The finance leader's guide to reliable sales forecasting

Increase revenue predictability
with Anaplan

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Introduction

Running a business is a high-stakes endeavor. With ever-increasing pressure and scrutiny around top-line revenue growth, the sales forecast is one of the most important decision-making tools in the organization. To make the right budget and planning decisions, sales and finance leadership must stay closely in sync regarding deal status, size, and timing. Reliable, comprehensive access to sales projections gives finance leaders the opportunity to partner with the sales organization to drive increasingly predictable revenue growth.

Unfortunately, for many organizations, sales forecasts are some of the least reliable sources of information, and they fail to provide much clarity. Often, the forecasting process is comprised of best guesses, inconsistent methodologies, messy reporting, and frustrating output. Consequently, budgets, investments, and other key decisions can quickly steer off course.

Although poor collaboration or misalignment between finance and sales can skew both teams' views of the business and lead to adverse outcomes, improving the sales forecasts is a great place to begin building a stronger partnership.

Financial decisions influenced by the sales forecast

- Headcount/staffing
- Talent retention and skills development programs
- Sales compensation spend
- Cash flow decisions
- Commercial investments
- Marketing spend
- Production budget
- Inventory management
- Project funding (e.g., IT projects, capital projects, R&D projects
- Discretionary spending budget

Where sales forecasting can veer off course

Finance leaders must meet financial expectations and provide future projections to the board, investors, and executive leadership. They need sales forecasts to be accurate and reliable so that they have a clear picture of the revenue plan and the resulting impact on the income statement. But the following common obstacles often hamper their ability to defend the financial outlook of the business.

Unreliable numbers

Inaccurate sales forecasts are nothing new. For years, sales teams have had a mixed amount of confidence in their forecasting, with only 45% of sales leaders and sellers saying they have high confidence in their organization's forecasting accuracy in a recent survey by Gartner. Why? Forecasting usually relies heavily on subjective data, such as seller intuition, to provide projections of current and future deals. Forecasts also require regular monitoring and revisions, and they often arrive in the hands of the finance team after a delay, which can cause the data to be stale by the time it arrives. In volatile business environments, sales projections can become obsolete within days of their release, making long-term planning and budgeting decisions very difficult.

Additionally, deals can come in many shapes and sizes across an enterprise. Business units or divisions may have very different operating models. In some organizations, there are multiple instances of CRM platforms or major variations in the way forecasting is conducted. These data discrepancies make it difficult to gain a comprehensive and granular view of the forecast.

Disconnected efforts

Sales and finance often work in separate spheres, and their forecasting processes are no exception. There are several handoffs as teams progress from strategic planning to operational planning to sales forecasting. Most often, this planning and analysis is conducted in static spreadsheets across siloed teams. This makes it difficult for finance teams to suggest changes and test assumptions.

Procedural handoffs and delays also make it difficult for finance teams to gain a clear picture of their revenue expectations that they can articulate and defend with investors and leadership. Sales forecasting often gets bogged down with data cleaning and consolidation. This can make the analysis and modeling process slow and unwieldy. As a result, finance teams can get caught on their heels in their initial income statement forecasting — and even more so when adjustments need to be made.

Misalignment between finance and sales

It all starts with a fundamental misalignment: Sales is looking to hit periodic revenue targets, while Finance needs to accurately communicate the financial state of the business regardless of outcome — and often beyond the current period. Although these two objectives are not fundamentally opposed, they do often create perverse incentives — e.g., sandbagging or strategically underestimating revenue to meet sales targets. They also make it difficult to align revenue planning to sales forecasting, so that you remain in lockstep with sales as you work toward meeting strategic targets.

Piecing together the sales forecast

Sales forecasting involves both top-down and bottom-up methods. However, the methods that sales leaders rely on most for periodic forecasting — particularly with more mature industries or established product lines — are bottom-up methods. The specific techniques vary greatly by industry and business model. Consumer-facing goods and services often begin with historical sales numbers, and business-facing products often begin by aggregating open opportunities. These data are then augmented with current internal and/or external data from a variety of sources, including the sales force itself. Subjective seller information has some merit in that sellers often have intimate knowledge of developing deals, while historical data is useful because of its versatility.

On the B2B side, sales opportunity management is often completed in a CRM. Depending on the quality and quantity of data available, CRM software may be useful for forecasting through its native forecasting features or through third-party apps. Many organizations also use spreadsheets to aggregate and consolidate forecasting data. These spreadsheets are then handed off to finance counterparts. They may contain dozens of tabs to represent different business units or geographies and features like macros to help automate some of the repetitive tasks that finance must undertake. What they likely will not do is highlight gaps and risks with real-time visibility.

Steps in typical sales forecasting workflow	Limitations
Data collection and consolidation	Many sources or instances of CRM lead to a heavy, error-prone manual workload
Statistical or time-series forecasting	Poor or incomplete pipeline data results in significant over- or under-estimates
Composite forecasting	Multiple layers of management judgment are difficult to apply on top of the base forecast
Mid-period pipeline review	"What-if" analyses and contingency planning are difficult to perform when performance gaps appear, leading to a slow response
Feedback loop into revenue and OpEx planning	Often messy handoff between sales and finance results in incomplete or misleading analysis
End-of-period performance evaluation	Limited KPIs around forecasting accuracy, and no culture of conducting variance analysis on past period forecasting

The techniques involved in sales forecasting and its downstream processes have significant limitations. Some of the most common ones are related to sales pipeline data. For example, the data in a company's CRM could be incorrect, outdated, or simply incomplete. Together, these issues make conducting analysis and deriving insights much more difficult.

Anaplan for Sales Forecasting changes everything

Anaplan for Sales Forecasting allows sales leaders to deliver more accurate revenue projections, and enables faster, more agile forecasting. This gives finance teams a more reliable view of the business, and a greater opportunity to partner with sales to meet strategic objectives. Optimize the pipeline with powerful, AI-driven predictive insights, and embrace Connected Planning to keep your revenue organization aligned with your corporate financial goals and budgets.

Gain more confidence in your sales forecast

Instant visibility into sales projections, even as they evolve

Gain a more comprehensive view of your sales pipeline and understand drivers of revenue performance. Deliver a more accurate forecast to drive better decision-making in sales, finance, and across the business.

Become a partner in driving revenue

Align the sales forecast to financial planning and sales planning efforts — all in real time. Leverage scenario modeling to analyze and compare multiple forecasts and potential outcomes.

> **"**
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> Having everyone on the same sales forecasting system with a consistent forecasting process has taken out a lot of the risk from the business
>
> **Jeremy Scheffel,**
> Senior Director of Sales Performance Intelligence Team

Reimagine your pipeline to optimize sales performance

Accurate, timely sales insights are critical to staying within budget and keeping the sales organization on track throughout the year. Predictive Pipeline Optimization capabilities leverage third-party data to help predict and prioritize the most winnable deals so that you can clean and optimize your sales pipeline. This can lead to a more accurate sales forecast, benefiting the entire organization.

Powered by advanced algorithms and best-in-class machine learning technologies, Anaplan reveals insights that help finance and sales leaders evaluate the health of the pipeline and optimize sales efforts. Predictive Insights evaluates third-party market data including company growth trends, business partnerships, hiring trends, technographics, buyer intent signals, and buyer propensity insights to gain a deeper understanding of customers.

Benefits of Anaplan for Sales Forecasting

- **Secure revenue:** Ensure that the sales organization focuses on reliable revenue sources and can identify the right cross-sell and upsell opportunities.

- **Increase forecast accuracy:** Create a more trusted sales forecast based on a pipeline filled with realistic, winnable deals. Leverage statistical models to identify trends over time and layer in third-party data and signals to determine buying intent.

- **Decrease customer acquisition costs:** Focus sellers on high-potential opportunities and desirable customers.

- **Improve sales plans:** Evaluate sales forecasts and the pipeline in real-time to calculate quota attainment, estimate compensation payouts, adjust sales capacity, territories, and quotas.

Leading software provider DocuSign significantly "de-risked" their forecasting process, and unified sales and financial planning into one platform.

Learn more at anaplan.com/customers/docusign/

Conclusion

Over the years, a good many successful writers, thought leaders, and corporate executives have all come to the same conclusion: The best way to predict the future is to create it yourself.
There is perhaps nowhere in life where this rings truer than in sales.

Accurately predicting future revenue requires careful planning, tight organizational alignment, and the ability to execute with a laser-like focus on strategic goals. Even in the most opportune times, forecasting has its challenges.

Finance leaders turn to Anaplan when they want to increase sales forecasting accuracy. Anaplan enables organizations to keep their revenue engines fully aligned — and build confidence in the process.

About Anaplan

Anaplan is the only scenario planning and analysis platform designed to optimize decision-making in today's complex business environment so that enterprises can outpace their competition and the market. By building connections and collaboration across organizational silos, our platform intelligently surfaces key insights — so businesses can make the right decisions, right now.

More than 2,400 of the world's best brands continually optimize their decision-making by planning with Anaplan.

To learn more, visit www.anaplan.com

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