Sales Forecasts: The Hidden Killer and Hidden Key to Marketing Campaigns

By Kevin Whorton
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Chances are, you've never thought of sales forecasting as a key driver of your association marketing programs. After all, a sales forecast is just somebody's best guess about what the near future holds for a product, conference, subscription, membership, or other item. But the sales forecast is critical in several key marketing areas.

- It represents the tangible expectations of your internal clients--the finance department, product managers, CEO, and board.
- It guides and probably rules how you allocate scarce resources, effort levels, and priorities.
- With time, it becomes the focus of your incremental and unplanned efforts during the year.

Consider how often we change plans to do another mailing, start placing calls, order more lists, or run additional house ads in a journal because the product in question isn't going to make budget (i.e., someone's best guess last year regarding this year's performance).

Forecasts are necessary and will always drive the scope and direction of marketing efforts. Here are tips to ensure that these forecasts are as accurate as possible.

1. Ensure that marketing is involved. In many organizations, the finance department develops projections in consultation with product developers. Because the marketing department is critical to achieving the forecast, it should at least ride shotgun, if not be in the driver's seat in initial discussions that review past performance, frame expectations, then develop and justify the sales forecast.

2. Use all relevant variables in your forecast. Don't focus merely on trends in unit sales and historical revenue performance. Ensure that the forecast takes into account influential variables such as current market penetration, past efforts, product life cycle, competition, price sensitivity, and external economic conditions. Some of these variables may be unquantifiable, but they drive sales up or down. In tougher cases, such as a new product release or an affinity program, forecasting becomes an art form that should take into account feasibility research, due diligence, and case studies of similar releases.

3. Be sure that department goals make sense associationwide. Often in larger organizations, we're responsible for a single product line. Ensure that your forecast matches other projections. If membership is projected to be up sharply, perhaps your expectations should be higher too. Or if more resources will be diverted to marketing new products and your demand is promotion-sensitive, it may make sense to scale back your forecasts.

4. Look back periodically. Hindsight is 20/20, and you can learn from it. While looking at the recent past to plan for the future, try this simple exercise. Review the process you used one year ago.

- How was last year's forecast prepared?
- How accurate was it?
- Why was it accurate or inaccurate?

The lessons learned from this exercise will provide perspective on how to continually refine the forecasting process going forward.

5. Revise your goals periodically during the year. An established sales forecast may set budgets and represent your ultimate promise of performance. But you'll want to revise it periodically to reflect reality and use the revised forecast as your benchmark. If the forecast for a new publication is 3,000 unit sales in the first year but the first quarter's sales suggest far lower or higher potential, revise your targets early on. Then communicate these revisions regularly to manage expectations and to ensure that everyone is maximizing return on investment and focusing on a dynamic target, not on a static, possibly arbitrary, target.

6. Reevaluate performance. At year's end, look back once more. A forecast is only as good as the understanding of what drove sales. If you don't document the marketing year for your product--what worked well and what didn't, what caused peaks and valleys in sales--shortly after it happens, you'll lose the sense of perspective necessary to develop realistic forecasts in the future.

7. Use forecasts selectively to establish a vision. Forecasts typically drive marketing. We may predict a decline next year, so we budget lower, spend less, and lose sales. Sometimes marketing should drive the forecast. When market conditions are right, it makes sense to forecast far higher sales. A unique product or service with a stable sales trend but something holding it back--low awareness, low market penetration, poor pricing, inadequate branding--may warrant a sharply higher forecast with the understanding that increased promotion or better pricing will achieve the sales potential.

Although it's a calculated risk, setting a high sales forecast is kind of like putting a man on the moon . . . it can only be achieved by forecasting it, then mobilizing internal resources and getting it done.

Ultimately, the sales forecast is simply a business process and tool that we can use to influence expectations and to improve the performance of association marketing programs.

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