

Five Crucial Considerations for Sales Planning

By Janet Gregory

Sales planning is an annual ritual that tests your courage. When sales-planning is done well however, it can truly be empowering and liberating.

1. **Prerequisites:** Last year's sales plan and historical sales performance are prerequisites for the sales planning process, as well as a reasonably good command of Excel and PowerPoint.
 - *Last years sales plan* is essential to building this year's plan. Review the assumptions that were made and the outcomes that resulted. You are a year smarter and you can learn from what worked, what didn't and what you missed. If you can't find last year's plan locate the targets assigned to various aspects of the business. Finance is a great source for this data.
 - *Question everything.* This is the time to question everything. What's working? Get serious, what's **really** working? What has been done for years that need to be changed or retired altogether? This is **your** sales plan; accept delivery strategy and plan elements because they are the right ones for success, not because "They have always been done this way." Leave the ego & defense mechanisms at the door, even question your own past decisions. What worked this year may not work next year; it's a different business environment today.
 - *Excel* is where the plan will be built. Yes, this is pretty obvious but many companies fail to do the obvious in a meaningful way. The Excel workbook should have a worksheet for each structural plan element (see #4 Nuts & Bolts below). PowerPoint is typically how your sales plan will be presented to management or the Board of Directors and after approval, to your sales team.
 - *Historical sales performance* provides context and trending. You also want to dust off last year's sales plan and analyze what worked and what didn't. Yes, this is pretty obvious but many sales leaders fail to make use of the wealth of information available to them. Historical performance trends combined with market knowledge and a little

sales intuition is a powerful combination. Overlooking historical data quite often results in highly optimistic plans not grounded in fact.

Best practice tip on variables: In construction of the sales plan there will be a lot of assumptions and variables. Variables that are used for calculation should appear only once in the workbook and should be very visible. Use the one variable entry throughout the workbook for consistency. Changing a single variable also allows for “what if” tests of the plan.

Best practice tip on assumptions: Start with the assumptions from last year; you have had a whole year to test those. This year, as assumptions are made, capture them and write them down. It is impossible to remember all the assumptions that you make in the planning process. A great place is at the bottom of each worksheet (beneath the calculations); set aside an area where you can capture assumptions, notes, sources, questions & thoughts for later reference.

2. **Critical Path:** The business objectives for the plan are critical path to sales plan development. Is this a top-down plan (where you need to determine how to achieve the stated company goal)? Is this a bottom-up plan (where you are asked to determine what you can achieve given the current business factors)?

- *In a top-down sales plan* you will need to know the revenue expectations by quarter; this drives the sales plan. It is also important to understand additional top down goals for product/service mix, geographic expansion or other company initiatives; these are key to the delivery strategy. Most sales planning (80%) is done top-down.
- Driving the sales plan *in a bottom-up approach* is the company growth mode for your business unit. Is the expectation for high growth, stable delivery or managing decline? The delivery strategy is based on the underlying financial objectives: top line revenue, increasing profitability, balanced return or reducing burn. Companies will only ask for a true bottom-up plan when there is considerable uncertainty, e.g. start-up companies, introduction of significant new product lines, end-of-life planning for a product line, etc.

Best practice tip on plan objectives: Put them in writing. Expect them to change. When elements change make sure that you understand why the change was made; the change will likely affect your delivery strategy (#5 below) and may also affect the structural plan elements (#4 below).

3. **Essentials:** A partnership with one or two key peer stake holders ensures success and integrity for your sales plan. Partnerships can be forged with marketing, client services, finance, product development or human resources. The strongest sales plans are built on successful partnerships with either marketing or client services, or both.
- *Marketing* partnership in sales planning provides the most upside leverage. Marketing is essential to reaching prospects and customers with the right message at the right time. The outcome of a successful partnership with marketing is two parallel plans (one for sales and one for marketing) that are interlocking on all structural plan elements. Ask [Mike Gospe](#) about building a marketing plan.
 - *Client Services* partnership in sales planning provides lifecycle leverage. Client Services is essential to delivering satisfying results to customers for repeat business and market reputation. The outcome of a successful partnership with client services is an effective process for project handoff and on-going customer relationships. Another outcome is effective workflow, skill and staff planning within client services to meet customer demand projected in the sales plan. Ask [Andy Cadwell](#) about the Strategic Delivery Framework (SDF).
 - *Methodology.* Whether you select marketing, client services or both as your partner the methodology is similar. If you have a strong working relationship the job is easy; involve them in every aspect of building your sales plan, ask them to review assumptions, openly discuss risks, brainstorm on how to capture upside opportunities, and conduct collaborative working sessions to develop key plan elements together.
 - *A respect-based relationship.* If the relationship is less than stellar or even contentious this process will help to build a respect-based relationship that will ensure the success of your plan. Make the involvement a little more formal with regular reviews right from the start. Start with discussions based on structural plan elements and as mutual trust builds ask for review and input on underlying assumptions, risks and upside opportunities.
4. **Nuts & Bolts:** The structural plan elements are the adjustable levers that you fine-tune for desired results. They are also the nuts & bolts that hold together the sales plan. This is where your sales plan comes to life.
- *Structural plan elements* are like facets of a gem. Each facet is whole and complete. Each facet reflects on the entire plan. Said more plainly... each structural element of the sales plan must add up to 100% of the plan.
 - *The structural plan elements* will be unique to your business. No two sales plans are ever alike. The structural plan elements will include some combination of the following:

- Product / Service Mix (including new products versus existing products)
- Channel (consider direct sales, resellers, VARs, 2-tier distributors, retail, online)
- Customer status (sales to new customers and sales to existing customers as well as customer retention)
- Market segments (industry verticals, departmental horizontals)
- Account segments (global, national or major accounts versus basic)
- Geographic theater (North America, EMEA, APAC, CALA, regions, territories)

Best practice tip on plan elements: Review every structural element. It is equally important to state in your sales plan what you are going to do and what you are not going to do. It shows the thoroughness of your planning and prioritization of plan elements.

5. **Action Tests:** The action test for the sales plan looks at the ability for an individual sales person to deliver. Specific to your business this is where the essential relationships with marketing and/or client services (#3 above) must be woven into the sales plan. You can't go it alone.

- *Staffing* is the first test. Every structural element of your plan needs to be assigned to someone who will ensure its success.
 - How many sales people are required? What quota will they carry?
 - Are sales specialists required? (Quota carrying sales specialists dedicated to particular plan segments) How many? What quota will they carry?
 - Is sales support staff required? (Sales engineering, inside sales, sales operations, other) How many? What impact will they have on sales? Will they share or carry quota? Will they have measurable objectives motivating them?

- *Estimating sales pipeline* requirements is a great acid test for any sales plan. Work this backwards from the number of sales people carrying quota.
 - How many average deals must a rep close? (Use ASP to calculate.)
 - How many proposals must a rep deliver to customers? (Estimate win rate.)
 - How many prospects must a rep have in their pipeline given sales cycle time?
 - How many leads or suspects need to be generated to fuel this activity?
 - Can one rep do all of this? Are there ample supporting efforts from marketing and inside sales?

- *The Company's ability to deliver* is another great test for the plan. Closed sales are customer projects. Is the organization ready to deliver on customer promises for product and service delivery? Processes need to be in place to ensure smooth hand off

of orders and projects. Work backwards from the monthly or quarterly revenue to test delivery mechanisms for product availability and project delivery.

Sales planning is an essential element of sales success. It is a process that forces you to question everything, clean the cob webs out of the corners and establish a fresh approach for the year ahead. A good sales plan provides the basis for the year ahead. Priorities will be established, personnel will be assigned, quota will be allocated and incentives will be put in place.

Happy planning.

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