INSIGHTSQUARED

A Guide in 4 Steps

Will You Hit Your Number?

By Joe Caprio & Mike Baker

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Meet the Authors

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Introduction

A sales manager's job boils down to one thing: hitting the number. Everything else – training reps, building the right team, managing the pipeline – is just a step on the path to that one main objective.

Of course, the complexity of reaching this goal is what makes sales so difficult. How can you know ahead of time if you're going to hit your number? What can you do if you're going to come up short? These are thorny questions that plague every sales manager and add an uncomfortable level of uncertainty to their jobs.

But there's a better way. With improved sales analytics and a fundamental understanding of forecasting methods, sales managers can tell if they're set up to hit their number on any day of the selling period. With this information, they can then make more informed decisions about how to proceed for the rest of the selling period.

This eBook creates a 4-step roadmap for this process. The first 3 steps lay a detailed framework for forecasting your end-of-the-selling-period bookings position, and the last step proposes several options to help you make up the difference if you're going to be short.

Here are the 4 steps:

1. Segment your sales team
2. Analyze your current Pipeline
3. Project new pipeline
4. Identify additional levers

By following these 4 steps, you will put yourself in control of hitting your number. You will be left with a repeatable and scalable process that will set you and your sales team up to thrive.

Segmenting your Business

"Improvements in sales come from doing three things: segmenting customers more thoughtfully, designing an organization that can serve the different segments more efficiently, and staffing that organization at the optimal level."

– "Smarter Segmentation for Your Sales Force,"
Harvard Business Review, 2004.

Your sales operation is not a monolith: It's a collection of different segments that all have their own characteristics, KPIs and sales processes. If you want to know with any certainty whether you're going to hit your number this selling period, you must understand how these different segments (and their associated sales processes) function.

But before you do that, you must identify them.

Segmenting: Identify Your Business

Every business is a unique collection of segments. Sometimes these segments are internally defined (a different product or service, for example) and sometimes they are externally determined (different regions or customer structure). The important thing to remember, though, is that these varying segments have a huge impact on your sales strategy and tactics – and your ability to hit your number – so you must identify and define them as clearly as possible.

How do you do this?

The answer is to **filter your closed-won and lost deals by a specific characteristic and analyze how this affects your sales results.** So, for example, if you analyze your deals by target vertical and notice that doing so has a large impact on Sales Cycle, Win Rate, or Average Sales Price (or all three), you know that you should be segmenting your business by vertical. If there's no change, different verticals are not different segments of your business.

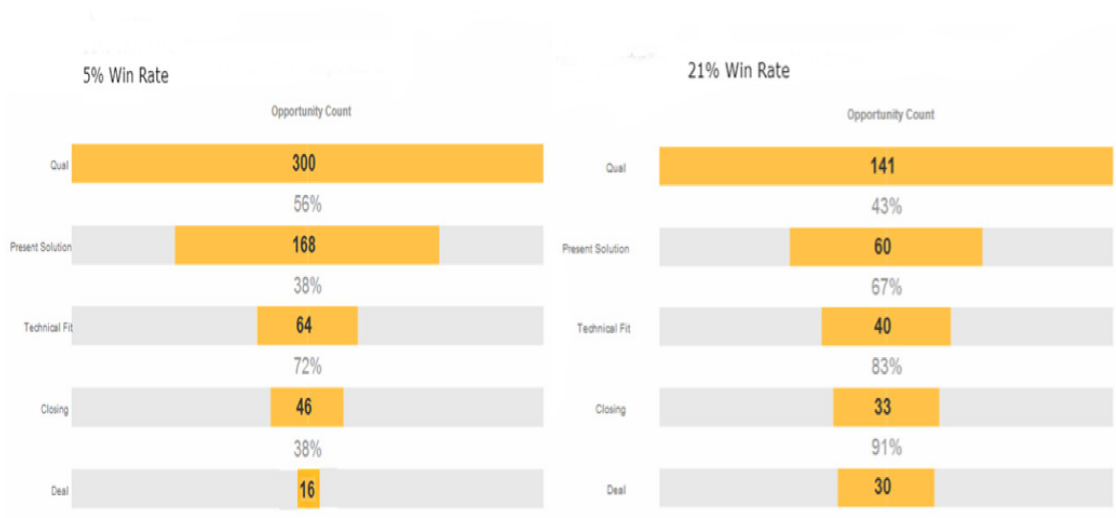


Figure 1: The image above shows Win Rate for all deals (left) and then only for deals within a specific vertical (right).

In this chapter, we will help you better understand your business by providing you with a simple and repeatable process for identifying your business' segments. With this knowledge, you will be better able to structure your sales team and align your sales strategy with the specific needs and preferences of your main customer segments. Ultimately, this will improve your Win Rate, shorten your Sales Cycle, and allow you to better predict whether you will hit your number this selling period.

Segmenting: Filter Out the Noise

Before you start trying to identify segments in your own business, you must know the common segments that apply to most companies. This will identify the tests you can run to recognize segments.

6 common segments:

1. Geography
2. Vertical/Business Line
3. Projected Deal Size
4. Lead Source
5. Product line
6. New vs. Renewal

Segmenting: Know the 4 Sales Metrics

As we said before, a segment is only a segment if it significantly affects one of the 4 main sales metrics:

1. Sales Cycle
2. Win Rate
3. Average Sales Price
4. Contract length

A change to one or more of these characteristics tells you that you should be treating a given segment differently. This might mean assigning different sales reps to handle it, changing your value propositions, or adjusting your expectations about how frequently and quickly you convert opportunities. It definitely means you should forecast these segments differently.

This realization brings us to the next part of hitting your number: using your granular understanding of your business to **forecast how much revenue you will get from your existing Pipeline** in the current selling period.

Analyzing Your Current Pipeline

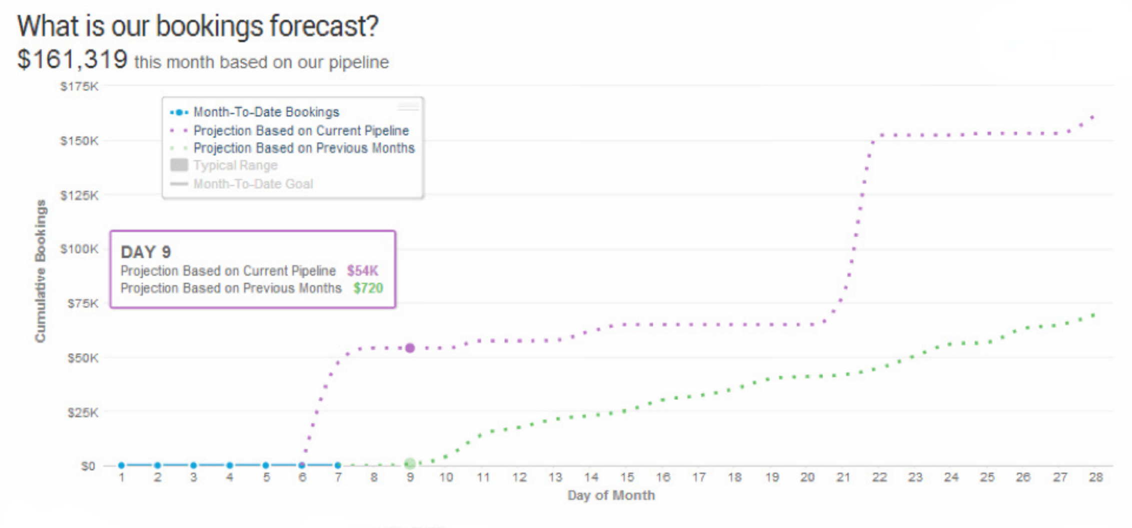
After you've segmented your business and come up with the right team structure and sales strategy, it's time to start looking more closely at your number and forecasting how much bookings revenue you'll get out of your current Pipeline.

If you stopped creating new opportunities for the rest of the selling period and just relied on the open opportunities in your Pipeline, how close to your number would you get? This will provide your baseline forecast and tell you what else you need to do (which will be covered in the next sections) to hit your number.

How do you predict how much revenue you'll get out of your current Pipeline?

1. Take the open opportunities in your Pipeline and break them down by stage.
2. Remove anything outside the normal value range for deals. These unusually large deals would be great if you can get them, but you can't count on them.
3. Remove anything outside the normal age range for deals. Long overdue deals rarely come in.
4. Remove anything else that looks like an outlier – whether it's from an unreliable lead source, isn't notated in Salesforce, has had its closed date pushed back several times, or something else. These are red flags, and you shouldn't count on these opportunities in your forecast.

Weight the remaining pipeline against your historical Win Rate by rep against your historical Win Rate by stage to get an accurate forecast of what you can expect to win in your existing pipeline



Close Date	Opportunity	Owner	Stage	Days in Stage	Total Value	Personal Win Rate	Company Win Rate	Forecast Contribution
07 Feb 2014	Opportunity #1342	Joe Smith	Closing	6	$7,920	66%	80%	$5,227
07 Feb 2014	Opportunity #2442	Sylvia Sidney	Present Solution	22	$10,702	43%	35%	$4,602
07 Feb 2014	Opportunity #667	Angelina Fox	Closing	49	$4,500	86%	80%	$3,870
07 Feb 2014	Opportunity #2465	Joe Smith	Closing	6	$3,600	66%	80%	$2,376
07 Feb 2014	Opportunity #180	Nancy Olson	Present Solution	91	$3,780	42%	35%	$1,588

Figure 2: The image above shows a weighted bookings forecast for a given month that takes into account the company's and rep's Win Rate. Filter out the outlier opportunities and only analyze the opportunities that are in your normal range. If you didn't create any new opportunities until the end of the quarter, how far from your revenue goal would you be?

Projecting New Pipeline

Unless you're in extremely good shape, your existing pipeline won't be enough to hit your number – you'll have to create and close opportunities that aren't yet in the pipeline in order to hit your bookings goal.

But can you create enough new opportunities in time? To answer this question, you must work backwards from the end of the selling period and **determine how much time you have to create new pipeline, and how much value you can realistically create that will close before the current selling period ends.**

1. The first piece of information you need for this is your average sales cycle. How long does it take your average opportunity (within each of your segments) to move from creation date to close date?

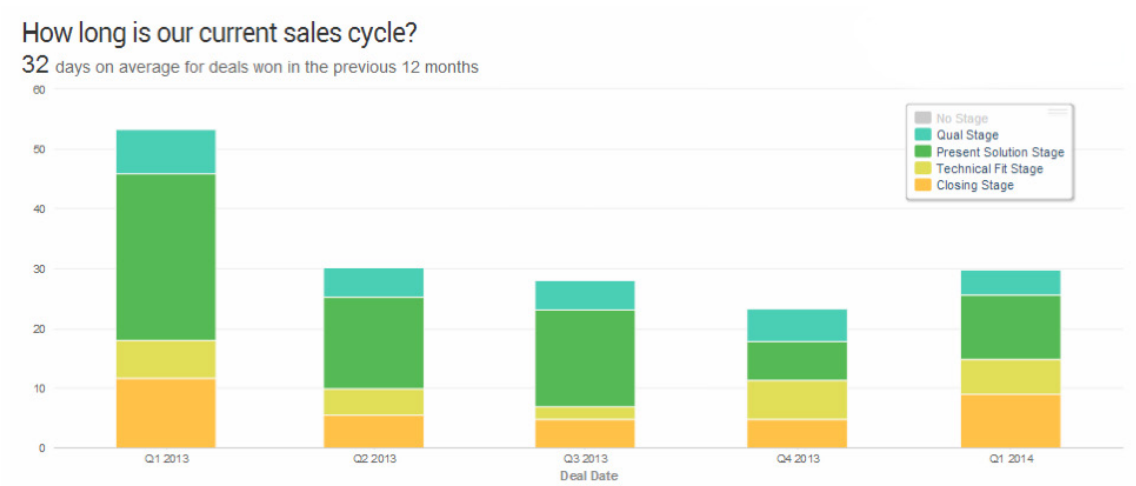


Figure 3: The image above shows average sales cycle by stage.

2. The next step is to **subtract your average sales cycle from the number of days you have left in the current selling period.** If your average sales cycle is 32 days and you're halfway through the quarter, you have about two weeks left to create new opportunities that will close in time.

3. So, in that amount of time, how many new opportunities (or how much value) can you expect to create? In our example, how much new value can you create in two weeks? The answer to this question lies in the net flow of your pipeline – how many new opportunities (or how much new value) does your sales team create in the average week?

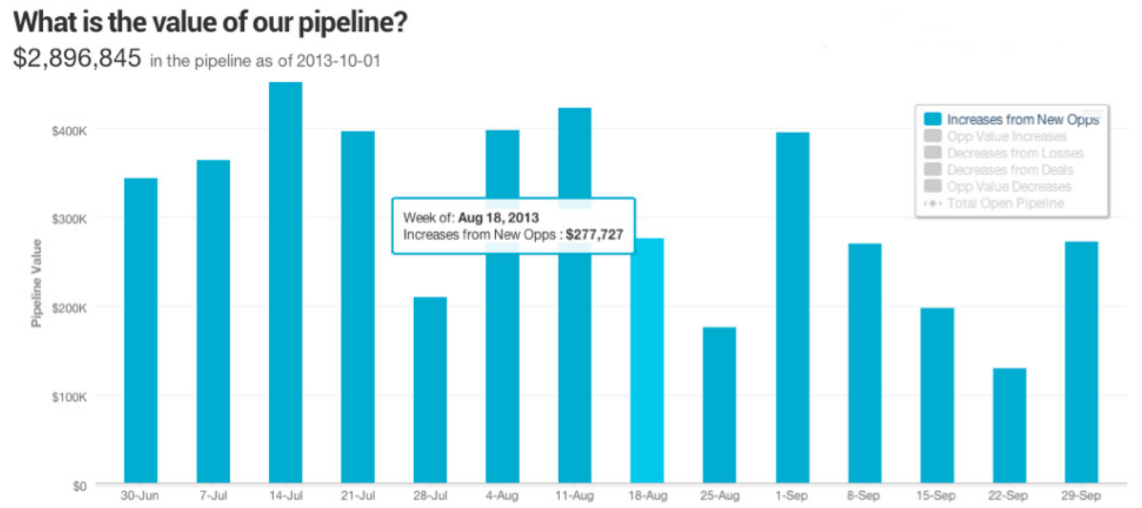


Figure 4: The report above shows the value of newly created opportunities by week.

Knowing how much new pipeline value your sales team adds each week will tell you how much pipeline you can expect to generate that will close before the current selling period ends.

4. Once you know how much value you expect to add to your pipeline in time, you must predict how much of this will actually be closed-won before the selling period ends. Using the segment-specific Win Rate you identified in Step 1, you can predict how much of the newly created pipeline will actually convert into revenue by the end of the selling period.

Does this figure – when combined with the revenue you predicted to close from existing pipeline in Step 2 – give you enough to hit your number? If not, you may still be ok. In the next section we explore the various levers you can pull to bridge the gap.

Alternative Levers

You've forecast how much revenue you expect to generate from your current Pipeline, analyzed how much new Pipeline you can realistically create and close before the current selling period ends...and you're still coming up short. What do you do? Panic?

Not so fast. There are a few things you can do even if your open opportunities and those you can generate quickly enough to close in time aren't sufficient to hit your number.

1. **Run a Closed-Lost campaign.** Just because an opportunity didn't convert the first time you worked it doesn't mean it never will. Many opportunities close because the timing isn't right, the necessary budget isn't yet available or the product you're selling lacks a necessary feature. But those things change. If you're set up to miss your number, run a Closed-Lost campaign and see if you can squeeze a few deals out of the opportunities that fell through the cracks the first time around.

2. **Call in favors/Hit your network.** Do you have a friend or former colleague who can help you find potential customers? Does a current customer owe you a favor? Leave no stone unturned in your quest to close enough deals to hit your number. You can send a list of open opportunities (especially stalled ones) to your network and see if anyone in it has a connection that can help you push a deal past the finish line.

Risk	Close Date	Opportunity	Owner	Value	Stage	Days in Stage	Momentum	Last Activity
	06 Nov 2013	Opportunity #1342	Joe Smith	$7,920	Closing	6	6	Sales Call, yesterday
	06 Nov 2013	Opportunity #2413	Nancy Olson	$25,200	Technical Fit	29	1	Demo Comp, 23 days ago
	06 Nov 2013	Opportunity #2414	Sylvia Sidney	$1,188	Closing	1	9	Connect, yesterday
	06 Nov 2013	Opportunity #379	Joe Smith	$18,000	Technical Fit	76	3	Sales Call, 2 days ago
	06 Nov 2013	Opportunity #2442	Sylvia Sidney	$10,702	Present Solution	22	3	Connect, 2 days ago
	06 Nov 2013	Opportunity #2465	Joe Smith	$3,600	Closing	6	2	Disc Call, 16 days ago
	06 Nov 2013	Opportunity #2524	Helena Carter	$1,188	Technical Fit	1	11	Trial Kick, yesterday
	06 Nov 2013	Opportunity #180	Nancy Olson	$3,780	Present Solution	91	0	Sales Call, 34 days ago

Figure 5: A list of open opportunities – with their stage and momentum – can help you call in favors from your network.

3. **Cut deals.** If you're desperate for deals you can always resort to hard selling tactics like promotions, price cuts and special offers to make up the difference. Relying on this tactic too regularly can ultimately erode your reputation or encourage your reps to discount too freely, but once in a while it can be a life-saver.

4. **Run to Marketing.** Sometimes marketing can help you get a few deal-ready opportunities. Ask them for especially hot leads or to run a specific campaign that is known to have a very short marketing cycle or high conversion rate.

5. **Tell your CEO.** If you've tried everything and you're still going to come up short, don't just ignore the problem and hope that your CEO won't notice. You should go to him as soon as you identify the shortfall and use data to explain what happened, show him all the things you tried, and most importantly, tell him your plan for avoiding the same outcome next quarter.

Conclusion

Sales VPs are judged by their ability to hit their number, so it makes sense for them to be as systematic and analytical as possible in this mission. On any given day, a Sales VP should be able to predict how much revenue his team will generate by the last day of the selling period. This eBook broke down this forecasting process into its most fundamental components:

1. The segments of your business
2. Projected value of existing pipeline
3. Projected value from uncreated pipeline

With just this information, Sales VPs are able to tell with relative certainty how far below (if at all) they will be from their revenue target by the selling period's end. Once the shortfall is identified, Sales VPs can use the fourth section of this eBook – "Alternative Levers" – to find creative ways to make bookings before the selling period ends.

Although no process for hitting your number is guaranteed, the steps laid out in the eBook will give every Sales VP the best chance of analyzing whether they'll be able to hit their number, and coming up with a plan if not.

#1 for Salesforce Analytics

About InsightSquared

InsightSquared is the #1 Salesforce Analytics product for small and midsize businesses (SMB). Unlike legacy business intelligence platforms, InsightSquared can be deployed affordably in less than a day without any integration costs and comes preloaded with reports that real business people can use. Hundreds of companies and thousands of users around the world use InsightSquared's award-winning analytics to maximize sales performance, increase team productivity and close more deals. Based in Cambridge, Mass., InsightSquared was recently named one of the "Best Places to Work in Massachusetts" by the Boston Business Journal.
For more information, visit www.insightsquared.com.

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