Anaplan

Strategic sales planning through market disruption

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Introduction

Sales leaders have always proudly carried the responsibility of revenue for their organizations. During times of growth, leaders are challenged with finding opportunities and new revenue streams. During disruptive times, added pressure is placed on their shoulders as traditional revenue streams can become less reliable. In these situations, sales leaders need to explore creative ways to increase operational efficiencies and uncover new opportunities, all while doing everything they can to sustain morale and performance.

Volatile conditions can force sales and operations leaders to reevaluate all assumptions used when creating their annual plans and identify immediate adjustments as they look toward an uncertain future. Taking a close look at the sales forecast and refocusing resources on strategic and viable deals is an important first step. The speed and accuracy with which leadership can make these decisions will be a major competitive advantage.

But market volatility and uncertainty also highlight the importance of two longer-running trends. One of these is a focus on making the right digital investments and maximizing the return on existing investments. Another notable trend is a shift away from growth at all costs, and toward achieving predictable revenue and sustained profitability.

Why digital transformation?

A well-documented shift has been occurring in favor of online-first channels and the products and services that are best suited to these channels. When chosen carefully, digital investments can unlock new revenue streams and dramatically improve profitability. This shift is unlikely to slow down, and may even accelerate, given current market conditions.

As digital transformation has reached sales and revenue organizations, many companies are now looking to maximize their investments in customer relationship management (CRM) software and other engagement technologies by enriching their data and generating valuable insights for their sales teams.

Why is predictable revenue important?

In addition to steady cash flow, predictable revenue brings inherent value to many parts of a business. Finance, Human Resources, Marketing, Customer Service and the Supply Chain teams all rely on accurate sales forecasts to help their operations run smoothly, and more reliable revenue models combined with careful sales planning can make forecasting much more precise.

For years, companies have sought to drive repeatable business and high satisfaction, particularly among their most profitable customers. Early examples that come to mind include rewards and customer loyalty programs. Today, companies in B2B and B2C, in industries ranging from consumer goods to telecommunications to healthcare, see steady growth in products and services that can be sold and deployed through a recurring or subscription revenue model. This shift has helped companies increase customer satisfaction and decrease their sales expenses, and it shows no signs of slowing down.

Together, these trends suggest that how sales leaders go to market may now be just as important as what they bring to market. When executed well, the sales strategy can be just as influential in a purchase decision as the actual product or service sold.

Revenue planning should no longer be a simple exercise in reviewing past results and adding a healthy lift onto next year's run rate. Historical results can be useful, but in times of tremendous market uncertainty, the business environment changes rapidly. Unexpected economic headwinds, such as the recent global downturn, only make matters more complicated.

Planning activities can also no longer happen in isolation. Sales organizations need to stay nimble. To do that, they need to recognize that changes to forecasts, quotas, incentive programs, or territory plans can have huge implications across their business. Real-time collaboration across stakeholders in planning and decision-making processes is imperative.

Sales planning in a dynamic and fast-moving market environment poses unique challenges. Still, sales and revenue leaders today are finding ways to make planning more connected, aligned, and data driven. It all begins with knowing which accounts to focus on.

Executive statement

What is it that helps a sales organization remain successful, even when budgets are tight and uncertainties abound?

In our experience, the common trait among today's most resilient revenue teams is their adaptability. These organizations, in spite of their industry, size, or complexity, are able to respond to market conditions and rapidly reposition themselves for success. They know which customers to focus on, which revenue streams they can rely on, and which investments to make to continue to sustain the business. Close collaboration allows them to course-correct, even during a market disruption.

During an economic downturn, some customer segments will be affected more than others, and buyer needs will often shift in ways that are difficult to anticipate. Previously reliable market segments will contract while others expand. Seeing these changes unfold and responding quickly requires rapid planning with an eye on business continuity.

So, what does it take to meet customer expectations? The answer lies in building a more connected sales strategy. One that recognizes that Finance can be a strategic partner in business planning, enabling more data transparency and smarter decision-making. One that realizes that planning and execution happen simultaneously; that iterations to the sales plan are frequent and ongoing, and that the one-and-done annual sales planning cycle is outdated, as it blocks agility and business innovation.

But as sales planning becomes more collaborative, it should not introduce more complexity. Planning should move an organization closer to clarity, focus, and a singular vision of success. Proactive scenario planning should be able to answer questions that leadership does not even think to ask—and then put those insights into motion.

Leading global enterprises are realizing this and achieving major gains in terms of revenue and operational efficiencies. For example, Vodafone achieved 50% faster sales planning in its commercial business, freeing up valuable time to work on strategic deal support and other critical tasks. They are far from alone. Global enterprises including Tableau, HP Inc., and Amer Sports leverage Anaplan to optimize their revenue planning and performance.

Customers are operating in a world marked by disruption, and if your sales strategy does not help you adapt, you are losing ground. Let your next planning cycle be your fastest, your best, and your most connected.

Jason Loh
Global Head of Sales Solutions

Sara Baxter-Orr
Global Head of CFO Practice

The ideal customer: Segmentation and scoring

Overview

For most businesses, the cost to cover the entire universe of potential buyers is prohibitive. Instead of attempting to sell to billions of people, all in dynamic and uncertain market conditions, organizations find the markets and customers they want to focus on and concentrate their efforts on those buyers.

The purpose of market segmentation is to identify high-yield categories of customers and prospects. High-yield segments are customers that are likely to lead to the most profitable opportunities or have the most potential for growth. Sales and marketing organizations can then use this information to guide their strategies around lead development, opportunity prioritization and pipeline optimization, marketing fund allocation, sales capacity planning, and territory and quota planning.

A focused and prioritized list of accounts is the wellspring for any effective sales plan. This list sets the stage for defining optimal territories and quotas to maximize sales effectiveness, and it prevents wasting time.

Top accounts can dramatically influence an organization's go-to-market strategy, so it is critical to adopt a segmentation process that builds trust throughout the organization and provides flexibility for future adjustments.

Challenges

At its core, market segmentation is a categorization problem. Categorization is difficult to begin with, and when the underlying data is incomplete, inaccurate, or rarely updated, it can lead to customer categories that set your sales force up for failure.

First, teams need to define their most likely set of customers, often part of a total addressable market (TAM) analysis, from within the universe of possible buyers. This takes careful observation of the defining characteristics of successful customers. It also takes recognition that priorities or economic conditions can change—for example, a shift in focus to an adjacent market—and that creates a need for flexibility. The process of account segmentation allows an organization to group their customers according to their go-to-market approach or business objectives.

From there, some teams choose to score accounts using data they have gathered internally. For example, measures may include firmographic information such as revenue, industry, or number of employees. Others dig deeper to look for account behavior, such as topics they research online or engagement with their sales organization. Some even score accounts based on proprietary characteristics that they observe in their most valuable customers, such as knowledge of corporate goals or past purchase history.

Avoiding common pitfalls

Segmenting every few years
Avoid this tendency by recognizing that business logic changes fast, and the need to spot new opportunities is ever-present.

Spreadsheet-based analysis
Spreadsheet data is often static, and difficult to flow into further stages of planning.

Gathering all this data and scoring accounts accordingly is a major undertaking, particularly with global accounts that may have multiple divisions or geographies with different needs. Still, your customers face the same market dynamics and competitive pressures as other businesses. Their revenue forecasts, employee counts, growth rates, partnerships and other characteristics are all subject to change at any time. As a result, segmentation and targeting plans fail for three reasons:

- They only score accounts by past results, so the segments do not accurately capture areas of future opportunity.
- They become irrelevant as soon as they are published, because there is no plan to update them.
- Sales teams don't trust them, and they don't gain widespread adoption.

Next steps

Every business is different, and the ideal type of customer for every business can change. One thing that all businesses share is a desire to understand their customers and prospects.

With the advent of artificial intelligence (AI) and machine learning insights, we can now have a better glimpse into which accounts are showing intent to buy. Companies no longer need to rely only on seller intuition and the data they have collected in their internal systems, and they can spare themselves the trouble of cobbling together disparate data sets in an attempt to gain a comprehensive customer view. Predictive capabilities can leverage third-party data for millions of accounts, providing previously unknown insights about customer buying behavior.

This takes a shift in mindset, from asking only "which accounts am I looking for?" (what is often referred to as inside-out thinking), to a balanced perspective that incorporates outside-in thinking— "which accounts are looking for me?"

A more complete customer score

	Inside-out	Outside-in
Data sources	CRM and internal databases	3rd party, AI and machine learning
Relevant facts	Firmographics, prior year spend	Technographics, HR trends, partnerships
Relevant behaviors	Usage of your product	Topics companies are searching for online
Starting point	Previous year results	Total addressable market (TAM)

Sales organizations also share a desire to create simple, flexible rules for identifying their target customers. These rules must be easy to manage so that they can be adjusted as business objectives shift, and they should make it simple to draw on key inputs from several other teams.

Customer story

One fast-growing, venture-backed SaaS technology company needed to hit aggressive revenue targets to satisfy their investors—without growing the budget. Using predictive insights, they identified a new top-ranked segment, and grew revenue 3x within those accounts.

Learn more at: ***anaplan.com/customers/open-source-tech-company***

The ground game: Determining capacity to hit targets

Overview

"Time is money," as the old adage goes.

For the average full-time employee, there are approximately 2,000 working hours per year. Subtracting out vacation time, sick days, and other out-of-office activities, the time that's available for a seller to sell is often considerably less. But when assigning metrics like quotas and goals, many sales leaders neglect to calculate whether there are enough viable hours for a seller to hit those targets. Understanding that analysis is the basis of sales capacity planning.

In partnership with Finance, sales and sales operations leaders translate revenue plans into quota plans and cascade those measures across the sales organization. When done well, sales capacity planning can be the single biggest predictor of forecast attainment, and a source of significant competitive advantage. However, most companies miss out on this opportunity, primarily because capacity planning is poorly understood. Calculating sales capacity and making timely, accurate adjustments to inefficient coverage can be quite complex, but can also save substantial time, money, and frustration for organizations.

Capacity planning helps organizations quantify the current capabilities of their sales organization, compare that to the sales metrics they want to hit, and identify the action plan to connect the two.

Each capacity decision involves tradeoffs. It is the role of sales leaders to evaluate their options, monitor progress, and adjust accordingly.

Challenges

Let's start with a simple metric: Average time to work a deal from beginning to end. This number may vary widely based on the product type or the salesperson's skills, but let's assume that the average time to work a deal from beginning to end is 35 work hours. Time is a finite resource. Calculating the velocity of deals and the throughput of sellers is just one dimension that can help a revenue leader estimate the likelihood that their team will hit their target.

Win rates are another constraint that limits sales capacity. Whether a team wins 40%, 60%, or 80% of their opportunities, that's another factor that needs to be considered to calculate sales capacity. Do win rates vary by region, by product, by brand, by industry, by channel? Do you need to discount more for some solutions than for others? How does that vary by customer segment? By product? By time of year?

Accurately calculating sales capacity and market coverage requires many inputs. All told, there may be dozens or even hundreds of variables that your organization can consider in calculating their sales team's capacity to hit revenue targets.

Levers to increase sales capacity

Next steps

A comprehensive approach to assess sales capacity requires the ability for business leaders to analyze complex capacity scenarios quickly, weigh potential investments and trade-offs, and understand the implications of those adjustments. Where there are gaps between a sales team's capacity and an organization's revenue target, the analysis can uncover alternate courses of action.

For example, if low win rates are identified as a factor impeding sales capacity, strategic investments may include improved sales enablement processes or enhanced market and competitive analysis. If long sales cycles are a factor, capacity analysis might indicate that an investment in predictive capabilities to evaluate buyer intent could help you identify accounts that are more ready to buy.

As you evaluate options for improving sales capacity, keep in mind that alignment and real-time collaboration with other teams is paramount. Finance, for example, may need to approve budgets for new headcount, and HR will likely need to monitor onboarding capacity and approve hiring decisions. Each decision will have implications across the organization, and improving collaboration will make you more agile as you model your sales capacity requirements.

This approach enables more than just careful and detailed planning. It allows sales operations leaders to model which levers they can pull to meet corporate objectives and to understand how those decisions will affect the broader organization.

Avoiding common pitfalls

Inaccurate or partial view of capacity
Rather than relying on the sales forecast to predict performance, seek to gain a deeper understanding of sales capacity and the countless ways through which leadership can influence business outcomes.

Customer story

Leading business intelligence platform Tableau used Anaplan to cut a spreadsheet-based workforce planning process that took more than 30 hours a week down to less than 10.

Learn more at:
anaplan.com/customers/tableau

"I don't know that I could survive more than a couple of planning cycles without Anaplan."

– Wyatt Albertson, Senior Manager of Sales Strategy and Planning

Balance in motion: Territory planning

Overview

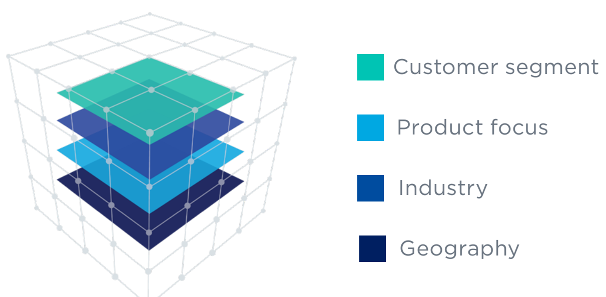
Every organization is limited by the number of salespeople they can afford to pay and the number of customers each seller can focus on. Dividing the market in a way that maximizes revenue and capacity is a key component of the sales strategy.

The process can vary greatly—there is no single best approach. But it is critical for organizations to create territory plans that drive optimally balanced, cost-effective market coverage that the sales team accepts as fair. This helps motivate sellers, focus sales activities on the right accounts, and plan personnel decisions.

Territory definitions can factor in and layer any number of dimensions that are relevant to an organization's market dynamics and sales team capacity. Creating the rules that govern territory boundaries can be complex, due to the sheer number of rules and the many exceptions that need to be built in for different divisions in a large sales organization.

Regardless of complexity, a well-designed territory plan allows sales teams to eliminate coverage gaps and increase sales effectiveness by balancing workload and opportunity.

Optimizing territories across multiple dimensions



Challenges

Territories come in all shapes and sizes, and they can be extremely complex. Territory definitions can include geography, customer size or segment, industry, products, channels, and more. With nearly endless ways to establish these rules, deciding on the right approach—and recognizing when changes are necessary—can be a daunting task.

At the same time, all sales planning involves making assumptions. For territory design, some of these assumptions could include sales rep capacity, attrition rates, product mix, or revenue potential. The trouble is, unexpected changes throughout the course of the year can force you to change your assumptions. The most effective sales planning models are built to allow leaders to test different sets of assumptions and analyze the results.

Sales leaders need to be able to manage territories and evaluate rebalancing options throughout the year, not only during the scheduled planning season. Even in mature industries, new and nontraditional market disruptors can create a need for product or service innovation, or a change in geographical footprint, sometimes overnight. Sales organizations of all sizes can expect substantial turnover on their teams each year—and likely more during market downturns.

Sales leaders also need to assess the impact of potential changes to their territory structures and make new recommendations quickly. The value of changes needs to draw on variables from across the organization. It also needs to be weighed against the impact to team morale, as unbalanced or unstable territories can lead to poor performance and attrition.

Next steps

Territories are more than boundaries; they are collections of accounts, each with unique attributes and buyer propensities, and they provide focus for sellers to drive higher performance.

The best sales organizations are able to anticipate and mitigate territory risks by modeling and analyzing potential impacts before deploying changes. For example, during an economic downturn, scenario planning might reveal accounts with relatively high opportunity but low sales coverage. The ability to analyze the impact of shifting sales resources toward that opportunity, on a granular and quantitative level, is critical.

Armed with this analysis, sales leaders then need the ability to act quickly on their recommendations. Territory changes are collaborative efforts that may require regular communication with stakeholders from Finance and HR. The ability to reflect any changes rapidly in both upstream processes, such as revenue forecasting, and downstream processes, such as quota management, helps reduce delays in implementation.

Avoiding common pitfalls

Missing out on new opportunities in a mature industry
Reasons for this include lack of agility to make proactive, mid-year territory changes, and over-reliance on historical data and sales forecasting when making territory changes.

Customer story

Global telecommunications company Vodafone was able to shave six weeks off a three-month planning cycle for their commercial business, freeing up valuable time for sales managers.

Learn more at:
anaplan.com/customers/vodafone

> ***"Anaplan helps us to see what's possible with collaborative planning—within sales, and across Vodafone"***
>
> – Kerry Small, Commercial and Operations Director

Measuring and motivating the field: Quota planning

Overview

A sales quota is a time-bound goal used to motivate sellers and measure performance. Financial goals allow sales leadership to divide up an overall team revenue target into manageable parts. Sales performance can also be measured by non-financial objectives that focus sellers on the right activities and offer leading indicators of future sales (i.e., call volumes, customer meetings, sales training, etc.).

Defining sales quotas is simple but planning and distributing them is often quite complex. It involves striking a balance between motivating sellers and meeting business objectives. When quotas are set too high, they are frustrating and demotivating for sales reps. When they are set too low, you may exceed your compensation budget with high commission payouts. It varies by industry, but best-in-class organizations aim for 60–70% of sellers achieving quota.

It is critical for sales operations, finance, and sales management to collaborate to set their quotas just right, preventing seller frustration and avoiding outsized sales expenses.

Avoiding common pitfalls

Assigning the same quota to everybody in a similar role
Quotas should be as personalized as possible to each seller, not applied uniformly by role or geography. Consider seller expertise, territory, TAM, and past performance.

Not showing your work
Quotas that are aspirational-but-attainable and show how they are derived will inspire more confidence from sales teams.

Challenges

Many organizations struggle to determine realistic quotas and keep adjustments to a minimum, let alone building in the ability to adjust quotas when necessary.

The two most common methods for distributing quotas to sellers are top-down and bottom-up allocation.

Top-down and bottom-up quota allocation

	Top-down	Bottom-up
Advantages	Simple to define, easy to distribute. Primarily based on consolidated financial results.	Collaborative; includes sales team input. May be more motivating for individual sellers.
Disadvantages	Sellers aren't part of the process. May not realistically reflect sales capacity or market potential.	Difficult to reconcile with corporate goals. Complex assignments.

A quota plan set by leadership and spread across the organization is considered a top-down approach. Frequently, top-down quotas are set by analyzing historic sales and applying a growth percentage to the dollar value to come up with next year's overall goal. Sales operations or finance then allocates this total target down through the sales hierarchy.

A bottom-up method takes an opposite approach to top-down allocation. Although the approach is more collaborative, often involving sellers and mid-level managers, bottom-up quota assignments are more difficult to design effectively. Their design typically factors in what each seller is capable of (also known as sales capacity), historical data, existing sales pipeline, and the revenue potential or TAM of assigned accounts.

Both approaches often factor in historical data. This can be useful, but it can also be misleading, as past performance is not always indicative of future performance—particularly as market conditions change.

In economic downturns, sales leaders are often faced with difficult decisions and tradeoffs in their quota plans. Quota reduction or relief may take some pressure off sellers, but it increases risk to the business. Sales leaders need to be able to quickly evaluate multiple contingency plans to understand the best course of action.

Next steps

Many analysts and experts recommend a combination of a top-down and bottom-up approach. When both allocation approaches are used, you encourage collaboration and negotiation among Finance, Sales Operations, and Sales Management, which results in more realistic and achievable targets.

Using a collaborative approach to allocate quotas, ideally with both top-down and bottom-up methods, can also enhance an organization's ability to do scenario-based planning. For example, account scoring using AI-assisted capabilities can provide valuable insights to help your team estimate the costs and benefits of adjusting quotas in an opportunity-rich territory or region. This can lead to better alignment to overall revenue goals and better preparation for market fluctuations.

Processes that are typically siloed, like market segmentation and territory planning, can all contribute to more accurate and optimized quotas, and even extend further to incentive compensation programs.

Customer story

Amer Sports, the parent company to major outdoor brands like Arc'teryx and Salomon, was able to achieve a 70% reduction in time spent setting sales targets, and standardized their target-setting process around the globe.

Learn more at: ***anaplan.com/customers/amer-sports***

Conclusion

One of the inevitable consequences that sales organizations face in a disruptive market is a critical look at the size of the sales force**.** When revenue forecasts begin to look shaky, CFOs will put pressure on Sales to justify their headcount and expenses. To respond to this pressure, sales leaders need a sound and trusted method to evaluate performance, identify critical resources, and steer decision-making.

In the near future, constant market-driven uncertainty will make these conversations more frequent. In the longer term, digital transformation and more predictable revenue streams may help ease concerns. Still, more collaborative and data-driven sales planning is at the heart of what leadership will need to respond.

> *"I don't know that I could survive more than a couple of planning cycles without Anaplan."*
>
> *– Wyatt Albertson, Senior Manager of Sales Strategy and Planning, Tableau*

Successful revenue teams today recognize that sales planning plays an important role in their overall corporate strategy, particularly during disruptive times. They are moving away from analysis that relies heavily on past results, in favor of a more balanced and forward-thinking approach. They are also working to ensure that sales planning tasks are not completed in functional silos.

Although we have discussed four important planning processes individually, in reality, these processes are dynamic, connected, and fluid. Customers and market conditions change quickly, and your sales planning should help you keep up.

Further Learning

1. *Finding common ground in uncertain times*
2. *Anaplan for Sales Planning*
3. *How to build an effective sales plan for 2020*

ABOUT ANAPLAN

Anaplan (NYSE: PLAN) is pioneering the category of Connected Planning. Our platform, powered by our proprietary Hyperblock™ technology, purpose-built for Connected Planning, enables dynamic, collaborative, and intelligent planning. Large global enterprises use our solution to connect people, data, and plans to enable real-time planning and decision-making in rapidly changing business environments to give our customers a competitive advantage. Based in San Francisco, we have over 20 offices globally, 175 partners, and more than 1,400 customers worldwide.

To learn more, visit anaplan.com