

Distressed? Have fast falling sales resulted in cash burn?

The following advice is a companion to KH Advisors' complimentary, in-depth [20-Point Guide to Vetting the Sales Forecast](#):

When a business starts heading in the wrong direction, often-time management's initial course of action is "wait-and-see," based on the belief sales will improve—when often all that happens is the company burns through cash reserves or their line of credit at an alarming rate. Like it or not, times have changed and change always opens the window of opportunity. Whether you take advantage of it, or become a victim of it, depends on your attitude and willingness to adopt new tactics.

The frustration I hear from CEOs is even though they know markets are shrinking, they do not have visibility on leading edge changes in the demand curve, and are always one step behind disappointing news from the sales department. For these companies, the cost structure will remain out of line, cash will continue to burn and the organization will grow increasingly frustrated with its inability to manage change. Understanding the market landscape during volatile times requires a different set of tactics.

There are three fundamental reasons why companies struggle with understanding the sales forecast during volatile times:

- 1. Looking in the wrong place**—Using traditional information sources, such as your customer's procurement department, to understand future requirements most often will *not* get the job done. Experience shows that customers' internal organizations are not on the leading edge of the curve during radical business changes. Often, they are as surprised as you at the wild swings in system-generated demand models. To understand what's driving your customers' business, meet with their *sales team*, in addition to the purchasing team. Your customers' sales team is on the leading edge of your future demand and has a wealth of information about your market and how it will evolve.
- 2. Failure to drill deep enough**—The second mistake is failing to understand, the factors influencing the entire food chain your product or service is part of. The lower you are in the food chain, the more difficult the assignment. Too often sales provides data, but not meaningful information.
- 3. The Spin Doctor Syndrome**—The attributes and personality that make salespeople successful can be an Achilles heel during a downturn in the business cycle. When business starts to slide and pressure starts to build, "C" level management is looking on the horizon for signs of a bright light that will bail them out of the problem. We've all been there—submit a report with negative information and you've got another Spanish Inquisition on your hands. On the other hand, put a positive spin on your presentation and you're embraced for fine work, at least until the reality catches up with the spin.

The next time the sales forecast doesn't pass the "smell test," make sure you have the right questions to uncover the real story. Download a complimentary copy of [KH Advisors' 20-Point Guide to Making Sense of the Sales Forecast](#).

KH Advisors has helped many executives organize efforts to bring visibility to the sales forecast. To learn more about validating the sales forecast and how to tip the scale in your favor for the business that is there, [contact KH Advisors](#).