EBOOK

The ultimate guide to annual sales planning

Anaplan

Foreword

It's likely that your company begins the new year with grand ambitions for growth. That's nothing new. But shifting investor sentiment is now applying pressure on companies to make sure that growth is profitable. Profitable growth is also expected on a granular level: within product or service lines, in expansion and retention sales motions, in geographies and industries, and in new market segment moves.

As a result, your multi-dimensional planning and execution has become exponentially more demanding and complex. Many businesses try to do this planning with manual or inadequately automated systems. Consequently, the search for and aggregation of data, the annual reconstruction of scenario models, and the reliance on disconnected spreadsheets make the process slow, prone to errors, time-consuming, and expensive.

Annual planning "start-up" costs affect critical sales outcomes. According to a recent survey by the Sales Management Association, firms that are not effective at planning see fewer reps achieve quota, and they are less likely to achieve sales objectives — by 40 percentage points.

> "If you want something new, you have to stop doing something old.
>
> **Peter Drucker**

The countdown to fiscal year kickoff

Companies settle for outdated planning processes for a wide variety of reasons. Some, seeking to maximize continuity and minimize disruption for their sellers, accept manual planning because it allows them to continue doing what they have always done. Others may not realize there is a better way, and that they no longer need to paint in broad strokes or rely on gut decisions in order to conduct planning in a timely fashion.

Much of the management focus is on sales execution. When a quarter ends successfully, sales reps get rewarded for closing deals. Similarly, when a quarter ends with poor results, sales managers often look for weaknesses in the most minute sales actions. But keeping sales strategy and planning aligned provides the foundation for all these action.

Sales planning has major implications for team performance. Poor planning can present major obstacles throughout the enterprise. For example:

- Sales reps get frustrated and lose selling time when territories and quota plans are released late
- When plans do get delivered, many are incorrect and need to be adjusted, further reducing productive time for your reps and consuming analyst resources
- Poorly designed quotas lead some reps to lose motivation, while others easily exceed their numbers and earn outsized commissions
- Some sales reps inevitably leave the company, due to what they see as unfair or arbitrary planning
- Lack of visibility leads to coverage gaps and missed opportunities
- Mismatches between sales resources and market opportunity lead to lower win rates, smaller deal sizes, and longer deal cycle times

As each new year approaches, your sales and revenue operations teams must overcome the lack of standard practices or shared benchmarks across the sales operations function. Process owners must perform their own analysis and benchmarking, even as they rush to release plans on time.

> "If I have X number of heads, and I have Y number of opportunities, how I match the two is critical There is no wrong answer, but there is a suboptimal answer. I want to get to an optimal answer."
>
> **Sowmyanarayan Sampath, CEO (formerly CFO and CRO), Verizon Business**

To plan effectively, your sales and revenue operations teams need the speed, flexibility and responsiveness to change planning assumptions right up until the moment before delivering territories, quotas, and compensation plans to the field. They need this agility because leadership often makes changes to key assumptions in the weeks, days, or even hours before the new year kicks off.

Toward a more effective planning process

Sales planning as an annual, linear, siloed process is a thing of the past. Rapid shifts in market and economies have made ongoing, cyclical sales planning necessary. We've shifted from annual sales planning to dynamic sales planning, which relies on accurate and continuously accessible data that must also be shared with others across the organization.

Consider the preparatory step, "prepare and align." While this activity may be undertaken as part of your annual planning process, many businesses will repeat it throughout the year on a quarterly, monthly, or even weekly cadence. The time horizons will change, but the challenges faced by your operations teams will not.

Things are likely going to get harder, not easier, because of increasing go-to-market complexity, economic instability, and increased pressure on leaders to deliver efficient growth.

Businesses that are actively confronting this volatility have abandoned manual sales planning in favor of a more efficient, step-by-step process that streamlines and improves your plans effectiveness.

Step 0: Prepare and align

The basics

What: Before you can begin strategic planning for the following year, your leadership must understand where the company will end the current year. To do this, sales leaders need to analyze their current year-to-date revenue, and then predict how they will perform in the final months of the fiscal year. The result is a bottom-up analysis that can be compared with the top-down analysis that will be prepared by the CFO.

Who: Sales leadership, sales operations, sales management.

When: Beginning at least six months prior to the start of the new fiscal year.

Why: Sales planning is all about assigning sales resources to areas of growth and opportunity so that you can meet your organization’s goals. These activities rely heavily on the resources that the organization controls. Broadly speaking, resources fall into two categories: people and technology. In this step, sales or revenue operations leaders prepare themselves with one or more well-reasoned estimates as to where they think they will land at the end of the year – and, by extension, how much they think is feasible in terms of future growth. This analysis is used by the CSO or CRO during discussions with corporate leadership, particularly the CEO and CFO, as they are setting growth targets and evaluating possible investments for the following year. It may also be useful for sales VPs and territory managers to prepare for any necessary shifts in go-to-market strategy.

How is it done?

The question of YTD revenue seems straightforward enough. Dive into your financial actuals data and see what transactions have occurred to date.

The next phase is to predict where your organization will end at fiscal year close. There can be multiple inputs into this prediction. Some of the most common ones are the sales forecast, prior year actuals, and economic data (trends, seasonality).

Where do things go wrong?

In any forecasting, there is a certain degree of uncertainty, and targets for the following year will fluctuate as you approach the end of the current year. There are three things whose absence hampers this process: speed, accuracy, and flexibility. Discussions often begin in email threads and whiteboarding sessions, followed by ad-hoc analysis that is captured in spreadsheets. This takes innumerable hours of manual work. And even then, the results are often not accurate, since they are so prone to human error.

Additionally, this patchwork of analysis does not offer leaders the flexibility to see where gaps arise in the business. For example, if sales leadership wanted to explore the implications of ending the year at $500 million in revenue versus $515 million, this would likely take hours of duplicate work, and still may not lead to any valuable management insights.

How do you overcome these issues?

By using agile and accurate planning. Many planning processes are undocumented, relying entirely on the experience and wisdom of leadership. Your sales and operations leaders must document their planning processes. Next, you should look to make incremental improvements with each planning cycle. Improvements could include faster planning cycle time, increased accuracy, or greater operating agility. Ultimately, this puts your CRO in a position to have a meaningful dialogue with the CFO, board of directors, and other executives about appropriate growth expectations and areas for investment.

> “Every minute we talk about ‘Is the number right?’ is a wasted minute. We have to be right; to have the systems and processes to get it right. Then we can discuss what we do to change it.”
>
> **Sowmyanarayan Sampath, CEO (formerly CFO and CRO), Verizon Business**

Checklist

- Start six months prior to the annual planning process
- Understand the growth levers for your business
- Map out multiple scenarios to understand where your business might land, and adjust go-to-market strategy accordingly
- Provide multiple planning (what-if) scenarios so executives can evaluate options
- Organize data and processes such that new numbers and assumptions flow through analysis quickly and, where possible, automatically

CASE IN POINT

Sales capacity and coverage

One of the most basic questions that a sales leader can answer is: Do I have enough resources to actually hit my annual number? This question requires data from several disparate and often disconnected systems to answer. First, it takes a reliable view of assigned quotas. Next, it takes analysis of past performance by seller – average win rate, deal size, deal velocity, or other metrics relevant to your business. Last, it takes data and insights on your workforce. Out of all your sellers, how many are fully ramped, how many are new hires, and how many are still open headcount? How many do you expect to be promoted or leave the company? Gathering and organizing all this data can be daunting, particularly if it needs to be repeated across multiple geographies, product lines, or other dimensions. Yet it is essential for making informed decisions around hiring and training – key levers for sales performance.

Step 1: Get your data in order

The basics

What: Sales planning is not a single-threaded process. It consists of multiple workstreams occurring in tandem, at multiple levels within the organization. All of these workstreams rely on data — financial actuals, details on the pipeline, analysis and assumptions based on past period performance, information about the workforce, and more. Before any further planning gets under way, your leadership should seek to answer three key questions:

1) What data do I need?

2) Where do I get it?

3) How do I consolidate it in one place?

Who: Sales operations, marketing operations, revenue operations, IT.

When: Beginning 3-7 months before the start of the new fiscal year; 2-3 weeks prior to the start of annual planning exercises.

Why: No sales team can afford to be driven by intuition and gut feeling alone. Sales organizations – not to mention customers and markets – are complex and heterogeneous. There are often large egos in play. Without a data-driven and well-documented plan, sales VPs and territory managers will pursue whatever opportunities they choose, with highly variable results.

How is it done?

Planning data is often collected and prepared on an as-needed basis for a specific type of analysis or business issue. Depending on your business needs and IT system complexity, data may be downloaded to a flat file or pulled directly into a target system using connectors or APIs. In some cases, data processing is automated via extract, transform, load (ETL) applications, and stored in an enterprise data warehouse (EDW).

Quite often, however, data processes and workstreams are manual. Spreadsheets are passed from one department to another in a linear, waterfall-like progression. Custom-made tools and workarounds are used in one department, but not shared or trusted widely.

Where do things go wrong?

Fragmented, scattered data. So often, there is no single source of truth for planning purposes. Sales arrives at a growth number based on one set of data, while finance relies on a completely different set. Both groups spend valuable time arguing about whose number is right, rather than grappling with difficult questions around strategic planning.

Data accuracy and quality. Data may be outdated by the time it arrives or, in the case of CRM data, could be inaccurate or incomplete. To prevent this, many companies will undergo a dreaded yearly process of having sales teams manually review and update their records. Many of these records will not have changed, and among those that have, updates are easy to miss or miss-key.

Data validation. Data pulled manually also needs to be cleaned and validated manually. This can be easy to overlook. Inconsistent character type, range, formatting, or other issues can cause even bigger errors downstream.

Speed and performance. Loading flat files or lists requires multiple manual steps, and it can cause time lags and latency issues.

> "[In sales planning] there aren't any rules. Relative to supply chain or financial planning... in sales, it is all subject to opinion. And the information is entirely disaggregated."
>
> **Brent Corbett, Senior Director, Worldwide Sales Strategy and Operations, VMWare**

How do you overcome these issues?

Develop a better system for gathering and standardizing data in a single hub to make it usable in different planning applications. Some common types of data to look for here could include master data like product lists, meta data, financial actuals, and historical results.

Sales planning, and sales performance management (SPM) efforts more broadly, require continuous access to real-time, accurate data. With a single hub for this data, operations teams and analysts can avoid the painful exercise of manually extracting, normalizing, analyzing, and distributing different slices of data many times over. This cumbersome process causes delays and inaccuracies and impedes sales and revenue operations as they look to produce data-driven strategies and tactics.

Checklist

- Establish a single data hub to normalize and connect predefined data sources
- Sync sales planning data with finance, marketing, customer success, human resources, and supply chain metrics as applicable

CASE IN POINT

Named account selection

Sustaining and building relationships with a company's largest accounts is often a key ingredient to efficient revenue growth. These accounts are hand-selected based on their attributes and history, and they often receive dedicated treatment from marketing, sales, customer support, product, and more. Selecting accounts in a consistent and objective way is difficult enough. This might require qualitative and quantitative account data, information on past transactions, alignment with go-to-market direction, and more. Once the list has been generated, ensuring that this information is shared cross-functionally, and flows seamlessly into activities such as territory planning, marketing budgeting, workforce planning, etc., is the next frontier.

Step 2: Build a framework for your planning models

The basics

What: Rather than diving headfirst into planning, first have a framework or architecture for who needs to contribute to models, how those models will fit together, and what data, metrics, or analysis will flow from one model into another. This is not a technology challenge so much as it is a business challenge. To make these decisions, leadership needs to understand how to build a planning or forecasting model that captures the nuances of their business, and what assumptions must be made in order to plan effectively.

Who: Sales operations, revenue operations, IT.

When: Beginning five months before the start of the new fiscal year.

Why: Planning and managing the components of the sales strategy may be centralized within a single person, team, or department, or managed in a decentralized fashion across different groups. Either way, much of the data needed for these processes is common, such as sales and territory hierarchies, seller information (internal and external), crediting rules, customer information, and product lists. The metrics from these processes feed into one another. Without a framework to provide structure, planning processes can result in duplicate data and overlapping efforts. In addition to being inefficient, this can negatively affect model performance.

How is it done?

Often, frameworks are informal and not well defined or documented. Where documentation exists, there are often critical parts of the planning process that depend on static spreadsheets, just-in-time analysis, or individual knowledge from within the sales organization.

Where do things go wrong?

Inconsistency. Without global standards, planning results will vary widely from year to year, creating considerable recurring costs, and confusion for your sellers and managers.

Scalability. Undocumented and manual processes require building (and then rebuilding) static models, and they become untenable as your organization grows.

Attrition risk. If operations experts leave the company, they take with them a wealth of internal knowledge about how your company conducts its sales planning. This knowledge could include key planning assumptions such as sales productivity assessments, capacity plans, or marketing influence.

How do you overcome these issues?

Document. Leave notes and commentary in a place where people will find them, not a separate document. Next, identify and enumerate spreadsheets wherever they are used. Even where spreadsheets work well, they often represent manual steps in a process that will need to be rebuilt year after year. Find opportunities to reduce or eliminate spreadsheets wherever possible.

Checklist

- Document processes, planning steps, participants, dependencies, deliverables, and timelines – especially when manual steps are involved
- Document assumptions and key business logic in a centralized place where they can be adjusted and administered throughout the year
- Log hours, steps, touchpoints, or other metrics in the annual sales planning and analysis process so that you create a benchmark you can refer to in future cycles

Step 3: Start modeling and planning

The basics

What: Annual sales plans provide the blueprint by which your sellers will go out and earn revenue. They are built with the intention of achieving the revenue goals of the business by aligning individual seller performance to corporate goals. Although every business is different, some of the most common planning components include sales territories, quotas, market segmentation, and sales coverage and capacity models. Often, many teams and tools are involved in these efforts.

Who: Sales leadership, sales operations, sales management, marketing operations.

When: Beginning four months before the start of the new fiscal year.

Why: Effective sales planning is a critical part of running a high-performing sales organization and achieving revenue goals. Recent research by the Sales Management Association found that over 80% of organizations view sales planning as a top priority. Those organizations that rate themselves as effective at sales planning are over 4 times more likely to achieve their objectives. Yet the same research found that less than 40% of organizations actually run effective planning processes. And no wonder – planning is complex, particularly at enterprise scale.

CASE IN POINT

Quota planning and over assignment

There are innumerable methods for assigning an overall financial target to a group of sellers. Many traditional methods for assigning targets at the region and sub-region levels are known as top-down methods; for example, dividing up the revenue target into equal percentages and spreading those across regions. Sales operations leaders will sometimes intentionally assign more quota than they need to at these levels – effectively assigning more revenue than they expect those sellers to earn. There are many reasons to do this, including preventing excessively high commissions expenses, or to encourage other corporate leaders such as the CFO to approve increases in headcount. While it can be a smart planning tactic, it must also be calibrated very carefully to avoid unachievable quotas.

Other methods for assigning quotas are known as bottoms-up methods. These typically factor in what each seller is capable of (also known as seller capacity), and might also include current pipeline, and the revenue or growth potential of assigned accounts.

Many analysts and experts suggest a combination of top-down and bottom-up methods. This hybrid approach encourages a collaborative negotiation process among finance, sales operations, and sales management, which can result in more realistic and achievable quotas.

How is it done?

Many sales and revenue organizations follow a rough sequence for their planning process. Beginning with the annual financial targets set by corporate leadership, this sequence includes segmenting accounts, aligning sales resources with those segments, and optimizing resource deployment with territories and quotas. Accounts typically either get assigned individually as named accounts, or grouped together within geographically or vertically defined territories. Finally, individual quotas and compensation plans are designed and distributed. Throughout the year, plan execution is monitored, analyzed, reported upon, and adjusted as needed.

Planning activities are often driven by operations teams, but these duties are in addition to their day-to-day sales execution and management responsibilities, including coaching and training reps, monitoring pipeline health and deal progression, and providing sales technology expertise.

Where do things go wrong?

Many steps in this process are highly manual and conducted in disconnected spreadsheets. The overall process often gets mired in tactical activities like data gathering from sources such as the CRM, ERP, and HR databases. These tendencies together make annual planning costly and ineffective, and create similar issues with adjacent planning efforts such as incentive compensation.

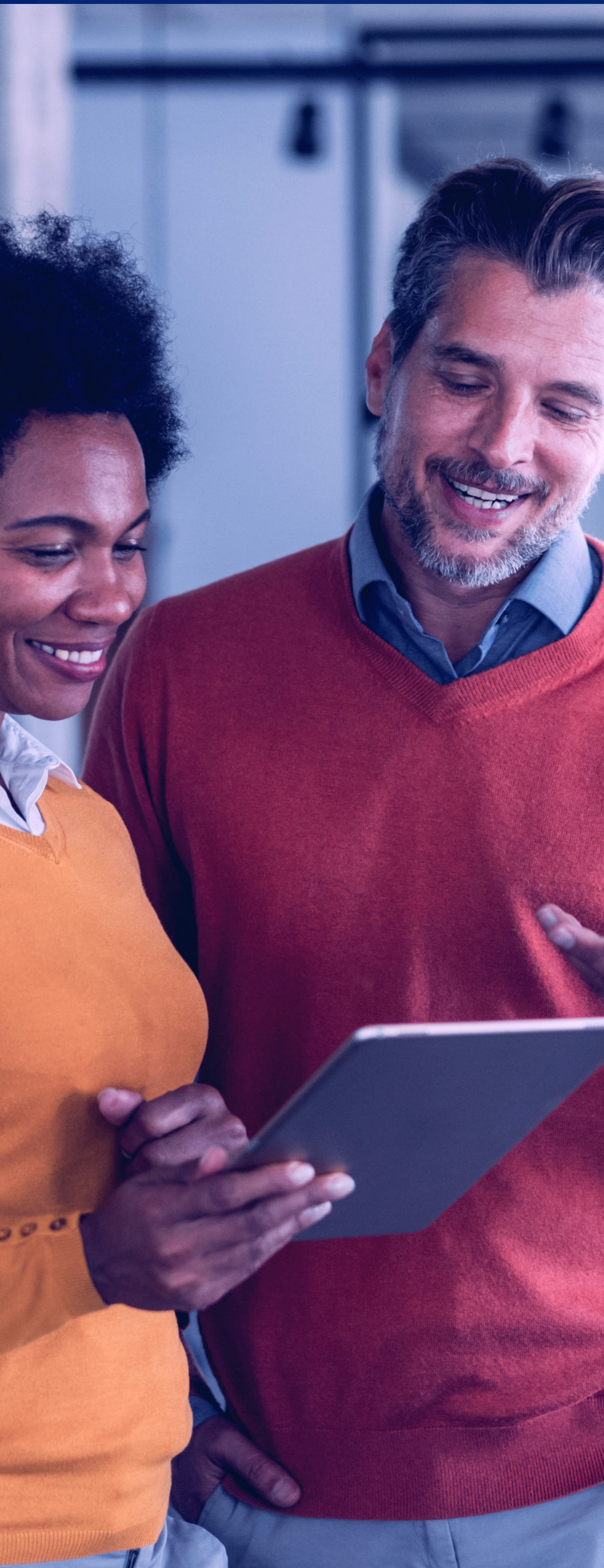
> “We try to identify the best opportunities for us and our sellers, and accelerate our growth journey while we fulfill the customer’s expectations and needs.”
>
> **Georgia Katsis, Senior Manager of the Enterprise Data Science and Advanced Analytics, CDW**

How do you overcome these issues?

Sales and revenue operations leaders must find ways to improve the “three A’s” — to make planning more agile, aligned and accurate. To improve agility, organizations might adopt agile project management practices such as scrum methodology, and build cross-functional teams to tackle planning steps in short sprints rather than lengthy sequences. To improve alignment, planning models must connect dynamically and in real time with adjacent and downstream processes such as incentive compensation management and headcount planning. This not only provides easier access to plans for key contributors outside of sales, but also makes plans easier to update throughout the year. To improve accuracy, sales team needs a broader perspective on the overall state of performance and monitor progress of deals in pipeline. This involves using real-time customer and seller data, having modeling capabilities where you can test a variety of hypothetical scenarios, and aligning the sales team’s resources to ensure maximum efficiency and results.

Checklist

- Align sales planning with marketing for account and market segmentation purposes
- Model your scenarios
- Accelerate and optimize with AI
- Analyze the impact of your strategies



Step 4: Embrace planning as a team sport

The basics

What: Sales planning is all about assigning resources to areas of growth and opportunity in order to achieve corporate goals. Depending on the organization, these might be only direct sales resources – inside and outside sales reps, sales engineers, etc. – or they might involve indirect resources and channel partners. Planning activities might justify adding or subtracting headcount within geographies, realigning the organization with promising customer segments, or expanding within key customer industries or verticals. All these efforts will need team leaders who want to be trusted to contribute to the process — or, at the very least, provide formal approval. Furthermore, many planning activities have important tie-ins to marketing, human resources, customer service and success, product, and finance. These teams help maximize revenue and profitability across the customer lifecycle, from prospect to happy client.

Who: Sales leadership, sales management, sales operations, revenue operations, marketing leadership.

When: Beginning 4-6 weeks before the start of the new fiscal year.

Why: Many sales professionals end up leaving companies early in a new fiscal year because they do not accept their new territory assignments, quotas, or management hierarchy. This attrition is hugely costly to firms in terms of replacement costs and lost productivity. And it isn't only individual contributors who end up leaving. "The biggest source of pushback on the planning process each year is that VPs and Regional Directors want to be more involved in the process," says John Nassar, Managing Director – Americas at Anaplan. "All team leaders want to be treated like leaders. They want to be trusted and involved." Meaningful involvement can dramatically improve plan comprehension, fairness, and, ultimately, acceptance.

How is it done?

When this step is done, it is based around manual workflows, including meetings, email, and chat. Some organizations choose to bring all involved parties into an intensive series of planning meetings, typically occurring in person over several days during the final fiscal quarter of the year.

Where do things go wrong?

There is balancing act that must occur here. On one hand, you want to involve all the leaders who want to be consulted for input, or you risk sacrificing important internal knowledge and on-the-ground experience — not to mention trust and rapport. On the other hand, you do not want your sales performance to veer off course in the final quarter because planning (and associated changes to territories, quotas, and the like) becomes a major distraction.

Another common problem lies in compressed timelines and delayed decision-making by key contributors. Say a regional sales director changes their mind on a set plan and pushes to have their over-assignment rule changed in the final days before the fiscal year kicks off. This places an enormous burden on the operations teams, who must re-work their models in an effort to release quotas and compensation plans on time. And it often leads to hasty, error-prone work.

How do you overcome these issues?

Develop a project management framework with clear roles and responsibilities that aligns with your organization. A common scheme for assigning roles is responsible, accountable, consulted, and informed (RACI). Train all stakeholders on these roles and their key accountabilities prior to the start of the process.

Develop a calendar with clear milestones. Hold decision-makers to those milestones.

Streamline or automate planning where possible. For example, build the decision-making tasks directly into the environment where the analysis is taking place. Avoid a tangled web of email chains, spreadsheets, and video chats.

Checklist

- Establish a collaboration plan within sales or revenue operations
- Prioritize collaboration and input across enterprise teams and functions
- Create real-time planning and workflows for both top-down and bottom-up methodologies

Step 5: Distribute plans to the field

The basics

What: Before plans can go into effect, they must be shared and accepted by individuals at all levels within your organization. Part of this step is the mechanics of distributing and communicating detailed plans such as territory and quota assignments in the most efficient way possible. The other part involves dealing with errors in a timely manner.

Who: Sales leadership, sales management, sales operations, sales reps.

When: Beginning in the first month of the new fiscal year, and ending at sales kickoff.

Why: Your sales reps must have their plans in hand before they know where to focus for the year. The plan provides direction around what is expected of them. Along with detailed information about their territories, quota assignments, etc., an explanation of how the plan was derived can be very beneficial for promoting feelings of fairness and transparency and preventing frustration. Your sales reps don't have to like their quotas and territories, but your sales or revenue operations teams do have an obligation to ensure they understand them.

How is it done?

After plans are finalized, there are many ways of cascading them down throughout the organization, and automating parts of the process.

Some organizations, particularly with 50 or fewer sales reps, send out plan letters via printed documents or email attachments.

Others, often in larger organizations, will deliver plans verbally. For example, after a high-level briefing with the organization's CRO, sales VPs will deliver plans in more detail to their regions or departments, then managers will have one-on-one conversations with sales reps to deliver plans and outline successful performance.

Finally, some organizations will automate parts of this process with SPM platforms.

Where do things go wrong?

Speed. Distributing plans is an extremely time-sensitive activity that often gets pushed to the final moments before the start of a new year. This is due to, among other things, delays in decision-making with senior leadership. It places disproportionate pressure on sales operations teams to run final numbers through their models and still release plans on time.

Scalability. For organizations with little go-to-market complexity, manual plan distribution may work well. But as the organization adds new channels, product lines, or geographical territories, the number of plans expands exponentially. Every one of these dimensions adds a new layer into the planning process and may require its own detailed and granular data.

Accuracy and trustworthiness. Added go-to-market complexity may increase the number of plans, but it does not diminish the importance of getting each plan right. "The cost of poor or inaccurate planning, at the individual rep level, is attrition," says Dana Therrien, VP of CRO Practice at Anaplan. "And with many sales organizations, performance follows what's known as Price's Law, which says that the square root of the total number of sellers produce 50% of the results. If you make mistakes in your planning, there is a high probability that you are going to lose one or more of those top contributors." In some cases, sellers will assess the quality of their territory and quota plans by examining the reasoning behind them. For these organizations, failure to provide justification for changes to sales plans results in eroded trust.

How do you overcome these issues?

Automation and seamless workflows are very important. Once plans have been decided, distribution and communication should flow as effortlessly and efficiently as possible across teams and geographies. Leading planning platforms do this by providing a single source of truth for plans and associated data. This information can then be connected to processes further downstream, including incentive compensation planning and comp plan distribution.

Checklist

- Distribute your plans horizontally/vertically, with sufficient detail so that all stakeholders know what is expected of them
- Confirm buy-in from the field, and track plan sign-off
- Highlight accounts with the greatest potential within territories to facilitate account planning

Afterword

Releasing sales plans accurately and on time is a massive achievement, and a critical step in providing direction for your sales force.

While the steps laid out in this guide provide a template for how sales planning can be completed, they are by no means comprehensive. What must follow closely thereafter — and is often started concurrently with planning — is incentive compensation planning and management. This allows sellers to be compensated accurately and on time.

Next, you need to continue to monitor and calibrate your plans throughout the year. Organizations that do this well equip themselves with a powerful set of tools to adjust sales performance, regardless of the internal or external forces that affect business. While it does require a dynamic planning system of record, the benefits are numerous.

> More reliable promotion planning and execution at video game publisher, Activision, delivered a 50% productivity gain in two weeks.
>
> Global telecommunications company, Telus, transforms company culture by implementing a new incentives platform reducing their margin of error from 15% to 1%.
>
> Vodafone automated 90% of sales target-setting tasks and shaved six weeks off a three month planning process.

Of course, all this not to mention your competition. The status quo today in sales planning is to build, and rebuild, each new year. Taking proactive steps in shaping the future of sales planning today can pave the way for a prosperous future for your organization.

About Anaplan

Anaplan transforms the way you see, plan, and lead your business. By dynamically connecting financial, strategic and operational plans in real-time, Anaplan gives you the power to anticipate change, address complexity, and move at the speed of the market. Anaplan's Connected Planning Platform lets you view and contextualize current performance, forecast future outcomes to fuel growth and mitigate risk, and optimize costs so you can make faster, more strategic decisions. Anaplan supports more than 2,000 industry-leading brands in over 50 countries navigate their daily planning challenges with confidence. To learn more, visit **Anaplan.com**

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