



Pitfalls of Sales Forecasting

By Darrell Morris

Creating a sales forecast can prove challenging, particularly if your focus is on trying to just meet your current sales numbers. However, accurate sales forecasting is important to the overall health of your business. Accurate forecasting allows us to avoid unforeseen cash flow problems and to manage our operation, staff and finances more effectively.

Sales forecasting can be time intensive in terms of gathering past sales information and preparing projections based on a set of sales assumptions, but it is necessary. When preparing your sales forecasts, be sure to avoid these common pitfalls.

Wishful Thinking. A positive and optimistic outlook for business is always good, but you have to remain realistic, particularly when working with your projections. Ask yourself if you and your sales force can realistically meet those sales figures? Do you have adequate staff and trainers to handle that level of projected volume? Also, do not make the mistake of writing in the figure of what it takes to keep your business up and running. For example, if it takes \$25,000 a month to keep your doors open, don't arbitrarily write in \$25,000 as your sales goal. You aren't doing yourself any favors.

Ignoring Assumptions. Sales assumptions are an essential part of your projections. Each year, your assumptions are probably going to change. However, they remain a pivotal part of understanding what will impact your business and sales for the upcoming year. Do not ignore your assumptions. For example, if you believe that you may lose market share because two new fitness facilities are opening up within a five mile radius, do not disregard and project an increase in sales. Your assumptions need to tie in and support your sales projections.

Moving Target. Once you have reviewed your final numbers, agreed upon them with all relevant parties, and created a timeframe for accomplishing, leave it alone. Fight the urge to spend time going back and refining and "tweaking" the projections every chance you get. This only distracts you from meeting the target.

Lack of Consultation. Most likely, you will not single-handedly be meeting your sales projections. Chances are you have staff and/or sales associates who will assist you. One of the biggest mistakes you can make is not consulting your staff and getting their opinions and buy-in. Talk with and listen to your staff. If they raise legitimate issues,

they need to be addressed. Unrealistic sales goals only place unnecessary pressure on people and create a stressful working environment.

No Feedback. When you've completed the projections, take them to someone who has the knowledge and know-how to review them and offer feedback. This may be your accountant, a senior manager or colleague. Having a fresh set of eyes brings a new perspective and potential insights that could prove useful.

Some argue that sales projections are an act of faith, and to an extent that's true. However, your leap of faith may not have to be as far if you avoid these common pitfalls, use solid past sales figures, market research, and industry reports, and keep things in perspective. When you do these things, you may be pleasantly surprised at the results.

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