

THE REALITY OF SALES FORECASTING

A REPORT

Unlock accuracy, efficiency, and confidence

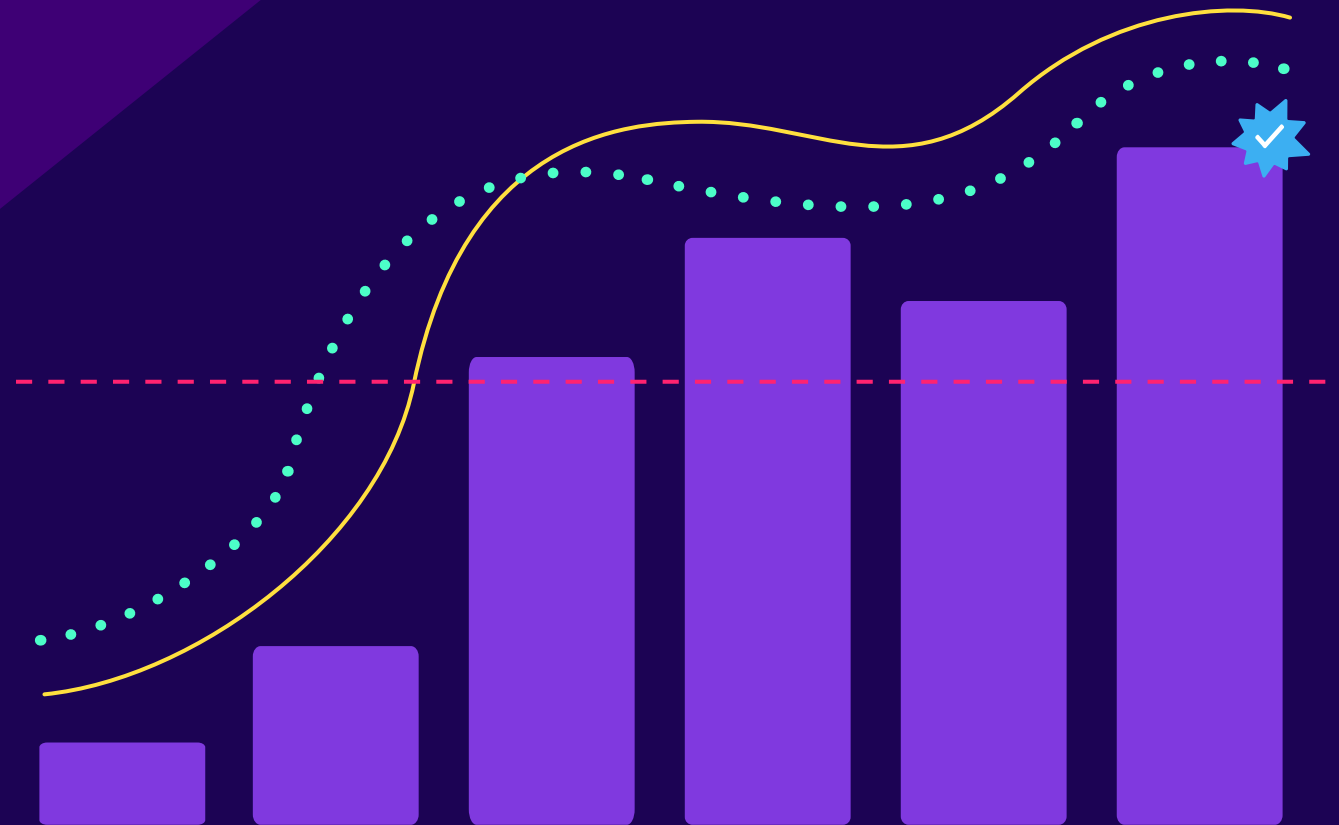


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INTRODUCTION

As a sales leader, your number one priority is driving predictable revenue at your organization. Your sales forecast is a critical element in your company's success — as well as that of your career. It's the North Star for your entire organization, dictating where you allocate resources, how you plan for growth, and where you focus your efforts.

When those operational plans combine with factors outside your control (economic uncertainty, pandemics, supply-chain issues, political unrest, etc.), your ability to accurately predict revenue becomes even more crucial to your mission.

In June of 2022, we conducted research to unlock the reality of modern sales forecasting.

Through our study we've captured data quantifying how badly broken forecasting is at most organizations, unlocked the challenges that are causing this forecasting failure, and identified four principles you can leverage to overcome these challenges and transform how you predict revenue for your business.

“The single most important sales metric is your forecast accuracy. It's what sets the entire operating plan for the company.”

Carl Eschenbach
Partner at Sequoia Capital



THE CURRENT STATE OF FORECASTING... AND WHY IT'S A PROBLEM

“If you don’t get your forecast right it’s going to have a real impact on your planning and your future... your hiring plan and not just for sales but for the village that supports the sales team, whether that’s the legal team, the data ethics team, solutions engineering, or product.”



Diego Panama
CCO at Liveramp

The reality is that forecasting at most organizations is in poor shape. We recently surveyed nearly 1,000 sales professionals, and confirmed this with what they said about forecasting at their organizations:

A majority — 63% of respondents — said that sales forecasting was extremely critical to the success of their business. Yet only 27% said that it produces accurate results, while a mere 22% said their process is efficient. More than half of the respondents regularly miss their forecast by more than 10%.

This critical process fails so many organizations. Here’s a reminder of **why** coming in under or over your forecast is a problem:

When you come in **under forecast**:

- ✓ Other parts of your organization may need to cut costs (quickly)
- ✓ You may need to reduce your team’s workforce
- ✓ The board, investors, customers, etc., may not feel confident in you or your C-suite
- ✓ There may be a drop in stock price (if applicable)

When you come in **over forecast**:

- ✓ You miss opportunities to accelerate growth plans
- ✓ The board and C-suite may lose confidence in sales leadership’s predictive abilities
- ✓ Customers experience suffers because there aren’t enough resources in place to onboard and support them

Why does this happen?

More importantly, what can you do about it?

WHAT'S BEHIND THE FAILURE OF FORECASTING?

When it comes to forecasting, the root of your problems is trust.

Trust in your team. Trust in your tools. Trust in your data.

A lack of trust leads to a lack of confidence. Our survey asked respondents about their confidence in the number they commit vs. the number their teams commit. The results are eye-opening.

On the left is the relative level of forecast trust between leaders and managers, as well as managers and reps. To the right is each role's level of trust in their own forecast.

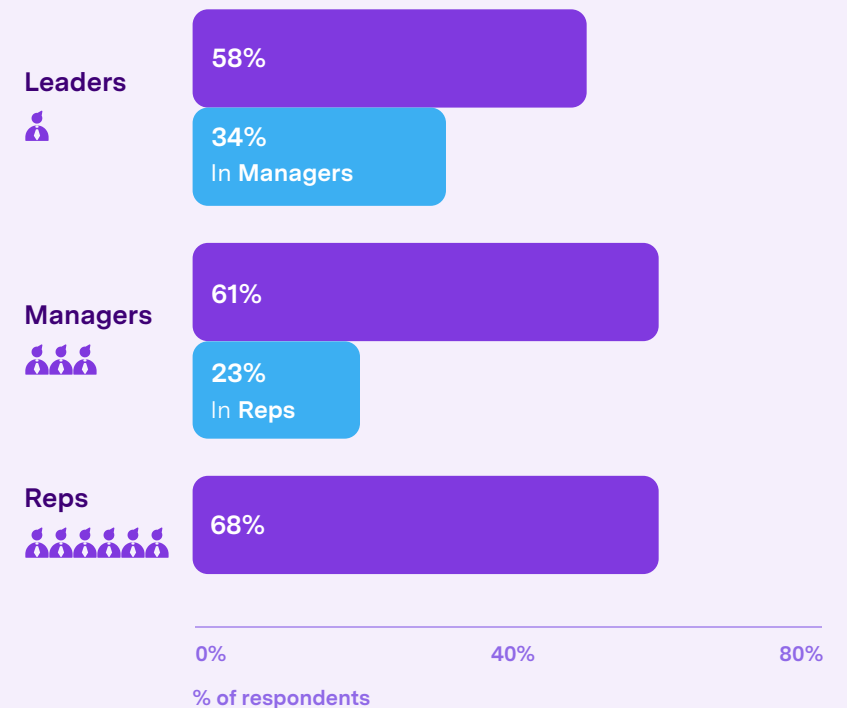
The higher you are in an org chart, the lower your confidence in your team's committed number. Leadership has the lowest level of confidence in that number.

Four common issues prevent most revenue organizations from trusting their forecast:

- 1 The forecast is based on sellers' opinions.
- 2 The forecast process is time-consuming and requires manual input.
- 3 The forecast is disjointed and spans multiple teams using different tools.
- 4 The forecast relies on historical data to predict future outcomes.

Forecast trust throughout the sales org

- How confident are you in the forecast that **you** commit?
- How confident are you in the forecast that **your team** commits?



[Source] Gong's Reality of Sales Talent Survey 2022
Respondents who selected Completely confident or Fairly confident n=928

HOW DO YOU UNLOCK BETTER FORECASTING?

You can foster trust — and better forecasts — throughout your organization by **transforming your forecasting process in four ways**.

How? By relying on the principles of R.E.A.L. forecasting:



REALITY-BASED

Don't rely on "I feel" or "I think" from your reps and managers. Everyone on your team can have confidence in their number when they understand what's happening inside every buyer interaction in real time. (That comes from good data and analysis, not gut instincts.)



EFFICIENT

Reduce time-consuming, manual tasks across the organization by automatically capturing all your customer interactions using AI, then serving up autonomous insights.



ALIGNED

Keep teams across the organization on the same page by running your forecasting process on one streamlined platform.



LEADING

Don't rely on historical data to predict future outcomes. Instead, identify leading indicators by capturing the unfiltered voice of your customer. It tells you what's important.

We're going to take a deeper look at each factor in R.E.A.L. so you understand how it contributes to a rock-solid forecast.

🎯 REALITY-BASED: UNDERSTAND EVERY CUSTOMER'S CONTEXT

As part of the “Reality of Forecasting Survey 2022”, we asked respondents to identify the primary reason they’re not more confident in their sales forecast. The culprit? *Opinions*.

Relying on a rep’s gut-feeling rather than what’s really happening inside customer interactions means leadership is in the dark when it comes to predicting deal outcomes and potential revenue.

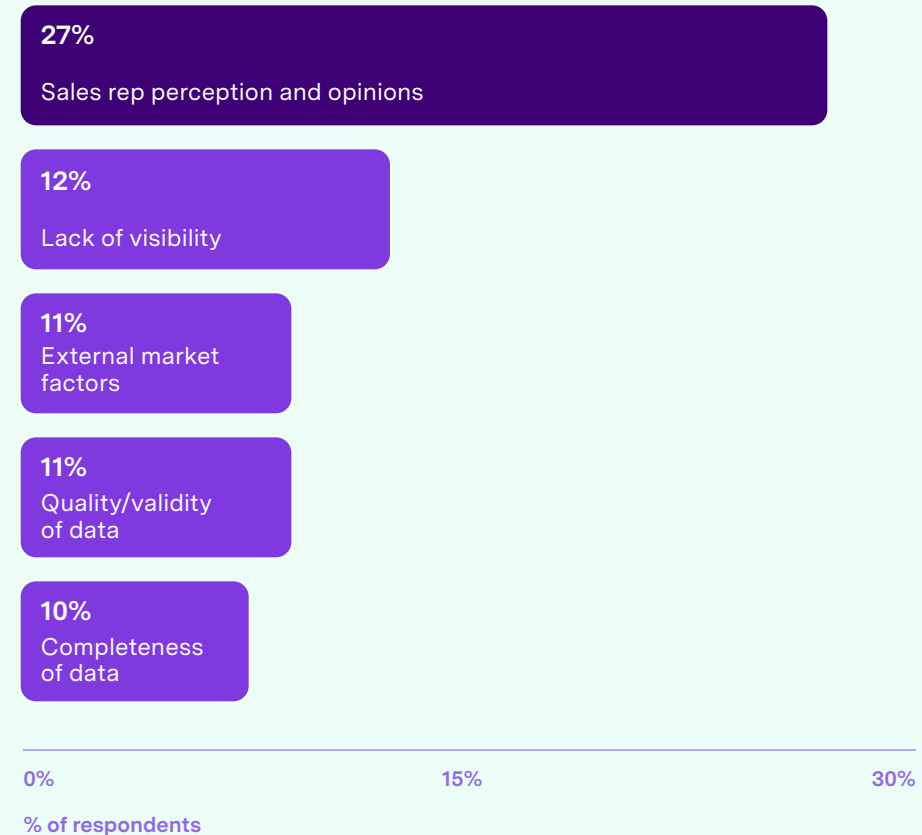
We now maintain our accuracy and we do it in one-third of the time it used to historically take us. That’s more time our reps can spend on selling activities.



Parth Thaker

Senior Director of Sales at Handshake

Top 5 factors impacting forecast confidence



Source: “Reality of Forecasting Survey 2022”, n=928

Q: Which of the factors listed below has the largest impact on your confidence in your organization to accurately call its forecast?

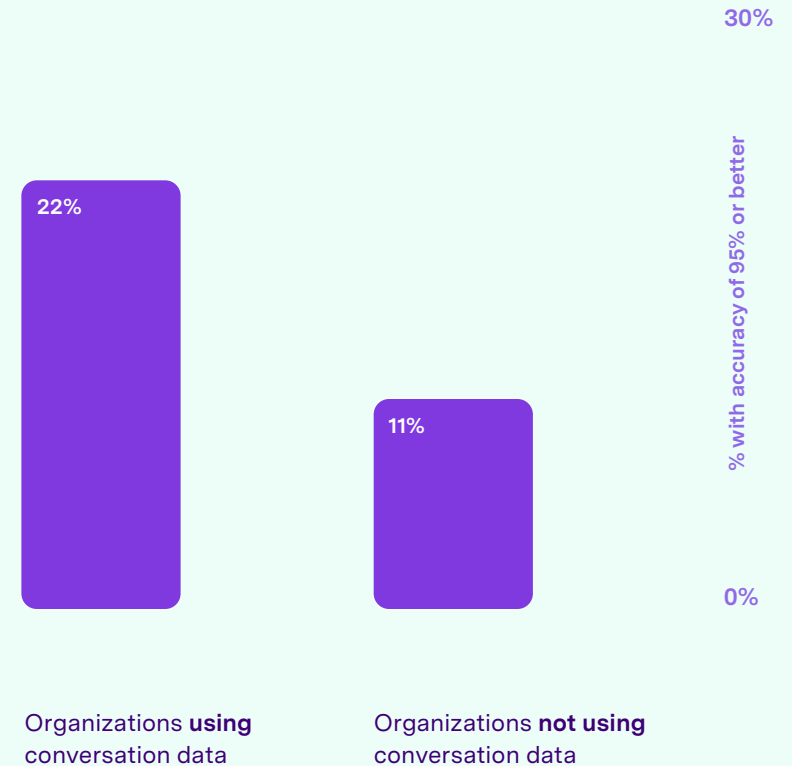
The first step in unlocking reality in your forecasting is capturing all your customer interactions (web conferencing, phone, email, content engagement, e-signature, etc.). In our survey, we found a direct correlation between forecast accuracy and the percentage of respondents who use real-time conversational data. **Organizations that use conversational data to inform their forecast were twice as likely to report a forecast accuracy of 95% or better.**

“There was too much ‘I think’ and ‘I feel’ in trying to understand the status of an opportunity, and information could be hidden in a system or spreadsheet. We fly through our forecast now, spending time now on how we’re going to exceed our numbers versus trying to tabulate them. This increased visibility gives us much improved **trust** in the numbers right up to board level.”



John Judge
SVP of Sales at Crayon

Real-time conversation data improves forecast accuracy



[Source] “Reality of Forecasting Survey, 2022”, n=176
Q: On average, how accurate is your organization’s monthly sales forecast? (+/- your forecasted sales), What data sources do you use to inform your forecasting?(select all that apply)

🕒 EFFICIENT: INCREASE PRODUCTIVITY AND DATA QUALITY

When we asked survey respondents to choose between improving their forecast accuracy or reducing the time they spend forecasting, an overwhelming majority (82%) selected improving accuracy.

Here's the good news: Your team knows how important it is to call and achieve their number.

The bad news? The time they spend figuring out their number pulls them away from time with customers.

On average, sales reps reported spending 3.9 hours each week on forecasting. That's two days per month spent on reporting rather than selling.

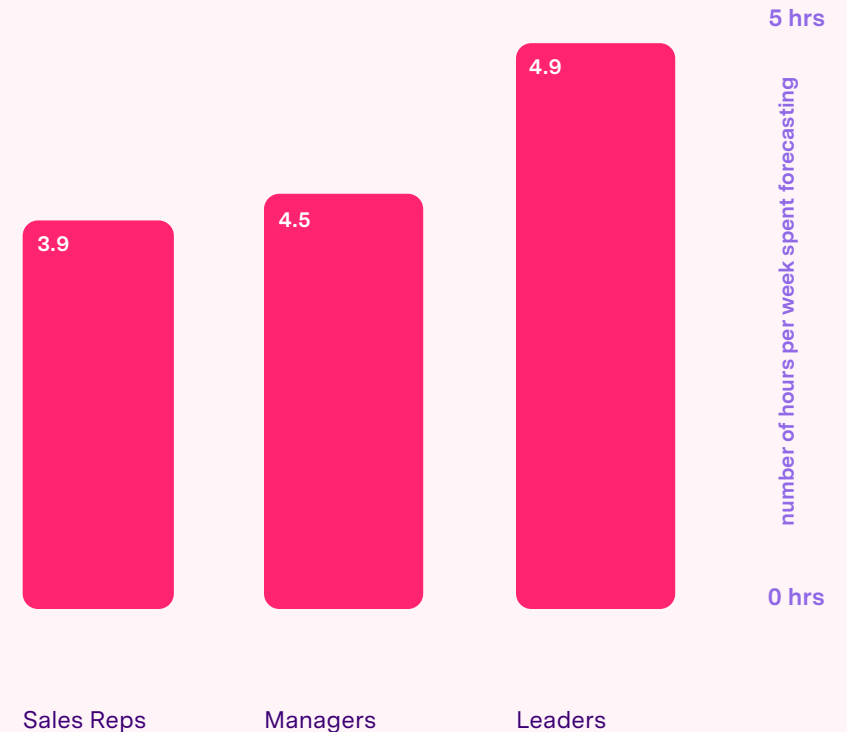
Managers and sales leaders spend even more time on forecasting, reporting 4.5 and 4.9 hours per week, respectively:

You don't have to choose between forecast accuracy and time well-spent. You can have both... if you're willing to ditch your spreadsheets.

Spreadsheets are static, disconnected, and manual. That means they're inefficient. On average, leaders from our survey who said they use spreadsheets spent 11% more time forecasting each week than those who use other tools.

The bottom line is that it pays — in time and money — to streamline your forecasting with a simple and efficient tool.

Number of hours per week spent forecasting



Source: "Reality of Forecasting Survey, 2022", n=928

Q: How many hours do you typically spend each week on forecasting (including forecast meetings, reviews, reporting, analysis, etc.)?

ALIGNED: UNIFY YOUR FORECASTING

Forecasting is complicated. It requires input from your entire revenue organization, and then you have to consolidate thousands of data points from multiple sources, across multiple tools.

If disjointed spreadsheets are part of those tools, you're adding even more unnecessary complexity to your forecasting process. Besides being time-consuming, spreadsheets are error-prone and require a herculean effort from operations to consolidate these disjointed reports into a single source of truth.

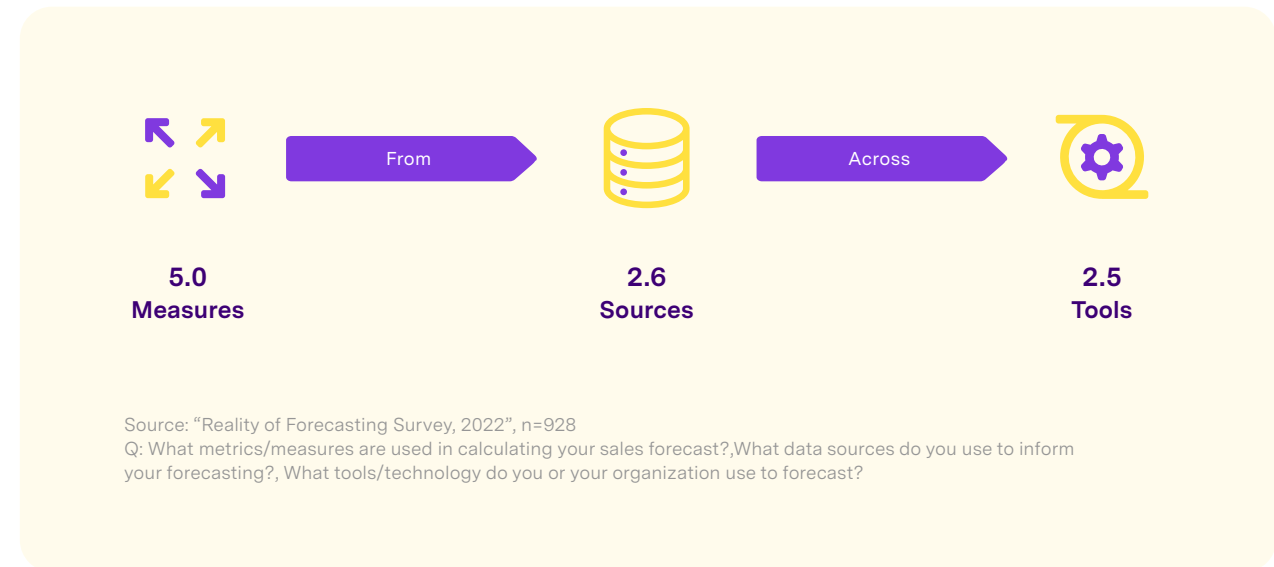
“Our team is scaling quickly and we needed a tool that took us beyond spreadsheets or reviewing deal by deal in our CRM.”



Kate Gallucci

Director of Revenue Operations at tackle.io

Here's a high-level view of how most organizations collect their forecast information (on average):



An aligned forecasting experience is essential if you want everyone on your team to review their data using a unified process, and commit to their forecast with confidence. Providing your team with a single forecast platform allows them to call, inspect, and execute against the forecast with greater visibility. This allied approach drives accountability across the organization. Without it, there's very little confidence in the forecast.

In our survey, for example, **only 24%** of respondents believe their finance team is confident in the forecast they provide. Imagine that. After all of those forecasting efforts, your CFO has their team run another analysis. That's why you need alignment, not only on your go-to-market teams, but across your entire organization.

With the right tools, managers can enter forecast reviews knowing they need to coach reps, navigate risks, and close deals, rather than ask questions for which they should already have the answers. And leadership can trust your number on first reading.

🕒 LEADING: PROACTIVELY PREDICT DEAL OUTCOMES

We find ourselves in challenging times that are also full of opportunities. Your organization now navigates global pandemics, inflation, etc., all of which make revenue predictions more complex and necessary.



Economic uncertainty caused **53%** of the sales leaders in our survey to place greater emphasis on producing an accurate forecast.

Again, external market factors ranked third-highest in impacting forecast confidence. Why? Because forecasts rely on historical data to predict future outcomes. Case in point: In our survey, we asked respondents to tell us which metrics they use to inform their forecast. The most common? Historical win rate.

The problem is that in the face of unprecedented change, no one knows how external factors might influence your business. Being able to identify — in real-time — how customers are affected by change allows you to remain agile. You can reset targets and pivot your strategy on a dime.

Technology can deliver [early warning signals](#) that let you analyze how economic conditions impact your deals' win rates and areas of your business as they happen. That gives you the agility to turn obstacles into opportunities.

We've identified six metrics that are the gold standard when it comes to producing accurate forecasts:

- 1 Close date fluctuation
- 2 Number of days moved
- 3 Redlines exchanged
- 4 Decision-maker involvement
- 5 Team selling activity
- 6 Email velocity

If you're interested in learning more about which metrics you should collect across your team(s), read our entire [forecasting metrics guide](#).

Want to get them all into your forecast? Read on.

STOP MISSING YOUR NUMBER

No more opinions.

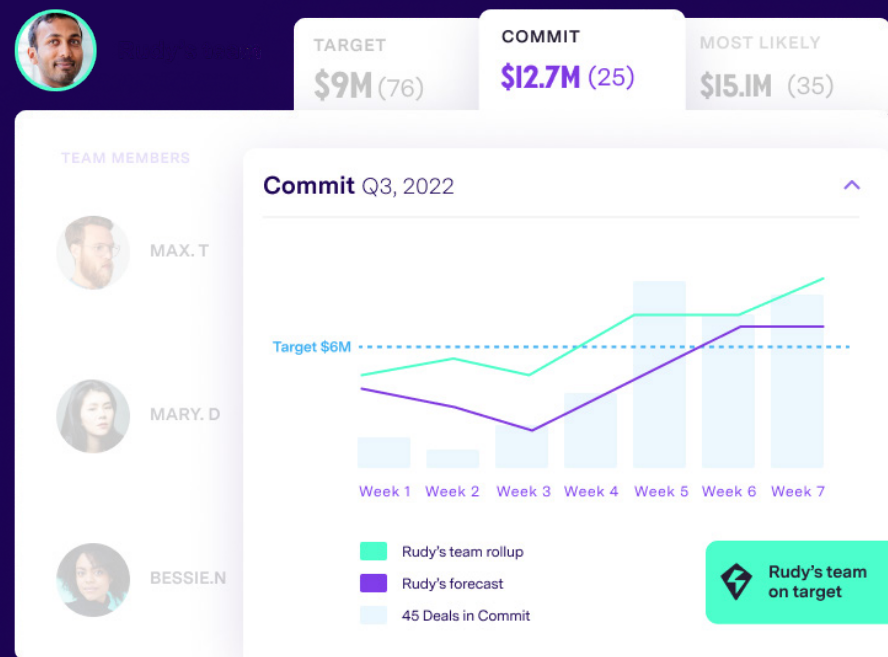
No more time-wasting activities.

No more disjointed processes.

No more unreliable data.

If you're ready to bring trust into your forecast and drive R.E.A.L., predictable revenue, it's time to learn about Gong Forecast.

Unlock reality-based forecasting at Gong.io/Forecast

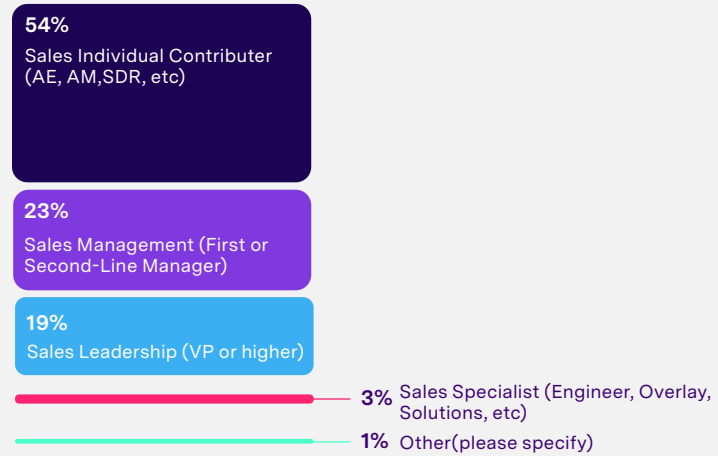


APPENDIX

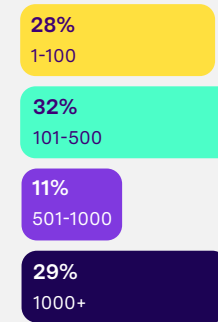
Methodology

In June of 2022, Gong surveyed 928 sales professionals online who either own, manage, or participate in their organization's forecasting process to better understand the current state of forecasting challenges, operations, and confidences. All responses were anonymized and analyzed in aggregate.

Role



Org Size



Region

