The State of
Revenue Forecasting 2022

Introduction

The sales role is changing. It has moved away from one-time transactions to building relationships and navigating even more buyer signals distributed across several human and digital interactions.

As Ventana Research concluded in ["The Renaissance of Revenue Forecasting"](#), companies relying on narrowly focused sales forecasting approaches won't get the accuracy needed for revenue planning. Traditional, bottom-up sales forecasting and spreadsheets are not enough to create accurate forecasts that cover different types of revenue streams, and support today's revenue intelligence needs.

The good news is that sellers and sales leaders can use advanced technology and analytics to help with forecasting. A lot more stakeholders across the business have a vested interest in an accurate forecast. Therefore, understanding what products, services, channels and geographies revenue will come from is just as important as understanding what opportunities are at risk or likely to close, and where sellers should be investing their resources.

In addition to this transformation of forecasting, [the fourth industrial revolution](#) is also creating change as more technology is adopted, which is impacting the way businesses operate as well as the role of sales. After seeing these changes, Varicent commissioned a study that focuses on:

- The satisfaction of sales leaders with their revenue forecasting
- Types of forecasting tools used and how they directly affect sales forecasting
- The analytics business leaders use to gain new insight and drive better outcomes
- Industries that are most successful and least successful when it comes to forecasting, and what factors contribute to their success

This report covers the findings of the study in detail and offers readers the opportunity to compare their revenue forecasting efforts to date with those of their peers.

Survey Information

308 survey respondents in sales management or sales operations from:

- Financial services (50)
- Insurance (40)
- Life sciences (24)
- Manufacturing (48)
- Technology (96)
- Media / Telecommunications (50)

Participants were from companies with >$100 mm in revenue in North America.

The study explores the drivers of sales forecasting satisfaction and success. Future iterations of this research will re-examine benchmarks found in this initial fielding.

Key Findings

Only 20% of participants were satisfied with their forecast process.

Currently, the most popular forecasting tools used are spreadsheets, CRMs, and BI Tools, whereas only 20% use revenue intelligence solutions. When it comes to revenue forecasting, quality, accuracy, and data integration are aligned with higher satisfaction.

Sales Forecasting Satisfaction

Analytic Skills	What-If	Prescriptive	Ad Hoc	Predictive	Descriptive
	15%	20%	26%	26%	44%
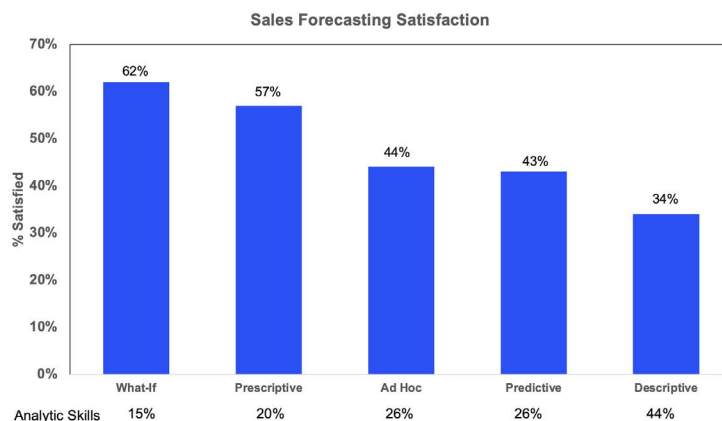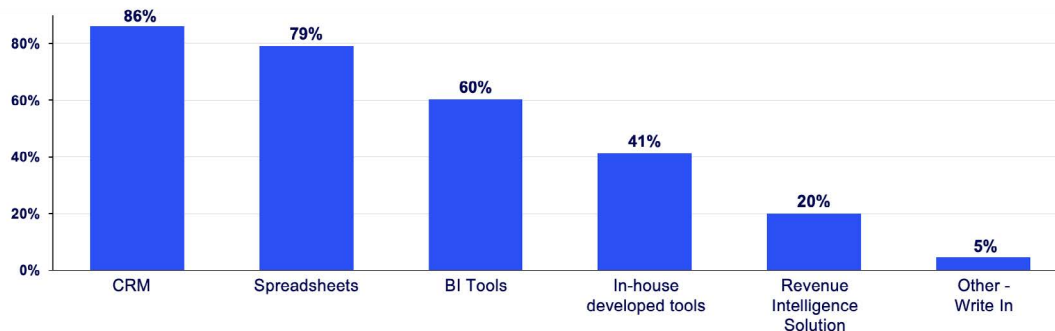
Sales Forecasting success is most realized by sales leaders with revenue intelligence tools, experience, and a business structure focused on a large number of small transactions and services offering.
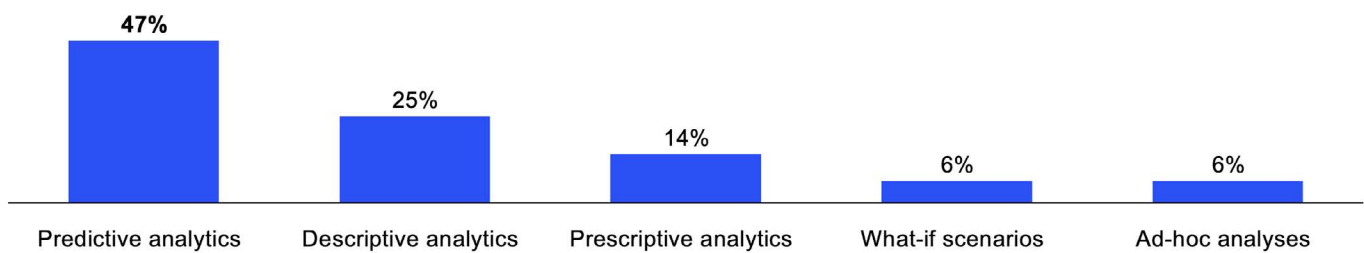
There are several factors that are highly correlated with sales forecasting success. The study showed that sales leaders who have more years of experience in their role tend to be more successful forecasters. Among the 20% of respondents who use revenue intelligence tools, 47% are satisfied with their sales forecast, which is two times larger than the satisfaction rate of the broader sample. Lastly, organizations that focus on a larger number of small transactions are more likely to be satisfied with their forecasting.
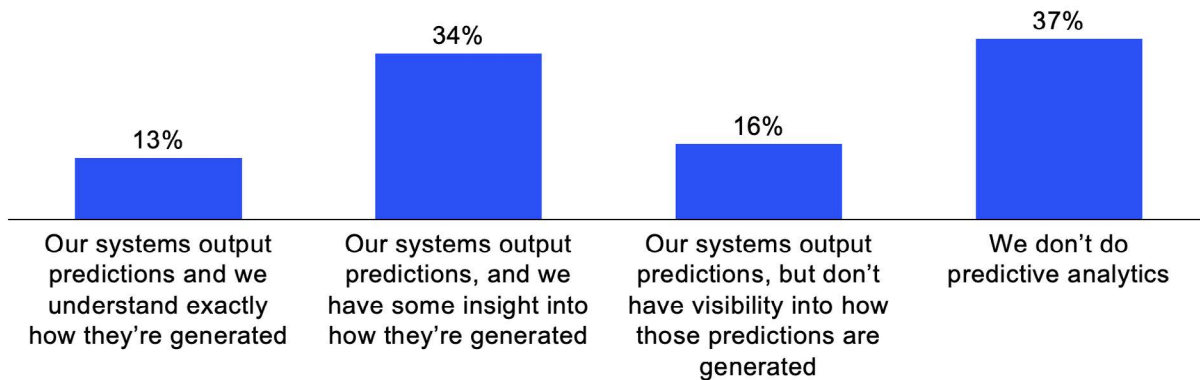

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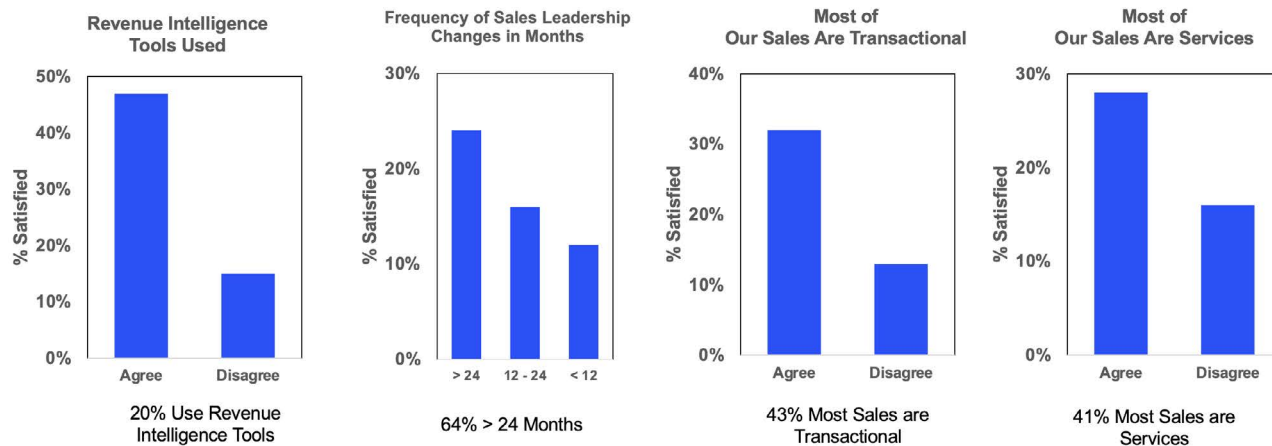
Prescriptive and "what-if" scenario analytic skills align the highest sales forecasting satisfaction.

Participants in most industries stated that predictive analytics was most important. Despite the importance of predictive analytics, only 13% receive predictions and understand exactly how they have been generated. By contrast, 37% don't do any predictive analytics at all. Almost all respondents (91%) want some understanding of predictions provided to them, but there was some variation in the granularity desired. The largest group (40%) reported needing details on which factors impact a prediction, but nothing beyond that.
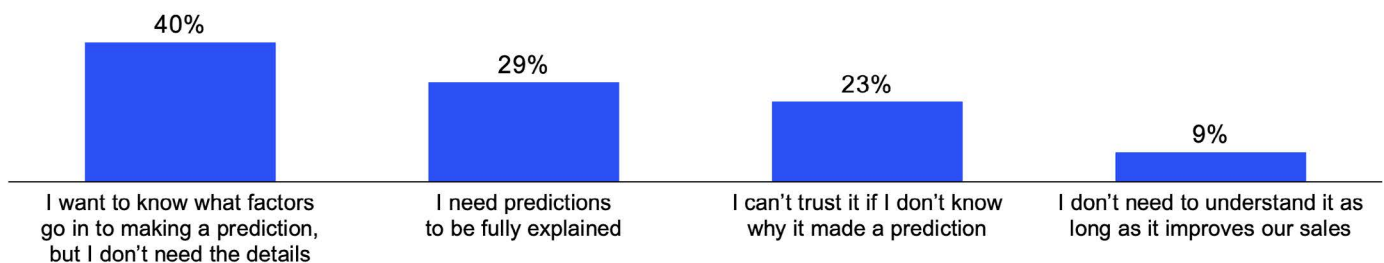
Please rank the following in order of importance to your organization.

47%	25%	14%	6%	6%
Predictive analytics	Descriptive analytics	Prescriptive analytics	What-if scenarios	Ad-hoc analyses

How would you describe the state of your predictive analytics?

13%	34%	16%	37%
Our systems output predictions and we understand exactly how they're generated	Our systems output predictions, and we have some insight into how they're generated	Our systems output predictions, but don't have visibility into how those predictions are generated	We don't do predictive analytics

How valuable would it be for you to understand how your predictive analytics generated a prediction?

40%	29%	23%	9%
I want to know what factors go in to making a prediction, but I don't need the details	I need predictions to be fully explained	I can't trust it if I don't know why it made a prediction	I don't need to understand it as long as it improves our sales

Analytics Overview

Descriptive Analytics
- Examines past performance
- Understands reasons for success or failure
- Most management reporting uses this post-mortem analysis

Predictive Analytics
- Answers the question what is likely to happen
- Historical data is combined with rules, algorithms, and external data
- Determine a probable future outcome and the likelihood of event or a situation occurring

Prescriptive Analytics
- Suggests decision options for future opportunity or risk mitigation
- Takes in new data to improve prediction and prescribe better options
- Ingests hybrid data and business rules to prescribe a predicted future without compromising priorities
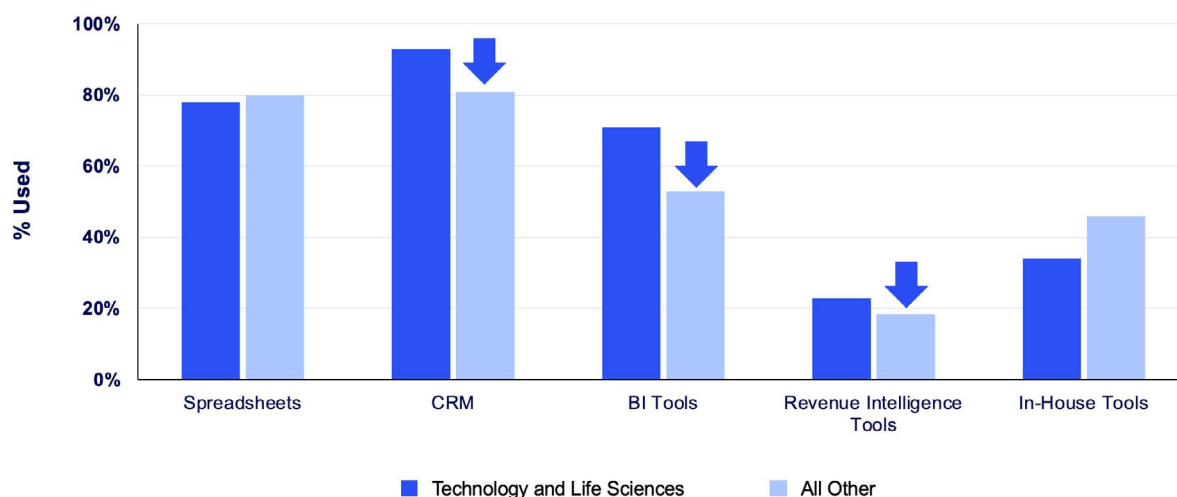
- **Descriptive Analytics** is the examination of data or content, usually manually performed, to answer the question "What happened?" (or What is happening?), characterized by traditional business intelligence (BI) and visualizations such as pie charts, bar charts, line graphs, tables, or generated narratives

- **Predictive Analytics** is the use of data, statistical algorithms, and machine learning techniques to identify the likelihood of future outcomes based on historical data. The goal is to go beyond knowing what has happened to provide a best assessment of "what will happen in the future?"

- **Prescriptive Analytics** is a form of advanced analytics which examines data or content to answer the question "What should be done?" or "What can we do to make _____ happen?", and is characterized by techniques such as graph analysis, simulation, complex event processing, neural networks, recommendation engines, heuristics, and machine learning.
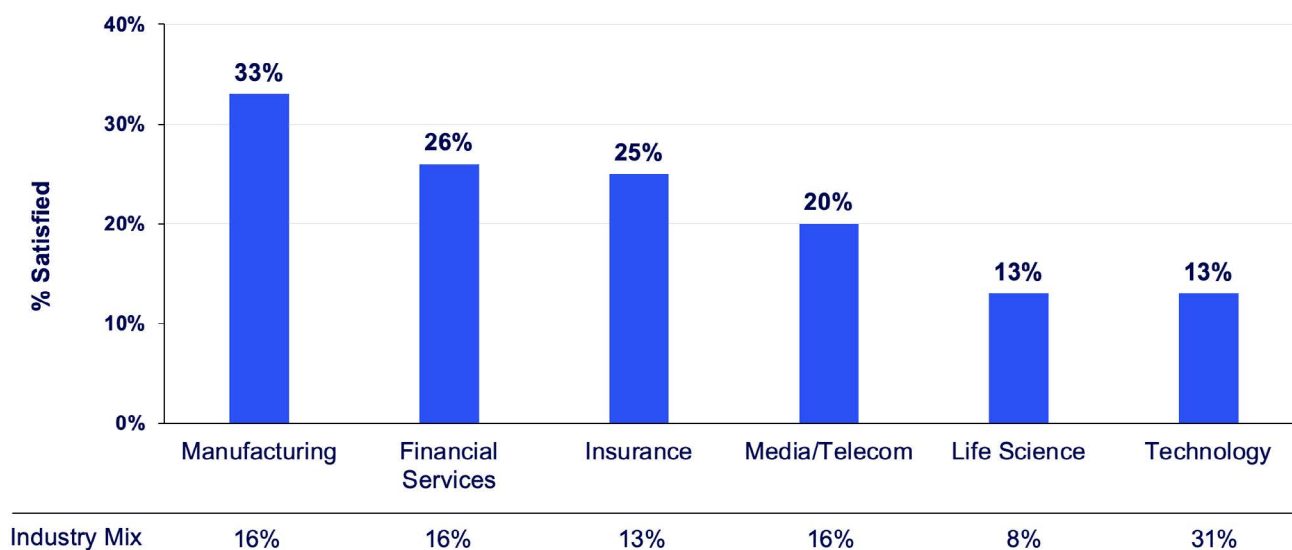
*Definitions from Gartner

Revenue forecasting in B2B segments is challenging, especially for technology and life sciences industries where transactions are larger and sales highly variable.

Depending on the industry and skill level of users, revenue forecasting can be more challenging. Success in sales forecasting is strongest amongst manufacturers, and weakest in life sciences and technology. Sales forecasting in technology-related industries struggle more even with the use of more sophisticated tools, such as a CRM and business intelligence solution. The difficulty is likely due to larger transactions, focusing on expansion revenue and targeting new logo clients. Few, large transactions that are more variable tend to be more complex to forecast. These forecasters in the hard-to-forecast industries have well above average use of revenue intelligences tools.

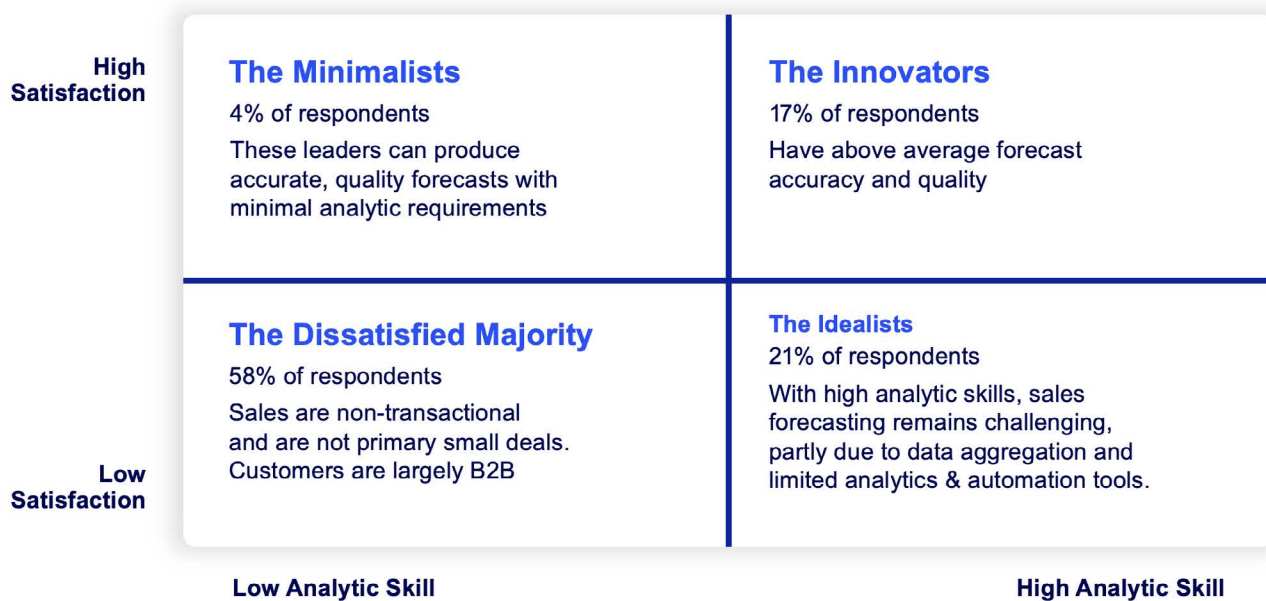**Technology and Life Sciences Industries Sales Forecasting Tool Usage**
% Used

Legend: ■ Technology and Life Sciences   ■ All Other

Sales Forecasting Satisfaction by Industry

	Manufacturing	Financial Services	Insurance	Media/Telecom	Life Science	Technology
	33%	26%	25%	20%	13%	13%
Industry Mix	16%	16%	13%	16%	8%	31%

Types of Forecasters

There are four distinct types of forecasters that have emerged from this study.

High Satisfaction

The Minimalists
4% of respondents

These leaders can produce accurate, quality forecasts with minimal analytic requirements

The Innovators
17% of respondents

Have above average forecast accuracy and quality

The Dissatisfied Majority
58% of respondents

Sales are non-transactional and are not primary small deals. Customers are largely B2B

The Idealists
21% of respondents

With high analytic skills, sales forecasting remains challenging, partly due to data aggregation and limited analytics & automation tools.

Low Satisfaction

Low Analytic Skill　　　　　　　　　**High Analytic Skill**

The Minimalist

With high forecast satisfaction and low analytic skills, only 4% of respondents are in this segment. These leaders can produce accurate, quality forecasts with minimal analytic requirements. They are most likely easily satisfied by simple, rudimentary forecasts.

The Innovators

With high forecast satisfaction and high analytic skills, the segment is 17% of total and has above average forecast accuracy and quality. While accuracy and quality are important, the gap with actual performance is smaller than average. Revenue intelligence tools are used by 51% of this particular group versus 20% across all segments. Data integration is a capability sales leaders indicate is important, but do not actually have. This continues to be a gap. Even among those with the highest level of satisfaction, more data integration is needed. Sales are very often transactional and not consultative.

The Dissatisfied Majority

With low forecast satisfaction and low analytic skills, 58% of respondents are in this segment. It is the largest of the four segments. Sales are non-transactional and are not primarily small deals, and customers are largely B2B. Forecasts are not accurate, and forecast quality is an issue. Gaps exist in forecast accuracy and quality with both attributes rated as most important but are not achieved with the current solution. Only 12% of this group use Revenue intelligence tools.

The Idealists

With low forecast satisfaction but high analytic skills, the segment is 21% of the total. Idealists have high expectations. Even though they have above average forecast quality and accuracy, they're expecting more out of their forecast. The gap between what they have and what they expect is disappointing. They are able to integrate their data. Because of a mix of complex large and small transactions, they are limited by the range of data they have for forecasting, thus leading to lower satisfaction.

Becoming an Innovator

There are several steps in the journey to become an Innovator. First, revenue forecasters should develop the analytics skills needed to interpret data. With experience, they can gain the business acumen to know how the forecast works and affects the rest of the organization. It is recommended to secure a champion within senior leadership who understands the value of better revenue forecasting. Lastly, establish a transformation process that identifies where to begin to get to value quickly.

The Value of a Revenue Intelligence Solution

No matter the analytic skills one may have, it is clear having a revenue intelligence platform in place will have its benefits. That solution should be able to help leverage predictive analytics easily without needing data scientists. 19% of respondents using predictive analytics tools have a 39% satisfaction rate, which is three times the industry average. In addition, 16% of the respondents using prescriptive analytic tools have a 47% satisfaction rate. In this age of the fourth industrial revolution, leaders must harness technology to capture and digest data, improve accuracy, and deliver revenue intelligence to be successful. Revenue Intelligence solutions have the capability to capture data and transform it in a digestible way to allow for prescriptive analytics.

What is Revenue Intelligence?

Revenue intelligence is the process of organizations use to make sense of all their scattered data to generate meaningful insights they can action to improve revenue outcomes.

The category is defined by Gartner as "solutions that integrate sales force automation platforms with data from frontline revenue-supporting systems" [1]. Forrester, meanwhile, explains it as "technologies that leverage buyer signals and interactions to product insights that allow go-to-market functions to continuously improve execution performance and optimize the revenue engine..." [2], Varicent believes it is more than a category of technologies. It is an end-to-end process, similar to Revenue Operations, which revenue intelligence supports. From importing data from multiple sources, to creating reliable forecasts to execute plans, to evaluating seller performance, to improving the entire sales team, revenue intelligence touches the entire go-to-market cycle and different teams within an organization.

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[1] "Market Guide for Revenue Intelligence Platforms." Gartner. November 1, 2021.
[2] "New Tech: Revenue Operations and Intelligence, Q4 2021." Forrester. October 18, 2021.

Summary

Successful revenue forecasting is a distinguishing characteristic of a strong sales leader. Accurate forecasts are needed by the rest of the organization to make in-flight adjustments to production schedules, investor guidance and resource allocation. Data show that sales leaders who are successful at forecasting are those using revenue intelligence tools, integrating data, and prioritizing predictive analytics. In today's market, there is a gap between the types of analytics many leaders think are important, versus what analytics they are performing.

This gap makes forecasting more difficult, less accurate, and more time consuming.

Implementing a revenue intelligence solution can transform an organization's forecasting and make teams more confident in both data and analytics. Those interested in a revenue intelligence tool should investigate the different solutions available and determine what solution is right based on specific wants or needs.

Learn how Varicent can help you

About Varicent™

Varicent is the leading provider of innovative Sales Performance Management software focused on helping organizations Plan, Operate, and Pay to drive sales performance and growth. With a full suite of solutions to assist in smarter territory and quota planning, efficient lead-to-revenue operations, and the fastest and most flexible way to pay sellers accurately and on-time. Varicent is the trusted SPM solution for customers worldwide. Varicent combines powerful SPM technology with its augmented intelligence-powered platform to enable customers to quickly and easily see and address sales trend, problem areas, and opportunities by predicting outcomes and prescribing actions to optimize revenue.

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https://www.gartner.com/en/glossary

The Renaissance of Revenue Forecasting:
Harness Technology to Improve Accuracy and
Deliver Revenue Intelligence, Ventana Research,
sponsored by Varicent.