



Enterprise Sales Forecasting: Where It Belongs In Your IT Landscape

WHITEPAPER

WHY EXISTING SOLUTIONS HAVEN'T WORKED AND WHY YOU NEED TO FIX IT NOW

More than 60% of respondents to a recent Ventana study identified sales forecasting as the number one area to address in sales performance management. Businesses today face a critical issue with integrating sales forecasting and operational planning efforts.

Existing systems and solutions have been unable to address the gaps and challenges that exist between sales and operational planning, yet forecasting is an integral part of how businesses operate today. From awareness to fulfillment, organizations rely on forecasts to run their business.

The advent of purpose-built sales forecasting solutions enables businesses to solve this problem when they need it most.

Today's CIOs and IT organizations are leading the charge in understanding the problem and identifying solutions that will empower their business to succeed.

The New Business Climate

The global financial crisis that spiked in September 2008 has had a ripple effect throughout the entire world. A once stable and predictable market has transformed into a volatile, unpredictable and unreliable marketplace. This major shift in customer behavior has challenged traditional methods of statistical forecasting and demand planning and has increased the focus and urgency for incorporating actual customer demand into the process.

Companies now realize that they must have front-line visibility to customer demand so that they can manage production accordingly and not miss potential revenue or carry expensive inventory. Businesses must equip themselves with the right systems and processes to address this new market reality. Organizations that have this visibility and can best respond to their customer demands will emerge as the new market leaders.

Businesses now look toward sales as the key to understanding what customers want and how to drive revenue. Today's customers have much more influence and control than ever before. In order to acquire and maintain these customers, organizations must be able to identify what customers wish to buy, what customers are willing to pay and when customers expect products to be delivered. This paradigm shift has placed sales in a more strategic role within the organization.

When the economic downturn struck, organizations that had an integrated sales forecasting process were able to manage the storm better than their competitors. QuickLogic Corporation was one of these companies. During the company's Q2 2008 sales forecasting cycle, the Vice President of Sales, Andy Pease, saw a major disruption coming in Q4 2008. Regardless of what the sales team tried, demand was forecasted to fall in Q4. By integrating this information from the forecast, the company took decisive action to prepare for this outcome. When the downturn finally arrived, QuickLogic was prepared.

In organizations such as QuickLogic, sales guidance in the forecast was incorporated throughout the company and served as an early warning signal that the organization was able to respond to proactively. By adjusting production and focusing on key accounts and opportunities, these organizations were able to effectively manage customer demand and inventory levels throughout the downturn.

Today, CIOs and IT organizations have an opportunity to play a key role in this business transformation. Working hand in hand with sales, IT's involvement starts with the selection of the right tools and approach to address this new customer reality. CIOs and IT must focus on identifying the most relevant and immediate solutions while also painting a long-term vision for how the process will work with both existing and future systems. By integrating the sales and marketing viewpoint throughout the revenue generation process, organizations will be better aligned and equipped with the tools they need to fully manage customer demand.

Where Existing Solutions Fall Short

Most processes today are designed to work with objective, historical data and primarily reside within existing ERP, CPM/EPM, BI and Demand Planning systems. Sales forecasting, on the other hand, is a very subjective and fluid process often managed using Excel or a CRM system. The challenge with integrating these processes requires the transformation of subjective data into information that is actionable and objective.

Processes that exist in the back office, such as operations planning, leverage objective data to analyze what has happened in the past and use that data to calculate an expected outcome. Statistical forecasting algorithms are primarily used to process historical shipment information and predict future demand based on patterns in the data. More advanced applications may also incorporate point-of-sale (POS) data to indicate demand signals that can be factored into this computed prediction.

The sales forecasting process captures and interprets information conveyed by the customer. The dynamic nature of the forecast means that it may be updated at any time to reflect changes to customer requirements, timing, or an individual's interpretation of what the outcome will likely be.

Each of these approaches addresses a particular requirement of the planning process. Operations planning is best suited for managing situations where there is predictable demand. Formulaic and algorithm based planning for these scenarios saves time and can generate an accurate and optimal plan that requires minimal human interpretation. Sales forecasting is most effective when dealing with volatile and unpredictable demand (Figure 1). The needs and expectations of customers are best captured with the sales forecast when working closely with them. Personal judgment and interpretation is also necessary since information must be vetted when forecasting and before it is communicated to

the rest of the organization.

The process challenge with consuming the sales forecast in back office systems is a result of the subjective nature of the information. The reliability of the sales forecast often varies greatly since reps must forecast based on information they have gathered and their accuracy is dependent upon the quality of the information, their interpretation of it and how it is communicated. This interpretation could be overly optimistic or pessimistic, or even biased based on past experiences. To further complicate the process, an individual's forecast may also vary depending on what they are forecasting and where they are in the sales cycle.

Without a solid understanding of the basis for the data, and because the sales forecast is subject to such a high degree of interpretation, consumers of the sales forecast make their own judgments about the data and derive yet another version of what they think the outcome will be. This disconnect, or

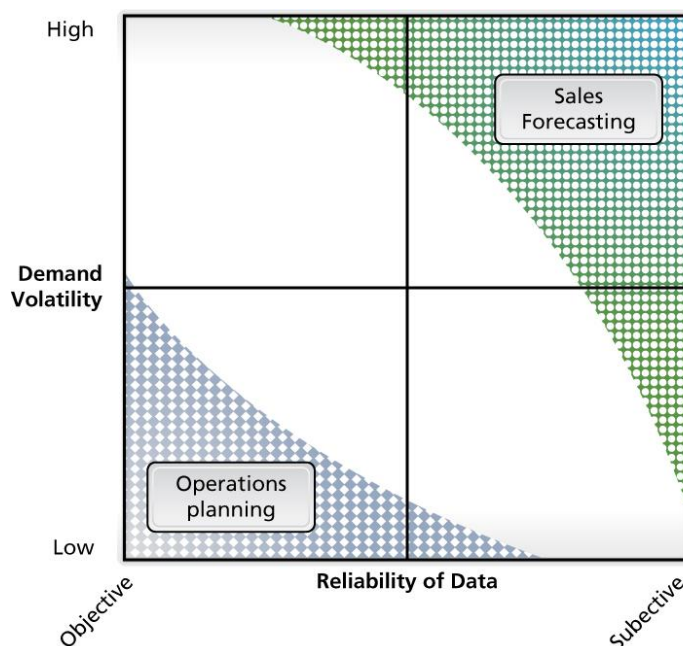


Figure 1: Each planning process excels for a specific range of scenarios

“objectivity gap” (Figure 2), is the key problem area that must be addressed.

The objectivity gap causes sales forecasts to be ignored or discounted. Without a common framework for understanding the data, there is no consensus on what the data really means and what should be done in response. Instead, a statistical or shipment-based plan is generated from inputs that may or may not reflect the sales input and customer requirements. The result of this is a lose-lose situation.

Organizations that build products independent of customer expectations are left with excess inventory or unfulfilled backlog. Unhappy customers will look to fulfill their demand using other suppliers.

In order to bridge sales and operations, this objectivity gap must be addressed by transforming the sales forecast into something that is trusted and actionable. The human interpretation that takes place needs to be measured quantitatively and qualitatively so that the data can be normalized and used as an input that the organization is willing to stand behind. This is where new systems and solutions are needed.

The Need for Front Office Forecasting Systems

Forecasting has become an integral part of every organization’s business. In order to support this, forecasting systems must now play a key role in your enterprise alongside your ERP, Financial Planning and Demand Planning systems.

Customers today are transforming the way that businesses run and organizations now depend on forecasts more than ever. Forecasting is part of every customer facing process starting from product awareness all the way to fulfillment (Figure 3).

Forecasts are used to manage each and every stage of the customer lifecycle. Each of these forecasts is specific to the process being managed and the type of information and level of detail differs by stage. For instance, during the awareness to lead process, the forecast for the introduction of a new product focuses on the total addressable market and expected market share while the opportunity to quote forecast contains information about the quantity and mix of products expected to be sold.



Figure 2: The Objectivity Gap: Why companies don't trust their sales forecasts today



Figure 3: Forecasting spans the entire customer lifecycle

Each stage in the forecasting cycle adds an additional level of detail that relates back to what was already projected. The forecasting process must deal with the unique requirements of each of the stages while also maintaining the relationship of the data from stage to stage.

Purpose-built forecasting solutions are focused on addressing the growing demands for forecasting and handling the complexity of forecasting for each stage of the customer lifecycle. By addressing the most tactical needs in forecasting first, organizations can rapidly deploy these solutions as extensions of their existing process with minimal risk and without process re-engineering. Once deployed, the insight gained from managing the forecast will drive incremental improvements that integrate forecasting best practices and process changes into your organization.

Each organization’s business process is unique and purpose-built forecasting solutions are designed to augment and integrate with existing processes and investments. By quantifying and qualifying the data in

the forecast, information can be structured and integrated with existing systems.

System	Integration Value
Customer Relationship Management	Provide a forward looking view of the sales demand forecast as it relates to the opportunity pipeline
Demand Planning	Provide the unconstrained demand forecast to Demand Planning systems where constraints can be applied
Enterprise Resource Planning	Compare what was forecasted to the actual result
Financial Planning	Provides detailed and timely revenue projections into the financial planning process

Table 1: How sales forecast data ties into enterprise systems

Organizations that successfully integrate sales forecasting into their business process have reaped major revenue and efficiency benefits.

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1. Structural gross margin gains as large as 500 basis points
 2. Inventory reductions as high as 45%
 3. Forecast cycle time reductions by as much as 60%
 4. Increase in inventory turns from 3 to 12 a year
 5. More competitive pricing and lead times
 6. More responsive product strategy
 7. Happier and more loyal customers
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To achieve this level of success, organizations must take action to ensure that they have the processes defined to properly capture the forecast and make it trustworthy. The selection and deployment of a forecasting solution is the first step in this process.

The Right90 Forecasting Solution

The Right90 Forecasting Solution enables organizations to build and integrate a trusted, actionable sales forecast. The Right90 Forecasting Solution makes it possible for customers to capture, vet, analyze and drive their business.

Specific to sales forecasting, the Right90 application suite makes the forecast objective and trustworthy by focusing on three key elements of the process: Accuracy, Bias, and Completeness.

Accuracy	Measures the historical performance of the forecast compared to actuals
Bias	Determines whether the forecast is optimistic or pessimistic
Completeness	Indicates whether the forecast was entered and when it was last updated

Table 2: The elements of a trusted forecast

By providing a consistent and objective measure of each viewpoint, organizations can begin to trust the forecast by understanding the factors and their impact. Using Right90, organizations can transform the sales forecast into actionable information that the organization can trust (Figure 4).



Figure 4: Companies support a trusted and actionable forecast

The Right90 solution is made up of several core modules that empower organizations to build and leverage their forecast (Figure 5). The Right90 Dynamic Multi-Dimensional Change™ Engine is the foundation for all operations within Right90. This

engine is the heart of the forecasting platform and powers the functionality for capturing the forecast, transforming it, and integrating it with your existing systems.

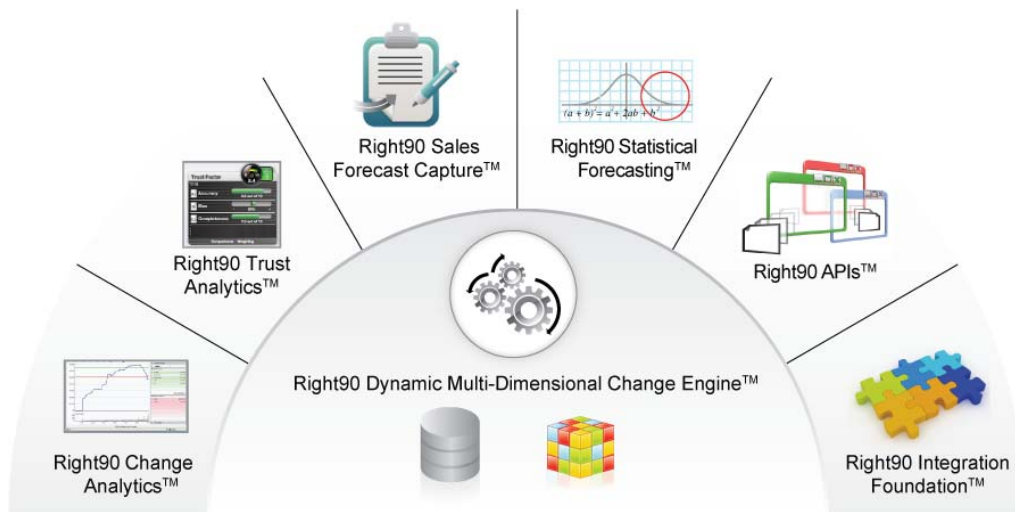


Figure 5: The Right90 Sales Forecasting Suite

Right90 Sales Forecast Capture

Building a trusted and actionable sales forecast starts with capturing the right information. Right90 Sales Forecast Capture™ enables users to input and manage their forecasts quickly and easily. Once entered, this data is leveraged throughout the solution. Different perspectives of the forecast can be captured and maintained using multiple plans. These plans can be referenced and compared during planning and information can be interchanged between them while preserving the history of all changes that have taken place.

Right90 Change Analytics

As the sales forecast is collected, patterns and trends can be exposed in the data. Using Right90 Change Analytics™, users can visualize how the forecast is changing over time and view detailed information about each change (Figure 6). This unique capability empowers managers and executives to observe and understand trends at both a macro and detail level. By focusing in on specific areas of the forecast such as a particular customer segment or product line, important trends can be uncovered in time to take appropriate action.

Right90 Trust Analytics

Based on the collected information, Right90 Trust Analytics™ leverages the data to provide an objective view of the forecast. Collected data is analyzed to measure the key elements of accuracy, bias, and completeness for your forecast. These elements are combined to determine the Right90 Trust Factor™ which provides you with a measure of the quality and reliability of your forecast. Using the Trust Factor, organizations can determine what factors are affecting the data, as well as what actions need to be taken to improve the forecast.

Right90 Integration Solutions

Right90 offers multiple methods for integrating your trusted forecast with existing systems deployed within your organization. Right90 Application Programming Interfaces™ (APIs) can be used to build custom programs that can leverage the Right90 platform and automate data interactions with other systems. Right90 also offers the Right90 Integration Foundation™ for business process involved integrations using pre-built, standard integrations. The Right90 Integration Foundation includes connectors designed to work specifically with Oracle and SAP ERP deployments.

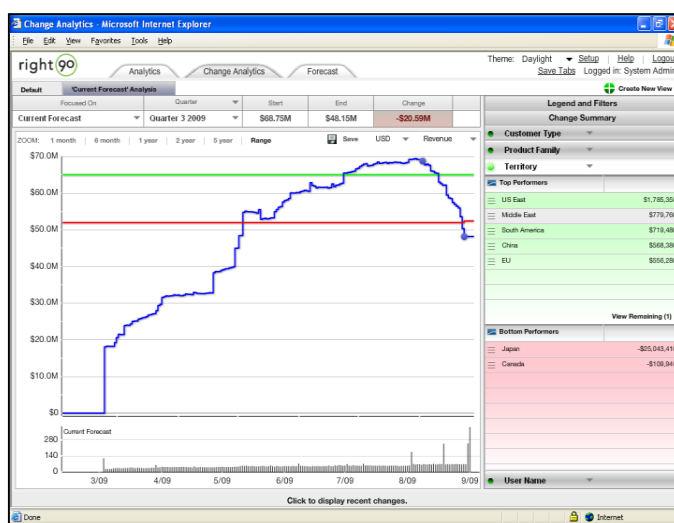


Figure 6: Visualize your forecast. Track and compare its performance over time

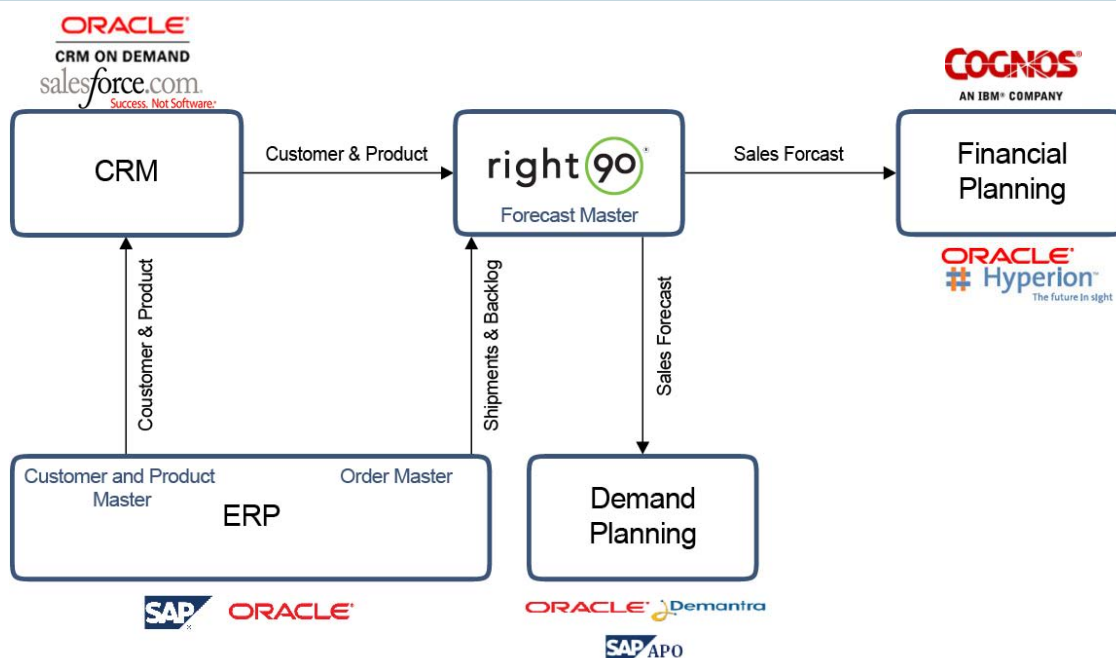


Figure 7: Right90 Integrates with your existing IT systems

The diagram above outlines how Right90 integrates with other enterprise solutions. Companies gain more value from their sales forecast when they bring the trusted sales forecast data into more of their business systems, but not all integrations are necessary.

Right90 Delivery

The Right90 Forecasting Solution is a fully hosted, on-demand solution. This approach is optimal for supporting large field organizations and worldwide deployments. By partnering with best-of-breed service providers such as Akamai, the Right90 platform is purpose-built to service the needs of corporate offices as well as remote users in areas with low quality broadband connections. Users can access the application using a standard Web browser 24x7x365.

To ensure that your data is always kept private, all transmissions are encrypted using SSL, and your information is maintained within dedicated data centers secured by multiple layers of physical and network security. Data centers are located in

geographically distinct regions to protect your data from natural disaster and all information is backed up regularly and maintained in multiple locations.

Out-of-the-box, Right90 can be fully managed by a business administrator. Standard configuration and administration tools are available directly within the application so that business users can manage the system independently. Data management tools are also available for users to load and extract data. For more advanced integration solutions, customers should consider the Right90 Integration Foundation or Right90 APIs.

Using the Right90 Forecasting Platform, your organization will be empowered with a trusted and actionable forecast. The Right90 solution powers your entire forecasting process starting with capturing the forecast all the way to aligning and driving your business. With Right90, your organization will maximize the value of your existing IT investments and provide a completely new perspective focused on your customers and revenue potential.

The Leader in Sales Forecasting

As the innovator and leader in sales forecasting solutions, Right90 has been awarded multiple patents for its definitive approach to the business process of forecasting. With over 6 years of R&D invested, our solution is uniquely tailored to meet the needs of organizations that are ready to transform their business.

Right90 is delivered to thousands of users in over 30 countries worldwide ranging across multiple industries. As a certified partner of salesforce.com and Oracle, the Right90 Sales Forecasting Platform integrates with your existing enterprise CRM, ERP and Demand Planning systems and enables you to maximize the value of your IT investments.

To learn more about building a trusted forecast and how Right90 can help you, visit us at www.right90.com.

