Xactly®
Inspire Performance™

The Complete Sales Planning Handbook

What You Need to Know to Build the Right Structure for a Successful Year

EBOOK

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SECTION ONE: BUILDING THE PLAN

Adopting the Right Approach

Most organizations still conduct sales planning as a manual, and once a year exercise. Driven primarily by sales operations, sales planning is a painful and time-consuming process based more on gut instinct than data science. Finance teams typically start the planning process in the last quarter of the previous fiscal year. Finance leaders look at sales booking targets, as well as other financial targets, such as cost of sales, headcount, etc.

Based on that, sales organizations plan their resources, quotas and territories in advance of sales kickoff (SKO)—rolling it out to the team at SKO. Once execution starts, companies rarely go back to evaluate the accuracy of their assumptions and make needed adjustments.

This static approach puts today's organizations at a disadvantage. With ad hoc and manual processes, they lack the insights to make proactive decisions for the business, as well as the agility to quickly implement them.

With the adoption of automated and data-driven sales planning solutions, companies can modernize sales planning, improving the accuracy and effectiveness of planning functions with a holistic approach that is:

Automated	Data-driven	Continuous	Collaborative

Automated Planning Drives Agility

By simplifying management complexity, automation optimizes sales planning processes. Organizations can focus their efforts on value-added work rather than burdensome and time-consuming administrative tasks. Automation improves efficiencies that, in turn, increase overall productivity, while simultaneously reducing the risk of manual errors.

With streamlined sales planning workflows, automation drives agility—a critical requirement to maintain a competitive advantage in today's fast-paced business market.

"Using spreadsheets to manage aspects of sales, including compensation and incentives, is ineffective and can be problematic."
(Ventana Research[1])

Findings show that up to 88% of all spreadsheets have errors.[2]

Spreadsheets are cumbersome, making it difficult, if not impossible, to model multiple scenarios and compare options.

Approximately half of all organizations rely on spreadsheets or homegrown solutions for sales planning.[3]

Data-Driven Planning Eliminates Guesswork

Data informs the sales planning process, and building trust and confidence in sales planning decisions requires a data-driven approach. Additionally, a data-driven approach creates a more strategic and valuable discussion at the executive level.

With data insights, organizations can identify where the business has the greatest growth potential and determine whether they have the sales resources needed to achieve goals. Using data, organizations can see how their plans compare with other companies and easily track actual performance versus expectations.

Data intelligence guides organizations to a smarter sales planning process. According to Accenture, digital tools and analytics provide sales leaders with a true understanding of market potential.

> **Organizations that embrace digital technology innovation have nearly 20 percent highergrowth in gross margins compared with the laggards.** (Harvard Business Review[4])

> **Implementing AI-enabled tools has resulted in double digit increases in win rates and average deal size as well as similar decreases in sell-cycle length.** (CSO Insights[5])

> **The majority of sales organizations that are 'high performing' rate themselves as effective users of data analytics.** (McKinsey & Company[6])

Continuous Planning Powers Performance

The ability to dynamically plan 'in the moment' is critical in a fast-changing business world. However, today's sales leaders rarely look back to see if sales plans were right or wrong. To ensure desired results, organizations should be continuously looking back at their assumptions so that they can adjust models on an as-needed basis.

Sales planning should also be modified in response to a company's financial performance throughout the year. To do so, sales leaders should compare performance to plans on a monthly and quarterly basis.

By making planning an ongoing process, organizations can respond to evolving circumstances and make changes or readjust end targets while there is still time to make a difference.

> **"Short planning cycles enable companies to achieve greater agility in responding to market or competitive changes."** (Robert Kugel, Ventana Research)[7]

> **Technologies integrating artificial intelligence (AI) and machine learning (ML) help drive a proactive, dynamic, and continuous approach.**

> **"*A Living Business* continuously adapts to changing customer preferences and market conditions with speed and scale."** (Accenture)[8]

Collaborative Planning Aligns Teams

Because sales planning spans different functions across the organization, it cannot be conducted in silos. Sales expense budgets impact multiple departments, and planning must be in sync with a company's financial targets.

Sales, marketing, human resources, and finance departments must all agree on designated resources to reach the bookings target.

If sales hires are required to make the new bookings target, sales must work with and get buy-in from human resources and executive leadership. For higher lead generation activities, sales organizations must also align with marketing, so that marketing can adjust their budget as needed. In fact:

More than a half (55%) of companies work in silos, with each function making its own decisions on what matters most. (PwC)[9]	**Desktop spreadsheets encourage siloed planning and budgeting because collecting data from multiple departments—each with its own planning system and structure— is difficult and time-consuming.** (Ventana Research)	**Three out of five companies say the solution to reaching their strategic goals is collaborating more across functions.** (PwC)

SECTION TWO: KEY SALES PLANNING FUNCTIONS TO ADDRESS CRITICAL PLANNING FUNCTIONS

Critical Planning Functions

Because sales planning functions run up and down the entire sales performance management (SPM) value chain, sales planning should not be done in silos. Planning functions are closely tied together, and each affects the success of the other.

As a result of these interdependencies, organizations must look at planning functions through a broad lens. With a data-driven and cross-functional approach to sales planning, organizations break down silos and increase stakeholder alignment.

Organizations also require the ability to model different 'what-if' scenarios across all sales planning functions. With the ability to apply assumptions at a granular level, organizations can quickly see and compare the outcome of alternate plans and their impact on revenue goals. An integrated approach to sales planning should include the following key functions:

Coverage Modeling	Resource and Capacity Management	Quota Planning	Territory Planning

Coverage Modeling

Existing Approach

Sales and finance organizations must have the flexibility and modeling capability to align corporate targets across geographies, territories, business units, and sales rep types across multiple years. They must then assess if targets are achievable across different dimensions of the business. Today, most companies still use spreadsheets to implement this process, but they don't provide the depth of insights nor the flexibility to model different scenarios required to effectively allocate and align resources with broader company goals.

Spreadsheets also lack the logic to apply different coverage scenarios, leverage historical data, or quickly assess how changes in coverage affect your ability to meet corporate targets.

Xactly's Plan-to-Win Approach to Coverage Modeling

Xactly Sales Planning's data-driven methodology enables sales organizations to apply coverage modeling to optimize allocation of sales resources and increase business value by:

- Creating multiple models to quickly and intelligently see what factors are impacting sales coverage

- Integrating accurate and up-to-date actual performance data to increase coverage modeling effectiveness

- Applying advanced modeling to optimize and ensure the right timing of resource hiring in order to allow for capacity to come online as needed

Resource and Capacity Management

Existing Approach

Without effective resource and capacity management, organizations have no insight into their hiring needs, what skill sets they should be hiring for, or when they should be hiring. Yet, over a third of organizations don't conduct—or rarely conduct—any type of capacity planning.[10] Most Ramp time and attrition rates are critical metrics for resource and capacity management. Understanding how long it takes for reps to reach full productivity and the rate at which reps leave the organization provides a more accurate view into resource needs. However, many companies just apply a general ramp assumption and a flat attrition rate across all reps.

Incorrect ramp and attrition assumptions lead to revenue loss. Lacking the right resources, organizations simply cannot act on potential.

Xactly's Plan-to-Win Approach to Resource and Capacity Management

Xactly Sales Planning leverages data-derived insights into ramp and attrition, empowering you to create a more accurate capacity plan to guide sales hiring by:

- Modeling historical data rather than applying an industry average to increase understanding into the time needed to hire and ramp resources

- Enabling organizations to visually evaluate the impact of ramp, seasonality, and attrition on capacity management

- Analyzing rep ramp and attrition data at a granular level so organizations can see the impact on sales goals from losing one rep or a class of reps

- Ensuring sales organizations have enough headcount to work anticipated sales deals

- Applying insights into prior year performance and product allocation – to connect top-down targets with bottoms-up resource and capacity planning

Quota Planning

Existing Approach

Quotas inform or control nearly 25 percent of an organization's total sales-related spending.[11] However, many organizations don't have visibility into the variability of sales teams' quota performance. While they typically understand overall quota performance, they often lack granular insights into rep performance.

Having granular insight into quota attainment patterns, such as regions where quota attainment lags, is vital to correct quota allocation.

With unrealistic quotas, reps' trust goes down. This, in turn, impacts your compensation plan's ability to incent behavior. To encourage performance, reps must have confidence in quota allocation.

Xactly's Plan-to-Win Approach to Quota Planning

Xactly Sales Planning lets organizations increase the number of reps hitting quota by:

- Applying perfromance and product data for correctly assigned quota goals

- Enabling companies to easily and continuously monitor their assumptions on quota sizing and achievement with an automated system

- Revealing incorrect assumptions on quota sizing and expected achievement in order to make faster revisions

- Giving organizations ongoing and on-demand visibility into how reps are performing against quota

- Empowering reps with realistic targets and attainable incentive compensation goals to increase productivity and morale

Territory Planning

Existing Approach

Territory planning is a critical part of sales planning and must be considered in lockstep with other sales planning functions. Once an organization completes coverage modeling, capacity management, and quota planning, they must execute across balanced territories to maximize revenue coverage.

The impact of ineffective territories trickles down the entire sales performance management (SPM) value chain. Without appropriately designed territories, organizations can't set fair quotas for sales people. As a result, sales force motivation and engagement go down, and an organization's ability to hit revenue targets decreases.

Research shows that 83 percent of organizations continue to use spreadsheets frequently or moderately to design sales territories. However, new research finds that organizations using automated technology for territory design increase performance up to 30 percent over those that do not.[12]

Xactly's Plan-to-Win Approach to Territory Planning

Xactly AlignStar territory planning software delivers greater visibility and insights into territory planning by:

- Balancing territories between sales potential and a rep's ability to effectively cover a territory

- Allowing for the integration of industry third-party and historical CRM data, so that companies can identify and rank opportunities, building fair and achievable territories

- Analyzing existing alignments to show how companies can improve territory design, balance and travel efficiency

- Increasing business agility by enabling continuous territory improvement with access to real-time territory performance data

- Ensuring compact and travel-efficient territories to maximize rep productivity

CONCLUSION

Planning and execution should be intrinsically linked. Leaders need to be continuously reevaluating the plan against performance, and determining the accuracy of their assumptions. With insight into where plans may be falling short, organizations can make adjustments—proactively rather than reactively.

Using Xactly Sales Planning's intelligent, automated, and continuous approach across all key sales planning functions, organizations increase their ability to hit targets. With access to timely and objective insights, organizations can have a data-driven discussion on targets and needs at the executive level.

Organizations can see when they don't have enough reps to hit revenue targets. They can see when their ramp assumptions are too low compared with historical performance. They can see if quota allocations are realistic for reps in all geographies. They can calculate productivity, and plan more effectively for existing and future workforce requirements to deliver on the pipeline.

For more information about Xactly Sales Planning and Xactly AlignStar territory planning software, contact Xactly, or call 1-866-GO-XACTLY.

[1] Sales Analytics Benchmark Research: 2017, Ventana

[2] What We Know About Spreadsheet Errors: University of Hawaii

[3] Phase5 Customer Survey Sales Software: 2018

[4] The Digital Business Divide: Analyzing the operating impact of digital transformation

[5] 2018 Sales Operations Optimization Study: CSO Insights

[6] Unlocking the Power of Data in Sales: McKinsey&Company

[7] Continuous Planning Promotes Action, Accuracy and Agility: Ventan

[8] Living Business: Achieving Sustainable Growth Through Hyper-Relevance, Accenture 2018

[9] Dealing with Market Disruption: Seven Strategies for Break Down Silos, PwC

[10] Phase5 Customer Survey Sales Software: 2018

[11] Sales Planning Like It's 1999: Accenture

[12] Optimizing Sales Territory Design: Research Update 2018, Sales Management Association

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ABOUT XACTLY

Xactly delivers a scalable, cloud-based enterprise platform for planning and incenting sales organizations, including sales quota and territory planning, incentive compensation management, and predictive analytics. Using this powerful sales performance management (SPM) portfolio, customers mitigate risk, accelerate sales performance, and increase business agility.

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