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The Right Way to Forecast



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Dan Gibson has been a successful Regional Manager for every region in the U.S. from the Southeast to the Northwest. He has customer relationships all over the country. His reputation and his disarming attitude make him a favorite of every rep organization that works with him. Dan developed the forecasting techniques we discuss here. It was his way of making sure the sales organization was behind and accountable for the numbers projected. I know this system works from watching Dan manage it for a number of years. You can find Dan at DGibson@bledsoebrace.com

Marsh Moore has a conundrum. He is one of the best sales managers in the business. But he would probably make more money selling. Many of the ideas in this document came from long hours talking sales, sales management and how to grow the businesses we worked on together. He is the consummate pro. You can find Marsh at mmoore@bledsoebrace.com

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or email it to whomever might benefit from it.

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For other ideas on sales, sales management and strategic marketing, visit our forum and library at www.RyanHixenbaugh.com



Sales Reporting

Sales reporting is the scorecard. You have to watch it every day to stay in the game. It will affect your sales strategy throughout the month. Here are reports you should be receiving and reviewing regularly.

Daily Sales Shows your territory sales for the prior day.
Shows cumulative sales for the month.
Shows percent to plan.
Projects cumulative sales performance against month end goal.

These figures become more accurate later in the month.
They are the first warning you receive if it appears you are falling behind plan. Use these figures to adjust your sales plan accordingly.

Monthly Sales Shows monthly sales and sales Year-to-Date
Shows comparable sales for last year and last YTD.
Shows monthly sales and YTD projected against the annual plan.

Customer Ranking By Sales

This is a critical planning report for the sales territory.
It ranks every customer in the territory by sales volume.
It should also show YTD cumulative sales as well as last year comparable sales.

Use this report to identify the top performing accounts.
It shows the second tier of growth accounts.
You can see new but smaller, developing accounts.
You can see accounts in decline.
And you can identify lost accounts – those that have stopped purchasing. This report will be the foundation of your sales plan.



Observations to Make with these Report

Always know these figures

- Sales Year To Date
- Percent to Plan
- Dollar growth YTD
- % Growth YTD

Use these figures to build your sales plan



The Basic Sales Plan

Keep it simple. This is a (generally) prioritized list from which your sales will come.

Key Accounts This is the Pareto Principle, or the 80/20 Rule. It says that 20% of your accounts will do 80% of your business.

Typically you'll find 3 or 5 top performing accounts whose sales figures have a significant gap between the next dollar level down. These accounts are the believers. They've bought you, the product and the company. They are difficult to replace and write with a big pen. Take care of these accounts.

New Accounts These accounts are just getting started. They've bet on you. They will need your help to learn the product and grow. Keep an eye on them.

Developing Accounts These are second tier accounts that appear to be growing into key accounts. Nurture them.

Lost Accounts These are at the bottom of the list. Their numbers are way down, or zero. Lost accounts are companies that bought the product, but something happened. Perhaps they were ignored. Perhaps another sales person was just at the right place at the right time. Just a visit can sometimes reverse these accounts and bring them back to the fold.

Declining Accounts Accounts where you have obviously lost business. They are declining in a manner that isn't adjusted by timing. This warrants looking into.



Other Yardsticks

Number of total customers

How many customers are on your Ranking list?

Do you have more or fewer than last year?

Average Sale

Total Sales figure divided by the number of accounts.

This shows you the average size of customers in your territory.

Mean Sale

Divide the number of total customers in half.

Look up that customer. Their sales figure is your mean sale, meaning that an equal number of customers spent more and less than that number.

If your Average Sale is smaller than your Mean sale, it suggests that you may be underselling some of your customers. It also may mean that you are overly dependent on your largest accounts.

If the average is higher than the mean, it signifies that your sales volume is improving per customer. You are growing your customers along with your business, which is great.

Small accounts can grow into larger ones. But they can also be time wasters. If your mean sales figure is inordinately low, consider whether or not too many small accounts are distracting you from more profitable sales and service of your larger accounts. This is all part of maintaining a healthy sales territory.



Sales Pipeline

The Sales Pipeline is your projection of sales that will close within the current month, or the next month. It is helpful to the manufacturer in managing inventory and production. It is also a good tool to manage your month.

Most companies have customers or channels with longer or shorter sales cycles. Some customers may take an entire year in the selling cycle, but consume a huge and ongoing volume. Other customers close quickly, for smaller numbers.

In managing your territory, you'll want to keep consistent pressure on the Longer Term/Higher Payback accounts. They are future growth and income. But they won't make the month.

Those smaller accounts come in handy when you are just below plan for a month ending in a week. Keep your eye on the sales pipeline so you always know where to get a sale quickly when you need it.



Forecasting

As a Territory Manager you will be responsible for the Sales Plan. It used to be that the company would say “We’re going to grow sales 10%!” Everyone’s sales quota was upped 10% and the Sales Plan was done. No one asked where that 10% would come from. No one knew. It was simply “sales responsibility.”

Those were the days when the market grew 10%. So sales were achieved and everyone felt successful. Today, markets don’t grow that fast or steadily. So forecasting has become more grass roots.

Forecasting isn’t fortune telling. It is a road map and a compass.

If you take the time to logically plan what you would like to achieve with your most important accounts, you’ll find you always know what you are trying to do. You may not always achieve your goal – but you’ll find you are always moving forward.

So a forecast is just taking the time to plan an account rationally.

Take a single prospect.

Who are they currently using? Do you know what volume?

Based on the account’s experience and with what you know about the competitors, with which product will you lead? How long will it take to capture their interest and earn trial? How will you follow that?

As you capture this information, you begin to develop a pattern for sales calls and product introductions.

This plan will also help keep you on track, and prevent being lost in the day-to-day responsibilities of sales and servicing accounts.

Here is a forecast worksheet for you to consider and practice using.



Start by listing your key prospect accounts.

Identify the product on which you'll focus. Perhaps you have an entire line to sell, but be more focused. What is the lead product? Why? What is it about that product that makes you confident it belongs in their inventory? Again, be focused.

Target Acct	Acct Contact	Product	Action Steps
Name of Target	Specific person	Product to Emphasize	Reason product fits with the prospect. Why they will buy.

Estimate the quantity that you know they currently use.
 How do you know? Ask! They'll tell you.
 What price are they currently paying? This lets you estimate the value of the account.
 It is important for your planning that you anticipate the value. It tells you how important a roll the prospect plays in achieving your monthly, quarterly and annual numbers. Let's put some numbers in just to see what the forecast looks like:

Sales Price	Qty/Mth	Expected Mthly Volume
\$349.00	4	\$1,396.00
\$549.00	1	\$549.00
\$445.00	6	\$2,670.00



Finally, based on the number of calls you think it will take, and the frequency you plan to make those calls; when do you think you'll be successful in converting that business? 60 days? 90 days? Six months? What do you anticipate as their start date? Put it down. Sometimes the start date is a wild estimate. Sometimes you'll be confident. It helps in your personal planning as well as the pipeline report for sales management to put in a "Confidence Factor" to show how certain you are about the start date. If you know it is going to happen – put it at 90%+. If you are in the game and being given consideration – maybe 75–80%. If you are just getting to know the company, the start date should be pushed out and the confidence factor at 40% – 50%. You can adjust that number up as you make progress with the prospect.

Based on the anticipated monthly product sales (above) and the estimated start date, you now have an idea of the value of the prospect.

Start Date	Conf Factor	Total for Remainder of Current Year	(12 month) Annualized Value
1-Sept	90%	\$5,584.00	\$16,752.00
1-Dec	60%	\$549	\$6,588.00
15-Oct	80%	\$6,675	\$32,040.00

You may not be accurate at first.

But this is your personal tool. Use it to measure your own effectiveness.

By measuring, you'll get better at forecasting sales and managing your business.

Now you have your own personal sales development forecast. When the confidence factor is high, add that prospect to your pipeline report.

What is your prospect using?

Which product are you going to sell them? How many? When?

All the magic answers. You'll be surprised how effective you'll become answering them .

Below is the full matrix all together for you to fill out with your current sales activity.



Date Posted	Target Account	Account Contact	Product	Action Steps	Start Date	Conf Factor	Sales Price	Qty Per Month	Expected Monthly Volume	Remaining Months Total	Annualized Volume



Troubled Account Tracking

A similar approach can help identify the risk of losing business.

Identify the troubled account along with the issue you are facing (competition, quality, delivery, features, missing features, etc). Identify the action steps you're planning to take to prevent the loss. Then project the dollars to anticipate the revenue hit.

This is business you'll need to replace to achieve your plan, so it is important that you keep a record of it. The company should also be made aware of the risk using the pipeline report.

A simple form for tracking Troubled Accounts is on the next page.



Date Posted	Troubled Account	Account Contact	Product	Issue	Action Steps	Prob to Lose	Sales Price	Qty Per Month	Expected Annual Loss	Remaining Months Total



About the Author



D. Ryan Hixenbaugh is a strategic planner involved in Sales, Sales Management and Marketing.

He is a Principal with the Strategic Marketing firm Stratcom that provides hands-on marketing services on an outsource basis.

Through Stratcom, Hixenbaugh has worked extensively in a number of industries including Healthcare, Apparel, Technology, Communications, Airline and Aerospace and Marine Transportation. The company has also supported a large number of non-profit initiatives.

Hixenbaugh has built and managed several national sales organizations, been involved in all kinds of strange configurations and advised numerous companies on sales strategies and marketing support.

His consumer experience is based on years in the Advertising business with various agencies, including May/Partners, with offices in Seattle and Portland, which he owned and ran.

To book Ryan to run Sales Training, speak at your next event or support your marketing efforts, please contact him at Ryan@RyanHixenbaugh.com

