pipeline on a weekly basis. More than twice as many organizations that review the sales pipeline daily or weekly are satisfied with their current process of creating forecasts as are those that review it monthly or quarterly.
The most common tool for sales forecasting, now as in our previous research, remains spreadsheets, although they are used less widely today (29% vs. 38% in the past). Only one-fourth of those primarily using spreadsheets for sales forecasting are satisfied with their process. In addition, just one-third that rely on spreadsheets are confident or very confident in the information in their sales forecasts. Yet despite these negatives, only 38 percent of heavy users of spreadsheets are planning to change their sales forecasting software in the next 12 to 18 months. We believe those organizations continuing to rely on spreadsheets also will continue to find it difficult to produce timely, reliable forecasts.

The adoption of software specifically designed for sales forecasting is proceeding unevenly. Half of research participants do not plan to shift to a different vendor of sales forecasting software in the next 12 to 18 months; that’s five times as many as said they definitely will change, although 14 percent more are considering change. Those most often planning to change currently use business intelligence and sales force automation as sales forecasting tools; together they account for 35 percent of all participants, and about half of those using each intend changes.

Currently only two out of five research participants use dedicated tools for sales forecasting. Of those that do, 22 percent said it has improved significantly the outcomes of sales activities and processes; an additional half said it has improved them slightly. Larger companies generally have been using dedicated tools longer than smaller ones have, and nearly four out of five very large organizations now have a dedicated sales forecasting application.

Among the many organizations not planning to deploy dedicated software, the largest portion (58%) said they don’t know why they will not. The next largest group (24%) said they will not do so because it would not have a positive impact on business. We attribute these responses to insufficient understanding of the options and capabilities now available. Another finding confirms this impression: All of the top
five barriers to making improvements and investing in new technology for sales forecasting in some way indicate an inability to see the need for new tools or an unwillingness to support an initiative. And further analysis shows a strong correlation of these barriers to dissatisfaction with the sales forecasting process; more than 70 percent of those identifying each barrier are not satisfied.

The discontent with aspects of sales forecasting and tendencies is toward inaction factor into our Maturity Index analysis, which overall places 60 percent of participating organizations at the two lowest of four level of our maturity model. Furthermore, one-third to two-fifths rank at the lowest Tactical level for all four of the dimensions by which we further segment maturity: people, process, information and technology. Reflecting organizations’ issues with data, we rank the largest percentage of organizations (69%) at the two lowest levels for Information and the fewest (11%) at the highest Innovative level. In the Process dimension, only 15 percent are Innovative and four times that many (62%) are at the two lowest levels. Only in Technology do as many as one-fourth reach the Innovative level.

To make sales forecasting the powerful business tool it can be, most organizations have work to do in all of these dimensions. People must be aware of its importance and the need to support improvements. They must take steps to make the forecasting process more effective and timely and the information it uses and produces readily available and accurate. They should commit to investing in technology tools that facilitate all of these steps and allow all stakeholders to participate in and benefit from the efforts. The sales organization needs all the help it can get in these fiercely combative times.
About Ventana Research

Ventana Research is the most authoritative and respected benchmark business technology research and advisory services firm. We provide insight and expert guidance on mainstream and disruptive technologies through a unique set of research-based offerings including benchmark research and technology evaluation assessments, education workshops and our research and advisory services, Ventana On-Demand. Our unparalleled understanding of the role of technology in optimizing business processes and performance and our best practices guidance are rooted in our rigorous research-based benchmarking of people, processes, information and technology across business and IT functions in every industry. This benchmark research plus our market coverage and in-depth knowledge of hundreds of technology providers means we can deliver education and expertise to our clients to increase the value they derive from technology investments while reducing time, cost and risk.

Ventana Research provides the most comprehensive analyst and research coverage in the industry; business and IT professionals worldwide are members of our community and benefit from Ventana Research’s insights, as do highly regarded media and association partners around the globe. Our views and analyses are distributed daily through blogs and social media channels including Twitter, Facebook, LinkedIn and Google+.

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Appendix: About This Benchmark Research

Ventana Research designed this benchmark research for sales and IT managers involved in sales forecasting. The research was from November 2012 through February 2013. Applying our standard methodology and quality assurance criteria, we identified 218 qualified participants. They represent a range of organization sizes: 22 percent from very large companies (having 10,000 or more employees), 29 percent from large companies (with 1,000 to 9,999 employees), 25 percent from midsize companies (with 100 to 999 employees), and 24 percent from small companies (with fewer than 100 employees). A large majority (84%) of these companies are located or headquartered in North America, although many of these are global organizations operating worldwide. Among industry categories, companies in manufacturing accounted for 44 percent, those that provide services for 38 percent and those in finance, insurance and real estate for 13 percent. Government, education and nonprofits accounted for the remaining 4 percent. Categorized by their job title, 31 percent are executives, 9 percent are in management, and the majority (57%) are what we term users in the lines of business. By functional area, one-fourth work in IT, 14 percent are in accounting or finance, and 13 percent are in sales. (More demographic detail about the participants is available in the full research report.)