

Why Sales Forecasts Can Overestimate Growth and Underestimate Risk

Most companies forecast sales growth based on estimating growth in their accounts ranked from largest to smallest. It feels logical. It is also misleading.

Customers do not prioritize suppliers based on how much revenue they generate for them. They prioritize suppliers based on *importance to their own business*. When those two views diverge, sales forecasts become over optimistic, and risk is built in where it is least visible.

A more reliable way to forecast sales growth is to look at **mutual importance**, not revenue alone.

Consider two accounts, each worth **\$100k in annual revenue**.

- **Account A** depends on the supplier for a critical component. Switching would be disruptive and costly. The supplier is operationally important.
- **Account B** also spends \$100k, but the supplier represents **less than 10%** of its category spend. Alternatives are plentiful and switching is easy.

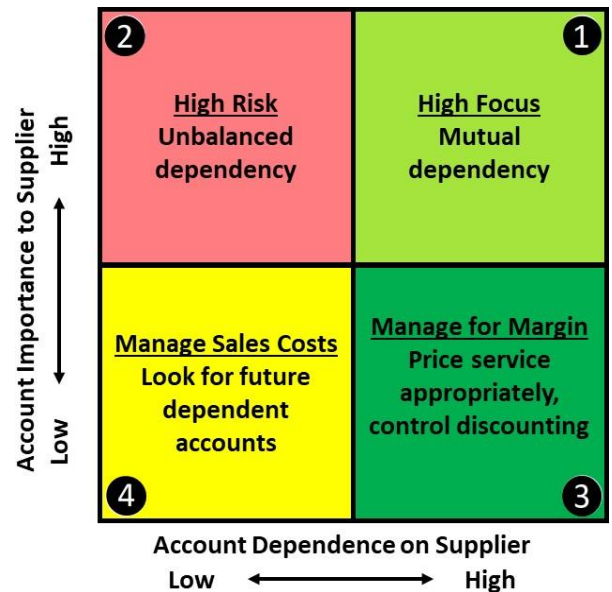
On a revenue-ranked forecast, these two accounts look identical, but their sales risk is completely different.

Account A is highly predictable. Volume may fluctuate, but retention is likely. Sales risk is mainly internal, service failure, supply disruption, or neglect. The forecast can be conservative, but with high confidence in the base.

Account B is structurally fragile. The revenue can disappear quickly due to price pressure, consolidation, or portfolio decisions made far from the account relationship. Forecasting growth here should be probability-weighted, not assumed. A 10–20% downside scenario is realism, not pessimism.

This logic applies across the portfolio.

1. Where importance is mutual, expect stability but allow for disruption.
2. Where the account matters more to you than you do to them, cap growth estimates and manage dependency.
3. Where you matter more to them than they do to you, protect price and expect resilience.
4. Where neither side is important, forecast statistically and manage cost.



The most common forecasting error is treating equal revenue as equal certainty. Sales growth is overestimated precisely where sales risk is highest. If your forecast ignores how important you are to your customers, the risk is already embedded but invisible.

If you believe that account mindshare is important to your organization and would like a more risk adjusted forecast, then FL&A can help. Feel free to contact Stephen Martin at smartin@franklynn.com for further discussion.