The Ultimate Guide to Forecasting Confidence

How Best-in-Class Revenue Leaders
Nail Their Number in Week 1

clari

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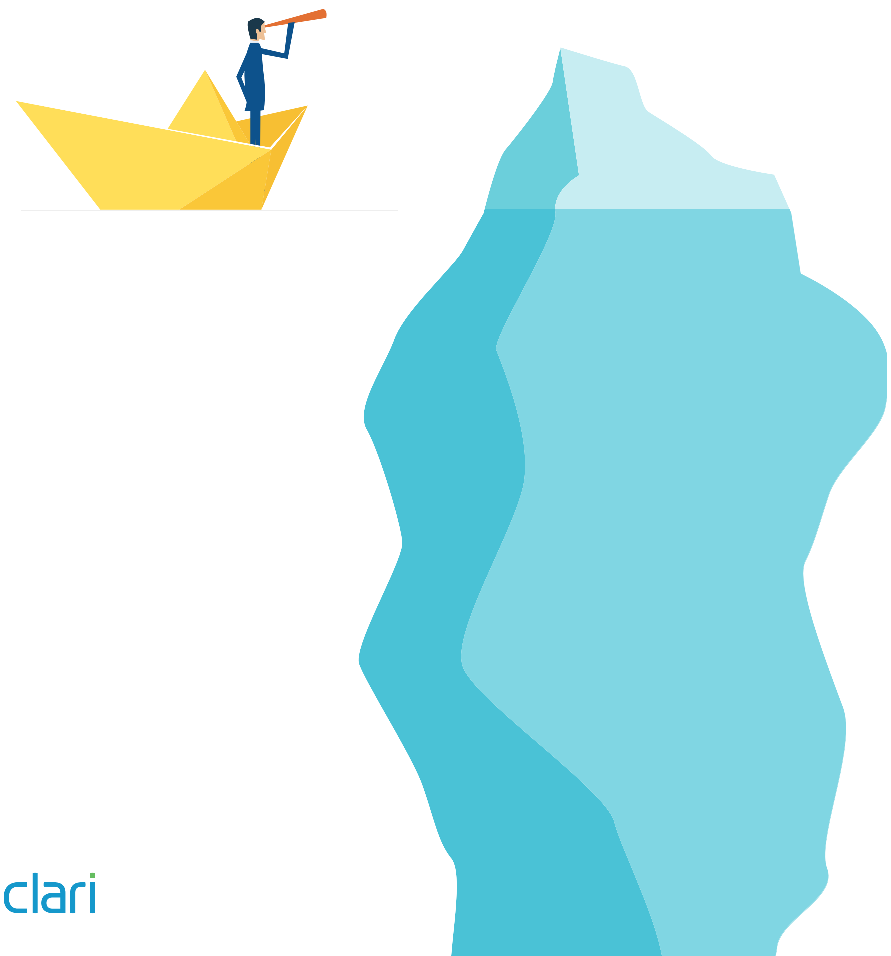


For most sales leaders, the week 1 forecast is often closer to a New Year's resolution than it is an accurate projection of how much revenue your team is going to bring in for the quarter. In fact, most sales leaders' "forecasts" don't get within 10% accuracy until week 10 or week 11 of the quarter.

However, in these uncertain times, the ability to predict revenue outcomes is more important than ever and is on the critical path to achieving revenue confidence. Accurate forecasting sets the pulse for the entire company, its' operating plan and the way it invests and grows. Inaccurate sales forecasts can have dire consequences.

The **Impact** of **Missing** Your Forecast

"Sales forecast accuracy is the ultimate number that sets great sales leaders apart because the more reliable they are, the smoother the company can run."

Carl Eschenbach, Partner at Sequoia Capital and Former COO of VMware

Here's the truth: For **most** companies, forecasting is

INEFFICENT

Reps can't enter all the relevant data

NOT REAL-TIME

Managers can't coach strategically

NOT DATA-DRIVEN

Leaders can't see all the risk factors

OFF THE MARK

Teams can't take the right course of action

When you're **under** the forecast...

HARD COST

Decreased value/drop in stock price
Missed revenue means a decrease in stock and company value

Layoffs
Instant cash relief through reduction in work force may be necessary, leading to poor morale and costly rehiring in the future.

Cash impact
Less cash flowing in means reduced hiring, programs and investments impacting future fundraising and autonomy.

Missed/delayed fundraise
Your fundraising story weakens without an accurate forecast, shortening runway and leading to a smaller raise

SOFT COST

Investor confidence
Investors wonder if you actually have a pulse on your business, or if you're being reactive impacting future fundraising and autonomy.

Executive Team Credibility
The board, investors and customers lose trust in company leaders for not having an accurate pulse on their business.

Employee morale and productivity
All teams feel a drop in morale by not hitting the forecast, especially sales, resulting in turnover and decrease in productivity.

Negative brand implications
Customer and prospect skepticism from customers, partners and suppliers.

When you're **over** the forecast...

HARD COST

Missed opportunity to accelerate operating plan
With greater visibility, you could have proactively taken steps to pull forward key hires or investments.

Downstream crush on post sales departments
Teams are undderresourced to meet demand, leading to unmet customer needs, overtime costs and turnover.

Not enough inventory to meet needs
Inventory was likely purchased based on the forecast, resulting in unfilled orders, expeditation fees, customer concessions and a hit to customer satisfaction.

Inefficient "late spend" profile
Based on accounting rules, unexpected revenue might need to be spent prior to new fiscal periods, resulting in poor spend decisions and dollars wasted.

SOFT COST

Exec team credibility with the board
The board, investors and customers lose trust in company leaders for not having an accurate pulse on their business.

Investor confidence
Investors wonder if you actually have a pulse on your business, or if you're being reactive impacting future fundraising and autonomy.

Premature increase to future quotas
Increasing quotas might be a natural reaction, but the results of one quarter could be a false positive if you can't explain the overage.

Deterioration of CRO/CFO trust
Was the CFO in the loop or will they now have to report on a number from left field to the board? The result is stress on internal executive relationships.

The ramifications of a **missed** forecast are clear. So why does it happen so often?

We've had the opportunity to work with CROs, CMOs, heads of sales and revenue operations leaders from some of the highest growth and most innovative companies in the world.

These companies have world-class talent in their sales, marketing, and operations groups, and have made significant investments to analyze countless terabytes of data, yet still can't call their number with confidence.

Typically it's because:

- Reps don't add all deal data into CRM. This is no fault of the reps. Who can blame them? They were hired to do what they do best: sell, not enter data.
- However, this critical missed step leaves holes in your ability as a leader to properly inspect deals, and cripples any attempt to apply machine learning or AI to draw historical analyses.
- Lacking that data, managers and leaders can't draw the proper insights, leading to inefficient and wasteful 1:1s, hindering execution
- Without a clear picture of what is actually happening on the ground, revenue leaders don't have the visibility they need to take the proper steps to either mitigate risk or pull in deals to cover.

In this ebook, we'll cover how to overcome each of these hurdles so you can gain revenue confidence.

Step 1: Triangulate a Reality Check

Leverage Three Critical Signals

The first step is to triangulate between three critical signals:

- What history is telling you
- What your team is telling you
- What you're being asked to deliver.

Typically these steps happen in reverse order: You look at what you're being asked to deliver on as a team, then you look at what the sales reps are rolling up for their commit, upside and best case.

And for a lot of leaders, it stops there. The only historical analysis being done at this point is happening in their own heads. This typically culminates with a feeling of excitement, panic and/ or skepticism that ultimately influences the revenue prediction ("forecast") you make for your business.

But this is where AI/ML is changing the game.

For Clari customers, Clari's Time Series Data Hub is historically tracking and time-stamping every single field in the CRM every 15 minutes. It then analyzes those millions of data points all the way down to the sales rep level, looking back at two years of data and predicting not only the likelihood of each deal coming in that quarter, but also how much pipeline will likely be needed to deliver on the number you're being asked to hit based on historical conversion rates.

Our data science is taking into consideration each individual rep's unique behavior (sandbaggers, happy ears and everything in between) and using that to drive our predictive models.

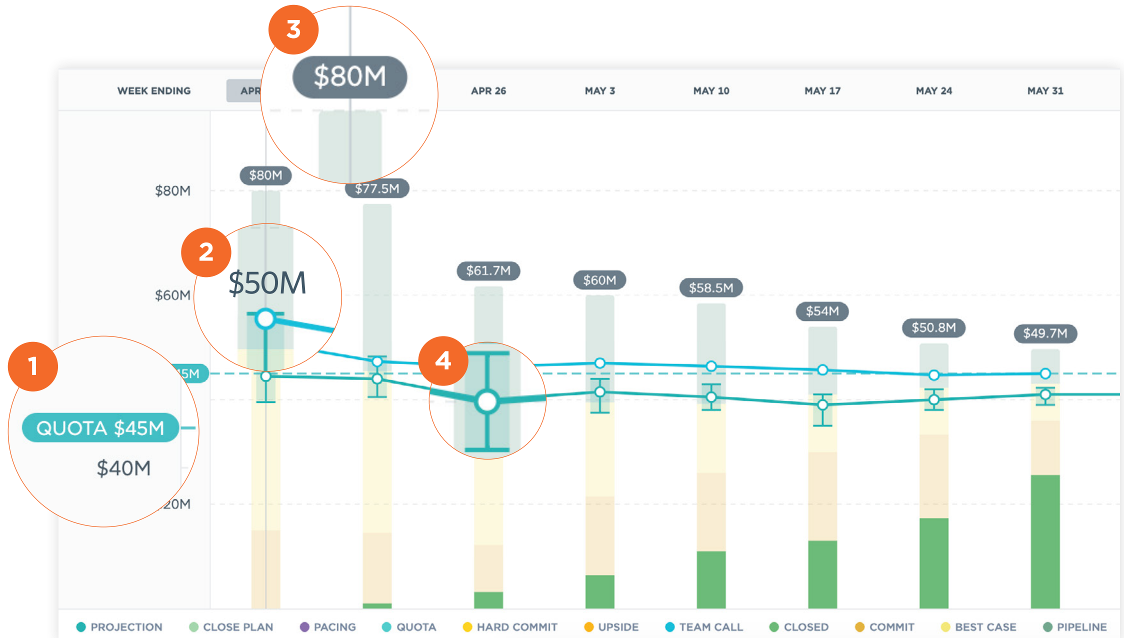
Once you have a sense of what you need to deliver on, what your team is saying you can deliver on, and what the historical data is saying you have the ability to deliver on, you can look for discrepancies.

In the following pages, we'll show you what this looks like in real time.

This is what we call Pulse. It's a module in Clari that shows a few pieces of critical data.

1. Your quota ($45m)
2. What your team is calling ($51m)
3. Your total Week 1 pipeline to hit that $51m ($80m)

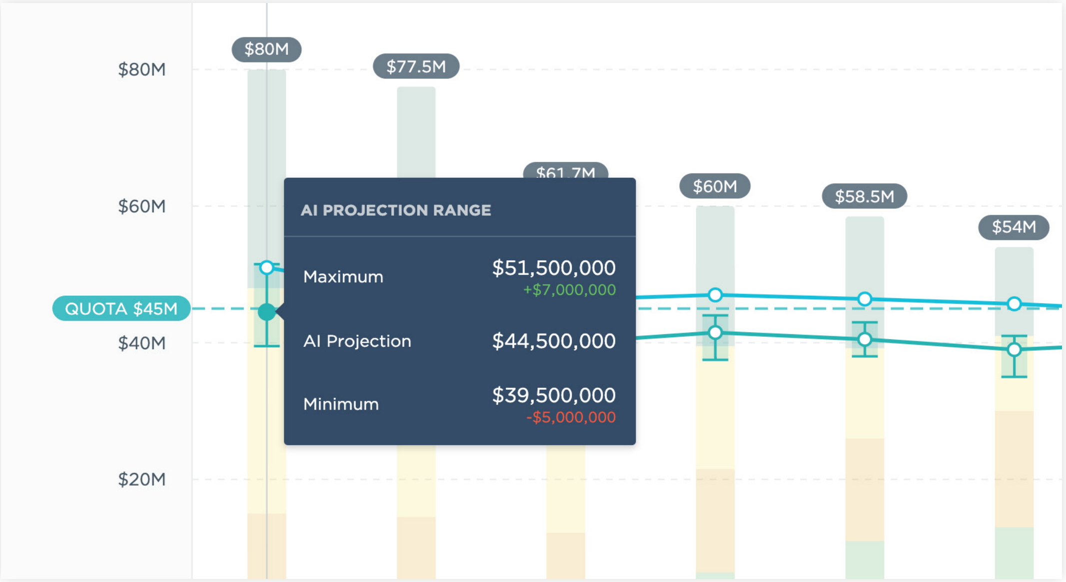
Clari adds a fourth data point based on its time series data hub, which snapshots every field in Salesforce and applies machine learning and AI to project where it thinks your team will land based on historical data.



In this instance Clari is saying you'll only hit $51.5m in the very best case scenario and you'll most likely actually come below your number at $44.5m.

Based on these numbers, there are some pretty big discrepancies between your team's call ($51m) and Clari's call ($44.5m) that you can go investigate.

We'll show you how in the following chapter.



Step 2:
Inspect Current and Out-Quarter Pipeline

With the insights from the previous step in hand, your next action is to look for risk in the current quarter and opportunities to accelerate deals that are slated for end-of-quarter or out-quarter.

In most companies, pipeline inspection rarely is a data-driven process. Most sales leaders will start with the biggest deals in their pipeline — not the ones that need the most attention.

The following is what typically happens:

Review Deals. They will review dollar amounts and close dates in CRM, maybe a quick skim of sales methodology type fields — if they're even filled out.

Call Reps. Then they will call the reps, either in their 1:1s or ad hoc, and ask them to talk through the activity taking place, relationships, sales methodology, etc... (more on this in the Step 3).

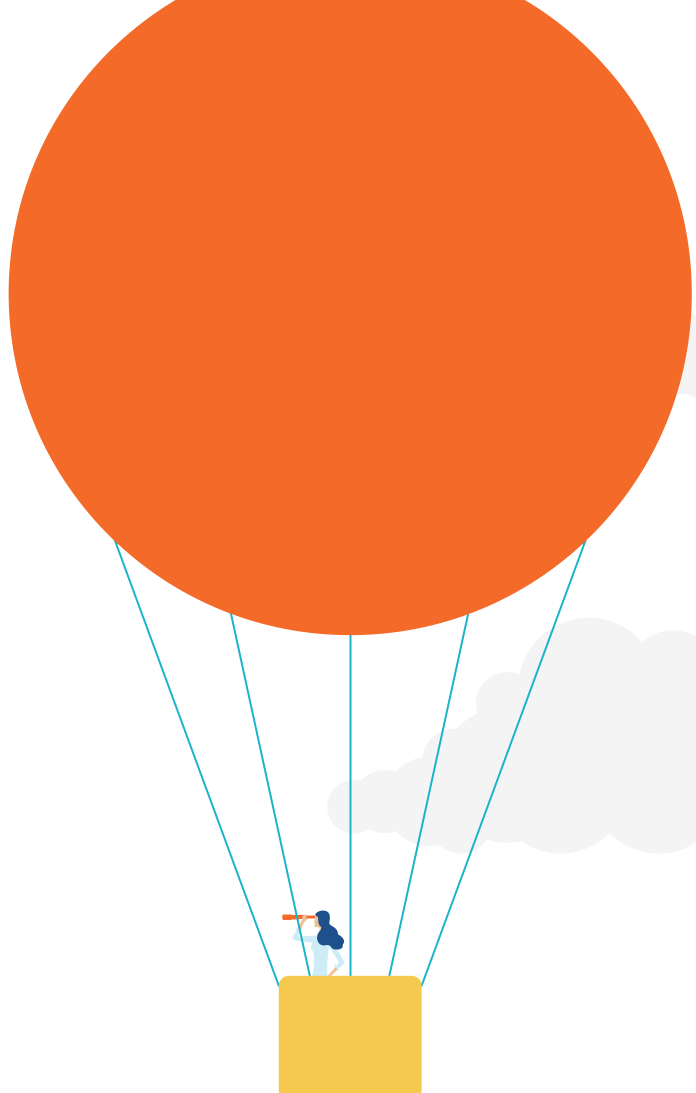
Make a Judgement. With little visibility into what's actually happening in the deals, they may or may not believe what their reps are telling them and in turn usually apply some level of "judgement" to account for any details that they didn't quite trust.

This lack of trust at the foundation of the pipeline reverberates up all levels and across all revenue teams. In our experience, there are a few things wrong with this approach:

1. The assumption that the biggest deals are the ones that need your attention most.
2. Managers spending valuable time having reps "report the news" as opposed to leveraging that time for value-add activities, such as coaching or strategizing.
3. Out-quarter deals and renewals often get little attention given the limited time reps/mgrs have in 1:1s and all the news reporting that needs to happen on current quarter deals.

How to Inspect Your Pipeline the Right Way

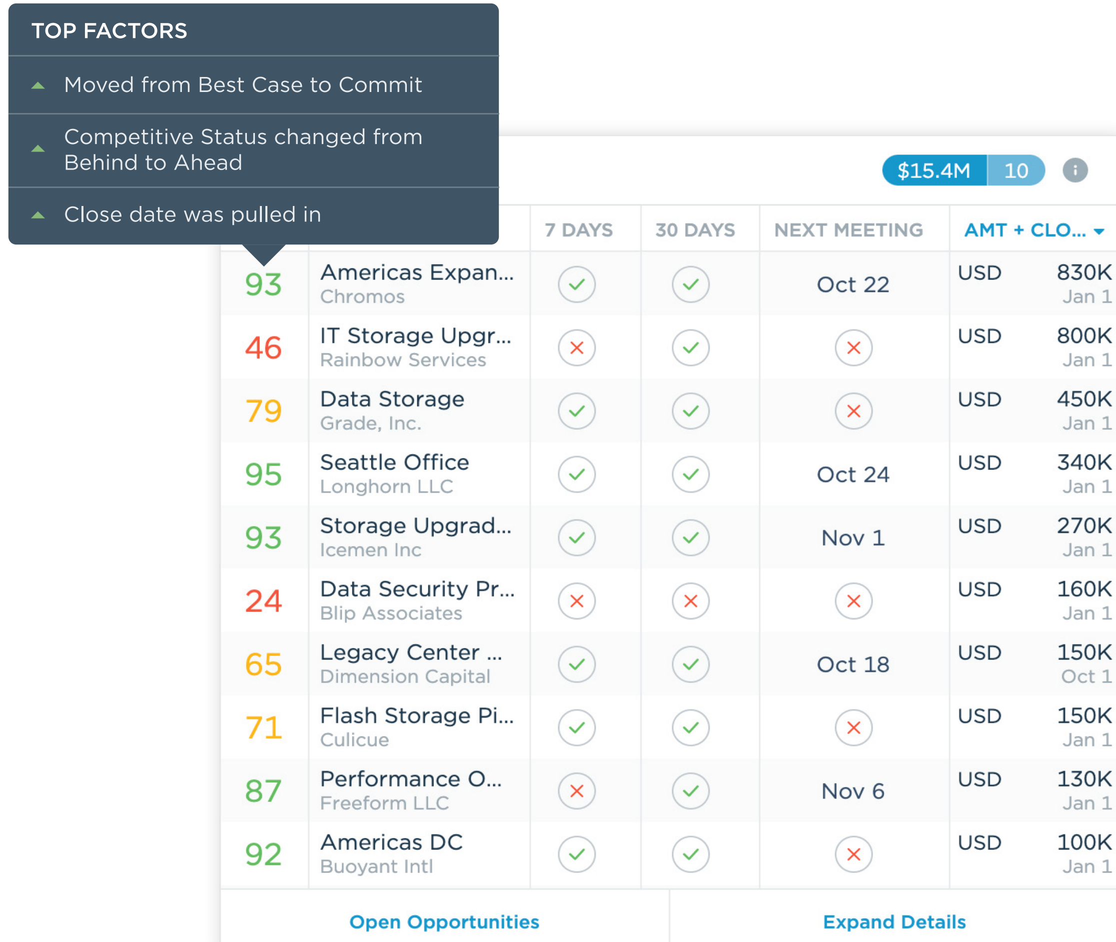
For Clari customers, this is where Clari's Time Series Data Hub once again goes to work applying data science against two years of data, both at the company and rep level, surfacing which deals are likely to be won, lost or pushed.



Clari's CRM Score uses AI and machine learning to predict which deals are tracking well and which are at risk. When the number is closer to 100, that means the deal is demonstrating all of the traits of a deal that is likely to close. The opposite is true for those that are closer to zero.

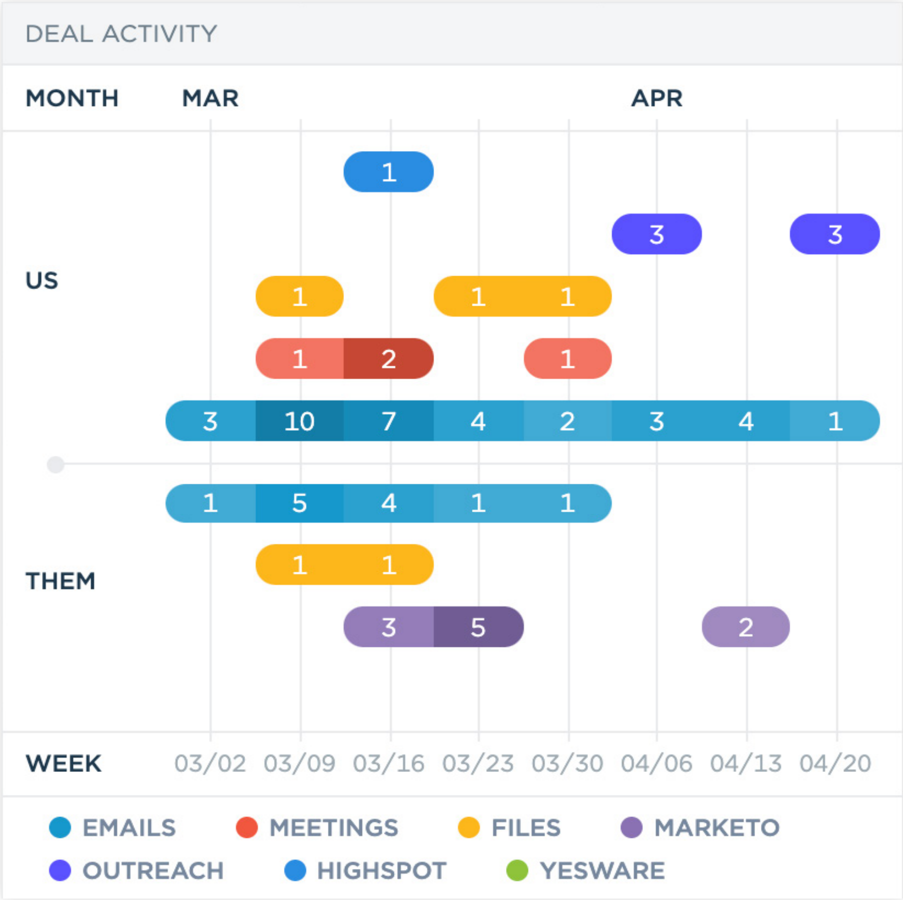
Typically what happens in a 1:1 is the manager gets together with the rep and they start with the largest deal first. Here the largest deal is actually in really good shape based on its CRM Score, so managers and reps can spend less time here or skip over it altogether.

Instead, they can spend time on the next largest deal that is exhibiting concerns.



Next, you can drill down and see exactly what is happening in the deal. Because Clari automatically captures sales activity and customer engagement signals, like email, calendar, sales enablement platforms, and more, you can easily see the activity — or lack thereof — that's happening between your rep and the prospect.

At a glance, you can tell that there were some meetings set in March, but hardly any in April. And they haven't returned any emails all month.



The next step is to look into the details and drill into the MEDDIC, which is not solved for. There's no metrics or economic buyer identified, which is all very concerning.

Armed with this data, you can now head into your first 1:1s of the quarter with a data-driven point of view and a great opportunity for coaching.

METRICS

[Empty]

ECONOMIC BUYER

[Not identified]

DECISION CRITERIA

Can the solution enhance pipeline inspection and clean-up?

Scott confirmed he will flesh out full success criteria and share with me, so we can address during POC.

PROCUREMENT PROCESS

- Cloud security questionnaire - DONE/PASSED
- Enterprise Governance Team review
- POC
- Architectural Review Board
- Procurement team final negotiation, T&C's
- Go live

Step 3:
Conduct Data-Driven 1:1 Coaching Sessions

Your 1:1s should be 90% coaching around risk mitigation, pipeline acceleration, and deal execution, and 10% reviewing your deals line by line. Unfortunately, almost all 1:1s are on the exact opposite side of that metric.

And it's up to revenue leaders to control this dynamic.

As leaders, showing up to 1:1s without a data-driven POV on open opportunities allows reps to fall into the habit of just reporting the news — going deal by deal and giving updates on activities and engagement — and thus inherently spending less time coaching.

Three tactics for 1:1 success:

Come With a Point of View. Start with the rep sharing their POV on the quarter and how they think their business will perform

Have Specific Questions Prepared. Pivot to very pointed questions based on your pipeline inspection from Step 2 to pressure test weaknesses in the at-risk deals that Clari's AI surfaced.

Spend Time Strategizing. Now that the first two are out of the way, spend the majority of your time strategizing how to de-risk the at-risk deals and accelerate the strong ones.

If you know two deals are showing signs of risk, you can identify and execute plays to salvage them. If they're unsalvageable, the tactics in Step 2 will surface out-quarter opportunities that can be accelerated to cover based on two key metrics:

CRM Score: Clari's AI and machine learning analysis of historic win and loss data to predict which deals are most likely to close.

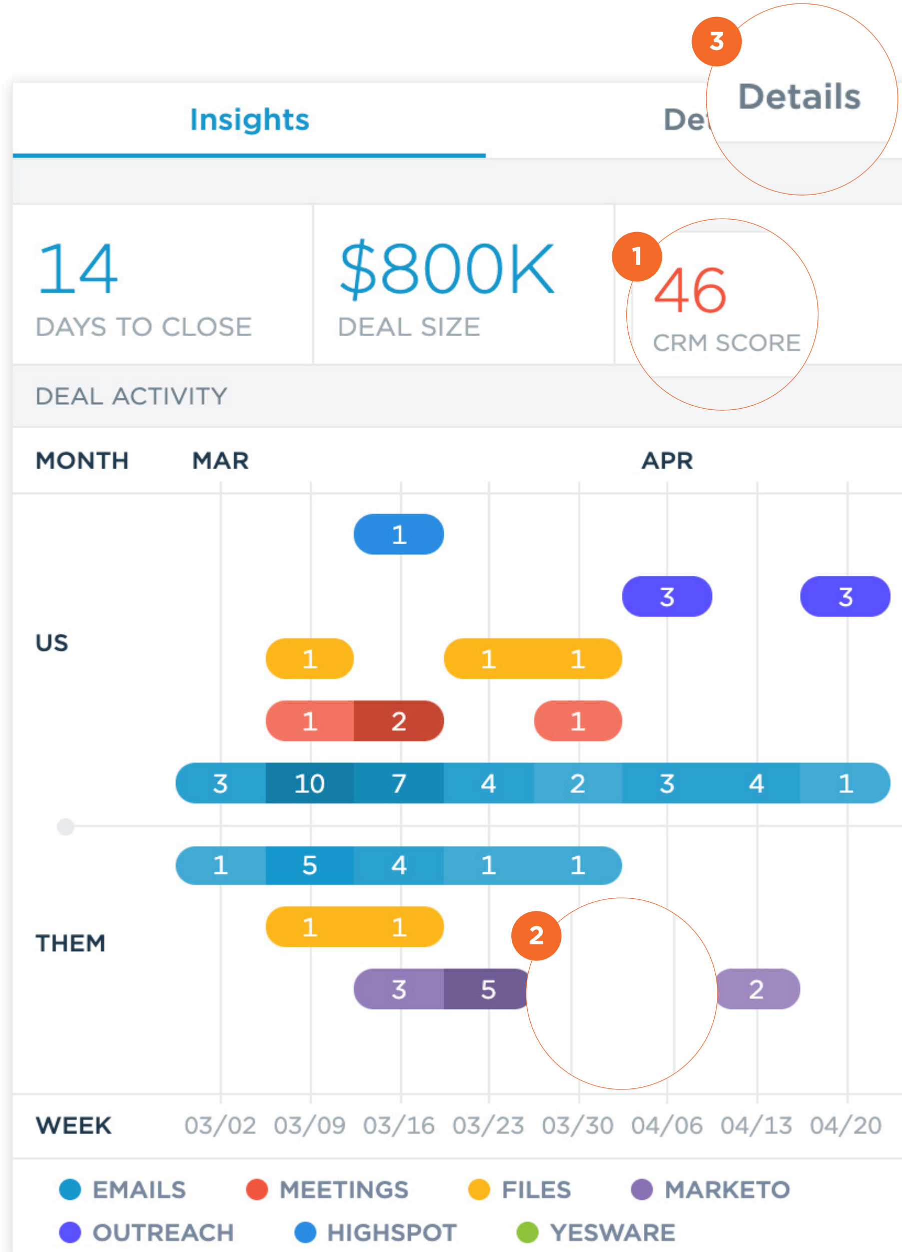
Sales Activity Data: Meetings, emails, file attachments, Marketo engagement, sales enablement platform signals, and more that are automatically tracked and attached to the proper opportunity so reps don't have to.

With these two metrics showing favorable signs, you can pressure test them as opportunities to pull them in quarter and cover any deals that we identified as at risk.

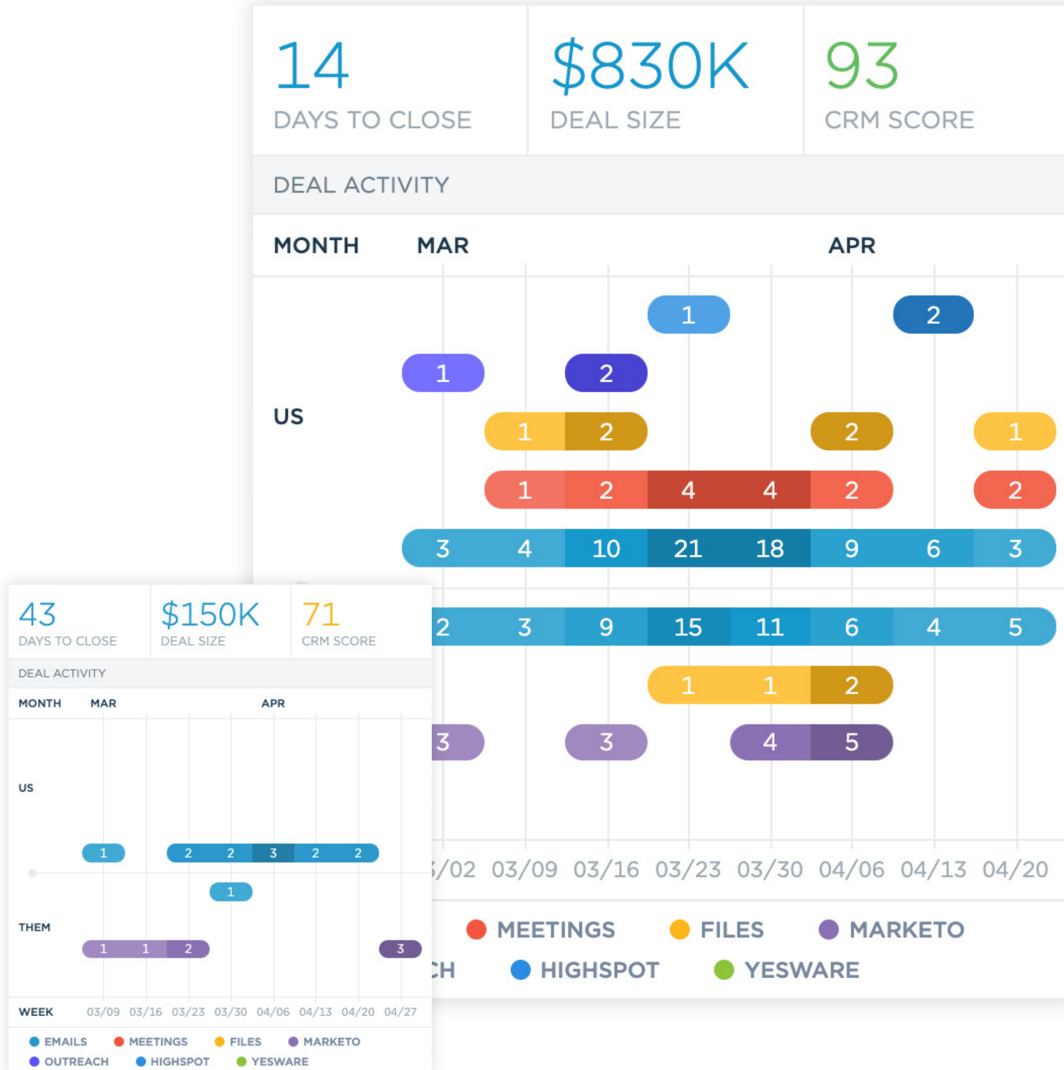
Based on insights from your pipeline inspection, you can now show up to your 1:1 and pressure test this deal with your rep. Find out their rationale behind why this deal is in commit when:

1. The CRM Score is low: It's not behaving like a deal that would normally close, according to Clari's AI
2. Activity has fallen off: The prospect has stopped engaging
3. MEDDIC is not filled out: Key data points like metrics and economic buyer are missing.

Instead of spending your time hearing your rep report the news, you can dive into the most relevant and urgent deals and have strategic discussions based on data.



In addition, these data points allow you to quickly and easily identify where you need to spend the most time. For example, a deal with a high CRM Score and high sales activity data is probably in a lot better shape and may need far less attention than a deal with a low score and lagging activity.



Step 4:
Bring the Entire Revenue Team Together

One of the benefits of pressure testing out-quarter deals and forecasting out-quarter pipeline is that this forward-looking visibility gives the entire revenue team much more confidence in the pipeline going into the quarter.

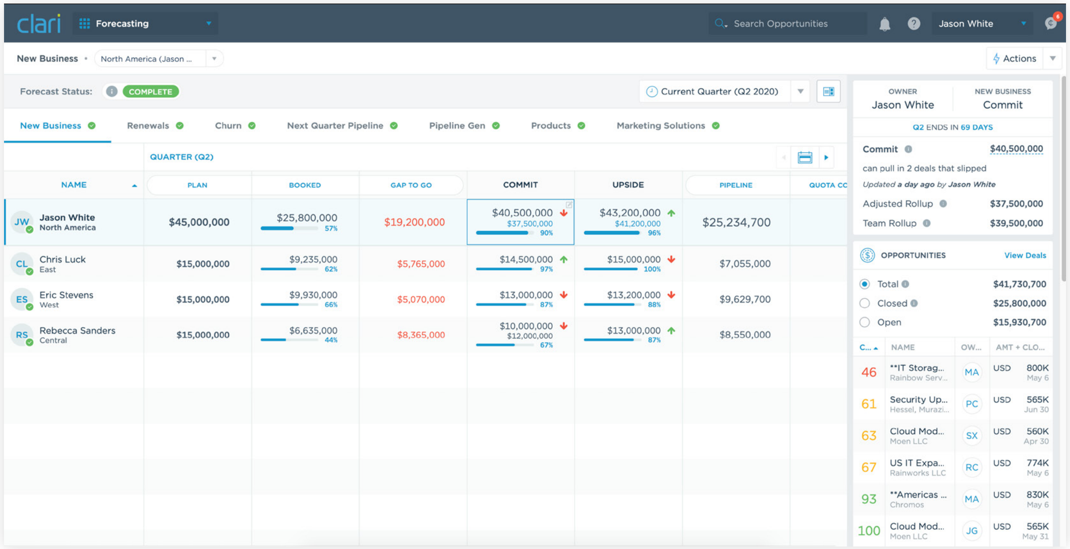
We see time and time again where sales, marketing, customer success, and finance never truly align on even in-quarter deals, let alone out-quarter. Even when these teams are all represented on the forecast calls, many of these executive forecast calls are done with the same inefficiency as the rep to manager pipeline inspection. There's a whole lot of Q&A without reliable, real-time data to back up anything anyone is actually saying.

CASE STUDY The Clari Forecast Call

Here's how we keep our forecast calls productive and strategic at Clari:

Prep and POV. Leaders come prepared with a POV to executive forecast calls just like managers do for 1:1s. Our executive leadership team posts comments in our Slack channel ahead of the meeting to call out key details they would like to inspect on the call.

Inspect and Prioritize. Similar to the rep/manager level, revenue leaders don't have to sort the forecast by deal size, they can sort by committed deals and the CRM Score, focusing on opportunities in red (identified as at-risk by Clari). They can then come prepared with pointed questions about why the sales force is still committing these deals even though the data science says there is risk. Theatre leaders can come to the table with a strong data driven POV for why they're confident enough to keep them in commit and what they're doing to get these deals on track.

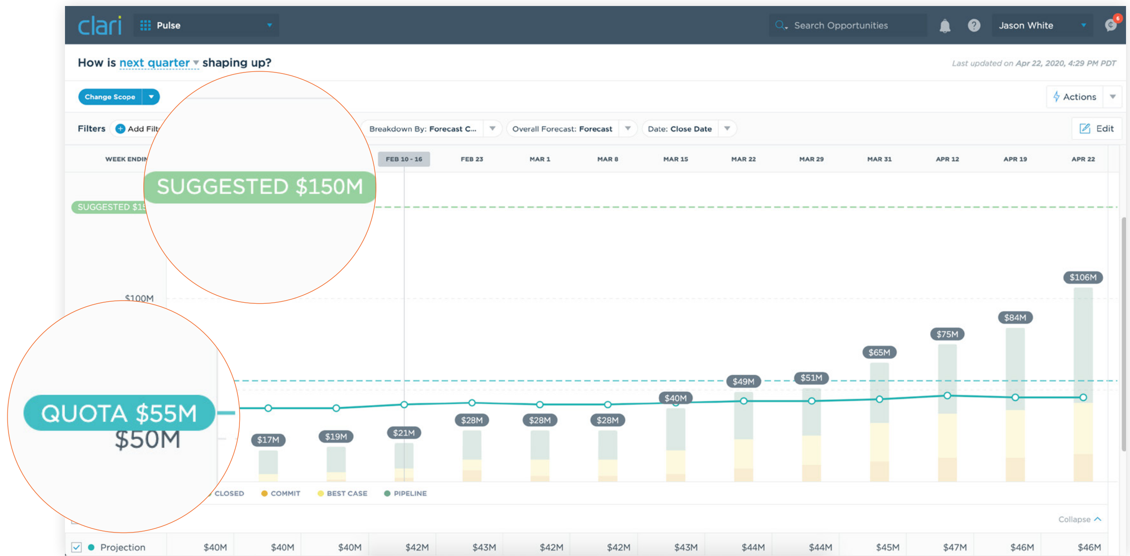


CASE STUDY The Clari Forecast Call

Bring in the Revenue Team. Marketing attends the forecast call and has reviewed these deals for opportunities to accelerate with ABM. Customer Success offers customer intros to companies with similar business motions when appropriate.

Focus on Out-quarter. Every other week we focus the entire call on out-quarter pipeline inspection. Marketing drives this discussion and we focus on pipeline needs by stage/category for different products and regions using the same methodology you used for current quarter.

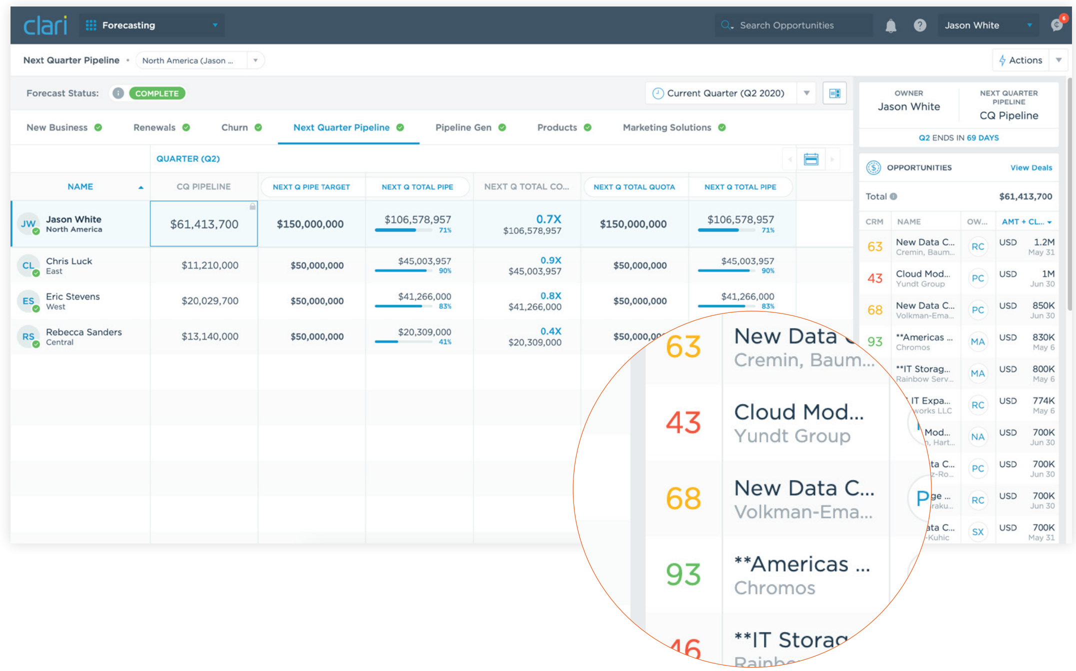
In this instance, Clari is telling us that for our $55m quota for next quarter, we're going to need $150m in pipeline based on historical data.



CASE STUDY The Clari Forecast Call

Get AI Insights. Our targets are set by Clari's AI, again leveraging those millions of data points to predict how much pipe we need in each stage in order to hit our out-quarter revenue targets. This out-quarter visibility leads to better linearity, higher ASPs (due to lower EOQ discounting practices) and faster pipeline velocity due to early focus and inspection.

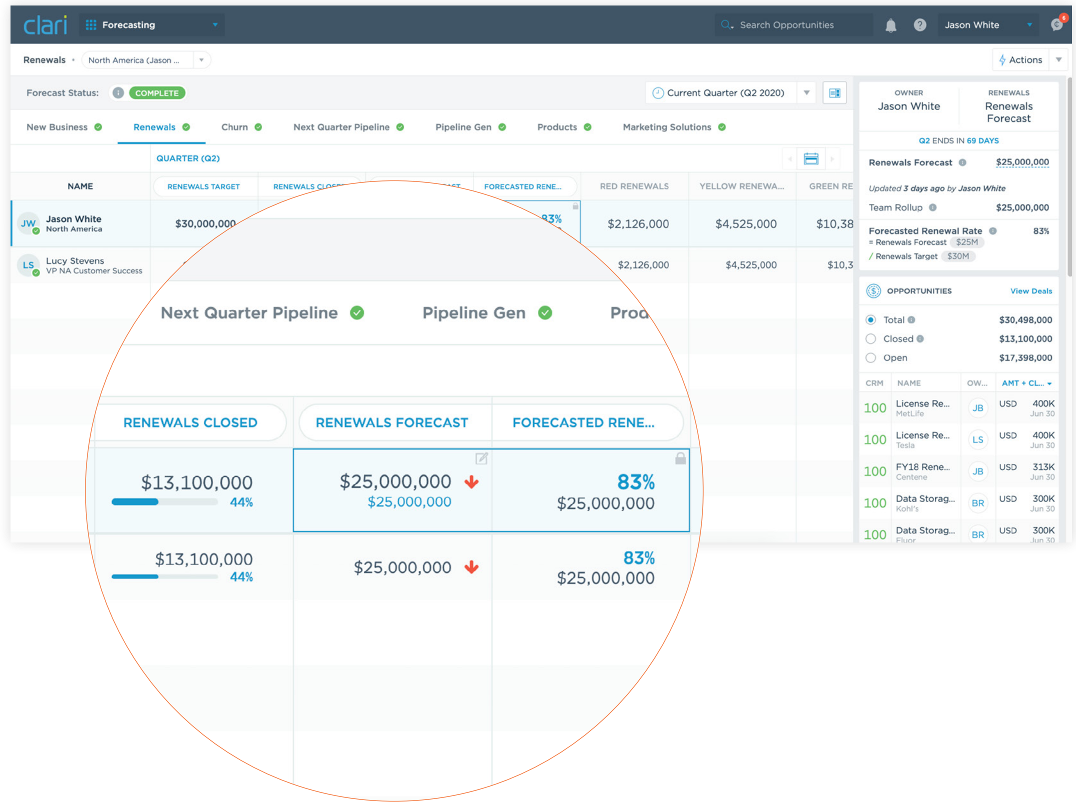
Revenue leaders can look at deals in pipeline, quickly understand where their gaps are and the make-up of that pipeline down to the deal level.



CASE STUDY The Clari Forecast Call

Protect the Base. Renewals and upsell opportunities are a critical component of the entire revenue picture and should be forecasted against in that same way. In Clari, we're able to apply the same forecasting process and rigor to churn that we do to net new opportunities.

Thanks to Clari and great leadership across the board, our revenue operation is a well-oiled machine.



A New Way to Revenue

Organizations with this level of predictability have established a new way to revenue built on trust, collaboration, and data-driven decision making. At Clari, we like to say revenue is a process, and, like any other business process, it can be optimized and managed.

Interested in learning more? Request a demo and one of our revenue experts will reach out.