

Annual Revenue Planning

SBI Methodology

SBI Annual Revenue Planning program follows a five-step process to align go to market functions with strategic growth priorities

Annual Revenue Planning Process

STEP 1: Establish Fact Base

Revenue Operations should lead the collection of data to establish the company's fact base as the foundation of the Annual Revenue Planning process

How to do this:

- Evaluate your firm's performance to understand how you are executing against KPI's
- Use leading and lagging indicators to evaluate which metrics are key to your firm's goals
- Leverage identified metrics to decide which initiatives will help you make your number

Look-Back Fact Base

01	02	03	04	05
Sales & Marketing Productivity <ul style="list-style-type: none">Sales rep productivity measured by number of calls, meetings, and follow-upsMarketing lead generation measured by number of leads, MQLs, and SQLs	Sales & Marketing Funnel <ul style="list-style-type: none">Organizational structure, quotas, compensation, and metricsRevenue plan: Revenue, gross, cost, and churnRevenue plan: Revenue, gross, cost, and churn	Market Positioning <ul style="list-style-type: none">Market growth rate, economic outlook, and competitionMarket share, competitive advantage, and positioning	Revenue Goals <ul style="list-style-type: none">Revenue goals by marketRevenue goals by geography	Customers & Prospects <ul style="list-style-type: none">Potential by marketNew markets

Where are you now?

- Understand how far along your company is on the Revenue Growth Maturity Model to make stage-appropriate bets
- Evaluate your firm's performance with leading & lagging indicators to understand how you are executing against KPI's

STEP 2: Inventory Bets

Executives should utilize this template to consolidate the inventory of bets across the organization

Bet	Definition	Evidence	Learning	Business Case - Impact to Revenue
Growth Rate too Low	QTR Transformation	Adjusting strategy to focus on high-growth markets	Market Growth 10% Power	Non-executive high-potential projects
Turnover too high	Talent Investment	Attracting, retaining, and promoting talent	40% Turnover	Look at training
Cost of Sales too high	Launch New Channel Inside Sales	Optimize sales process and reduce cost	CAC + LTV	Customer don't want to be there
Churn Rate too high	Customer Success Redesign	Improve customer experience and reduce churn	Churn Rate	Look at training
Low Product Volume	Optimize Revenue Marketing	Optimize marketing spend and increase conversion	Marketing Spend	Non-Executive High
Too Many Discounts	Pricing Improvement Project	Review pricing strategy and ensure it aligns with value	Discounts on 10% of sales	Non-aligned to market pricing
Missing Quotas	Training & Quota Redesign	Review quota setting process and ensure it is fair and achievable	Unbalanced territories	Look at training
New Solution Won't Sell	New Product Launch	Review product features and ensure they meet market needs	Declining sales in growth market	Look at training

What are ways you can achieve growth?

- Executive leaders work with their teams to evaluate how and where they can contribute to growth
- Executives gather to discuss and evaluate the possible levers to exact strategic priorities

STEP 3: Place Bets

Evaluate and place 3-5 bets based on time to realization, level of effort, and impact on enterprise value

Executive team collaborates to select 3-5 initiatives that are large impact, achievable, and aligned towards a common commercial goal

How to do this:

- Quantifying the time, effort, and ROI of bets allows executives to make decisions on where to focus resources. Decisions are made on where to make strategic investments.
- It also helps understand where to expect results to be seen and how often and change of course if needed.
- Time to Realization:** How long before you see return on your investment? 1-3 Months, 3-6 Months, 6-12 Months, 12+ Months
- Level of Effort:** How many resources and change will this bet require? Low, Medium, High
- Impact on Enterprise Value:** How much value will your investment add to your company's value? Low, Medium, High

LEVEL OF EFFORT

TIME TO REALIZATION

What are your goals and how can you achieve them?

- Led by the CEO and CFO
- Evaluate based on time to realization, level of effort, and impact to revenue
- CEO and CFO narrow down the list of bets to the top 3-5 strategic priorities for focus

STEP 4: Build Revenue Plan

The revenue plan identifies how the 3-5 selected bets will impact financial targets across five levers of revenue growth

A Good Revenue Plan

- Identifies where you can expect to achieve revenue growth through the year
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Revenue Plan

Current Bottoms Up	Revenue	Cost	Profit	Change	Total
Revenue	\$ 10.0	\$ 4.0	\$ 6.0	\$ 3.7	\$ 13.7
Cost	\$ 4.0	\$ 1.0	\$ 3.0	\$ 0.8	\$ 4.8
Profit	\$ 6.0	\$ 3.0	\$ 3.0	\$ 2.9	\$ 5.9
Change	\$ 1.0	\$ 0.5	\$ 0.5	\$ 0.4	\$ 0.4
Total	\$ 11.0	\$ 4.5	\$ 6.5	\$ 4.1	\$ 15.1

How do you narrow your options and select the best ones?

- Define growth targets
- Use bottoms up analysis to determine what can be achieved
- Define the gap to growth targets
- Create a revenue plan of how GTM teams will strategically align to execute the bets and achieve targets

STEP 5: Execute & Rollout

Best practice sequencing for annual revenue planning.....Determine if your firm needs to adjust any of its GTM levers to execute the bets you placed

Market-leading growth executives take a programmatic approach to how they plan for an Acceleration Summit (SKO). There are 7 key workstreams that they complete in advance of the summit:

1. Account Segmentation: Understand which customers and prospects are most likely to generate the most 2024 revenue.
2. Revenue to Market: Use the output of Account Segmentation to ensure your revenue is focused on the right customers and prospects to reach the highest value segments and the most efficient to reach.
3. Campaign Plan: Use the output of Account Segmentation to ensure your revenue is focused on the right customers and prospects to reach the highest value segments and the most efficient to reach.
4. Campaign Plan: Use the output of Account Segmentation to ensure your revenue is focused on the right customers and prospects to reach the highest value segments and the most efficient to reach.
5. Campaign Plan: Use the output of Account Segmentation to ensure your revenue is focused on the right customers and prospects to reach the highest value segments and the most efficient to reach.
6. Campaign Plan: Use the output of Account Segmentation to ensure your revenue is focused on the right customers and prospects to reach the highest value segments and the most efficient to reach.
7. Campaign Plan: Use the output of Account Segmentation to ensure your revenue is focused on the right customers and prospects to reach the highest value segments and the most efficient to reach.

How do you execute on the bets you placed?

- Use a detailed execution cadence to align the GTM teams to drive desired results
- The executive team sets the annual priorities, commercial leaders will then break initiatives into quarterly and weekly priorities

Revenue Operations should lead the collection of data to establish the company’s fact base as the foundation of the Annual Revenue Planning process

How to do this:

- Evaluate your firm’s performance to understand how you are executing against KPI’s
- Use leading and lagging indicators to evaluate which metrics are key to your organization’s goals
- Leverage identified metrics to decide which initiatives will help you make your number

Look-Back Fact Base

01

Sales & Marketing Productivity

- Sales rep productivity expressed in terms of new business bookings/revenue , # new deals, and existing bookings/revenue

02

Sales & Marketing Plan

- Organizational structure, quotas, compensation, talent
- Revenue plan - Renewals, upsell, cross-sell, churn, potential, lead generation/MQL generation to achieve plan

03

Market Positioning

- Market growth rate, economic outlook by sector
- Client size, deal size, deal profile, single product deals, multi-product penetration compared to competition

04

Revenue Goals

- Revenue goals by product line
- Revenue goals by geography

05

Customers & Prospects

- Potential by market
- New markets

Use leading and lagging indicators to establish the fact base and identify potential areas for value creation

<div></div> <div>Leading Indicators</div>	Key Performance Indicator	SBI Benchmarks (general guidelines - results will vary by industry, lifecycle, etc)	Possible Reasons Not Performing to Benchmark
	% Revenue Invested in Sales & Marketing	20-25% Sales 3-5% Marketing	Too High: Review S&M efficiency Too Low: Evaluate areas to invest
	Pipeline Coverage Ratio (Total Sales + Total Pipeline) / Annual Revenue Target	3:1 to 4:1	Too High: Inspect pipeline quality Too Low: Evaluate demand generation
	Sales Representative Turnover	15-20%	Too High: Look at performance conditions Too Low: Evaluate Talent
	% Selling Time	60-63%	Too High: N/A Too Low: Remove barriers from sellers
<div></div> <div>Lagging Indicators</div>	% Bookings Attributable to Marketing	25-35%	Too High: Insufficient prospecting Too Low: Evaluate demand gen
	Annual Bookings per FTE	\$1.0M-\$1.8M	Too High: Consider adding more reps Too Low: Assess performance conditions
	Dollar Retention Rate	95-103%	Too High: N/A Too Low: Evaluate Customer Success
	Revenue Mix	58% Renewals 10% Expansion 32% New Logo	Generally, renewals and expansion have the highest chance of success. Too much dependence on new logos introduces risk.
	Quota Attainment by Representative	60-70%	Too High: Quotas possibly too low Too Low: Assess performance conditions
	Win Rate	25-30% Win Rate for New Logos 60-70% Win Rate for Expansion Sales	Too High: Possibly pursuing too few opportunities Too Low: Misaligned sales process

Commercial Teams create an inventory of bets backed with a business case for each bet to help the company prioritize how to drive strategic growth

How to Inventory Bets			Go-to-Market Functions Involved in Inventorying Bets
Fact Base Is Shared	Commercial Teams Inventory Bets	List of Bets Is Reviewed	
<ul style="list-style-type: none">• CEO shares the established fact base with executives• This includes the look-back facts about company performance, forward-looking beliefs, and Revenue Growth Maturity level <div>01</div>	<ul style="list-style-type: none">• Executives meet with all impacted teams• Teams establish beliefs about the fact base and make bets on how to adjust and meet strategic goals• A business case is developed for each bet to help prioritize efforts <div>02</div>	<ul style="list-style-type: none">• Executives come back together to share and discuss their beliefs, bets, and business cases• Potential plans for executing bets are reviewed <div>03</div>	<ul style="list-style-type: none">• Sales• Marketing• Product• Customer Success• Finance

Executives should utilize this template to consolidate the inventory of bets across the organization

Illustrative

Belief	Bet	Definition	Evidence	Learning	Business Case - Impact to Revenue
Growth Rate too Low	GTM Transformation	Adjusting strategy of how company's value is communicated and sold to the market	Market Growing 3% Faster	Not prioritizing high potential prospects	\$5.2M
Turnover Is too High	Talent Investment	Attracting, motivating, retaining, and training top talent	40% Turnover	Lack of training	\$2.4M
Cost of Sales too High	Launch New Channel: Inside Sales	Create low-cost selling motion for remote sellers	CAC = LTV	Customers don't want face to face time	\$0.5M
Churn Rate Unsustainable	Customer Success Redefined	Stand up function to enable customers to get most of out product	Declining Revenue	CAC Too High to Lose Existing Business	\$0.8M
Low Pipeline Volume	Optimize Revenue Marketing	Create demand gen function with top talent, processes, and technology	Declining Leads	Not Reaching ICPs	\$1.2M
Too Many Discounts	Pricing Improvement Project	Pricing analysis & update based on willingness to pay, competitors, & profitability	Discounts on >52% of deals	Not aligned to market pricing	\$0.3M
Missing Quotas	Territory & Quota Redesign	Refine sales territories & quota based on potential and bottoms up & tops down analysis	Attainment is 35%	Unbalanced territories	\$1.1M
New Solution Would Yield Growth	New Product Launch	New solution to match market needs, known or unknown	Declining sales in growth market	Losing customers to new solution	\$7.5M

Evaluate and place 3-5 bets based on time to realization, level of effort, and impact on enterprise value

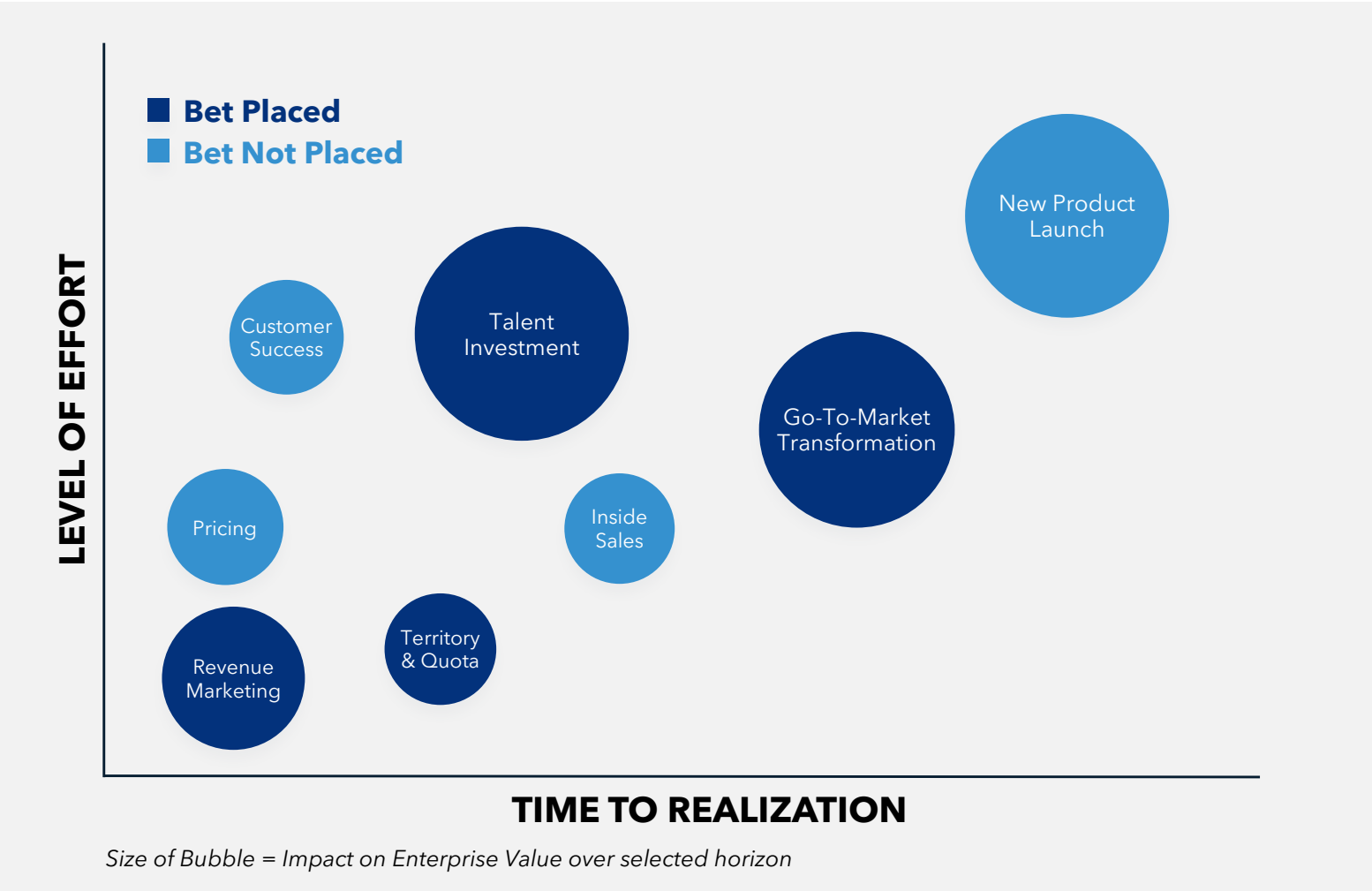
Illustrative

Executive team collaborates to select **3-5 initiatives** that are **large impact, achievable**, and **aligned towards a common commercial goal**

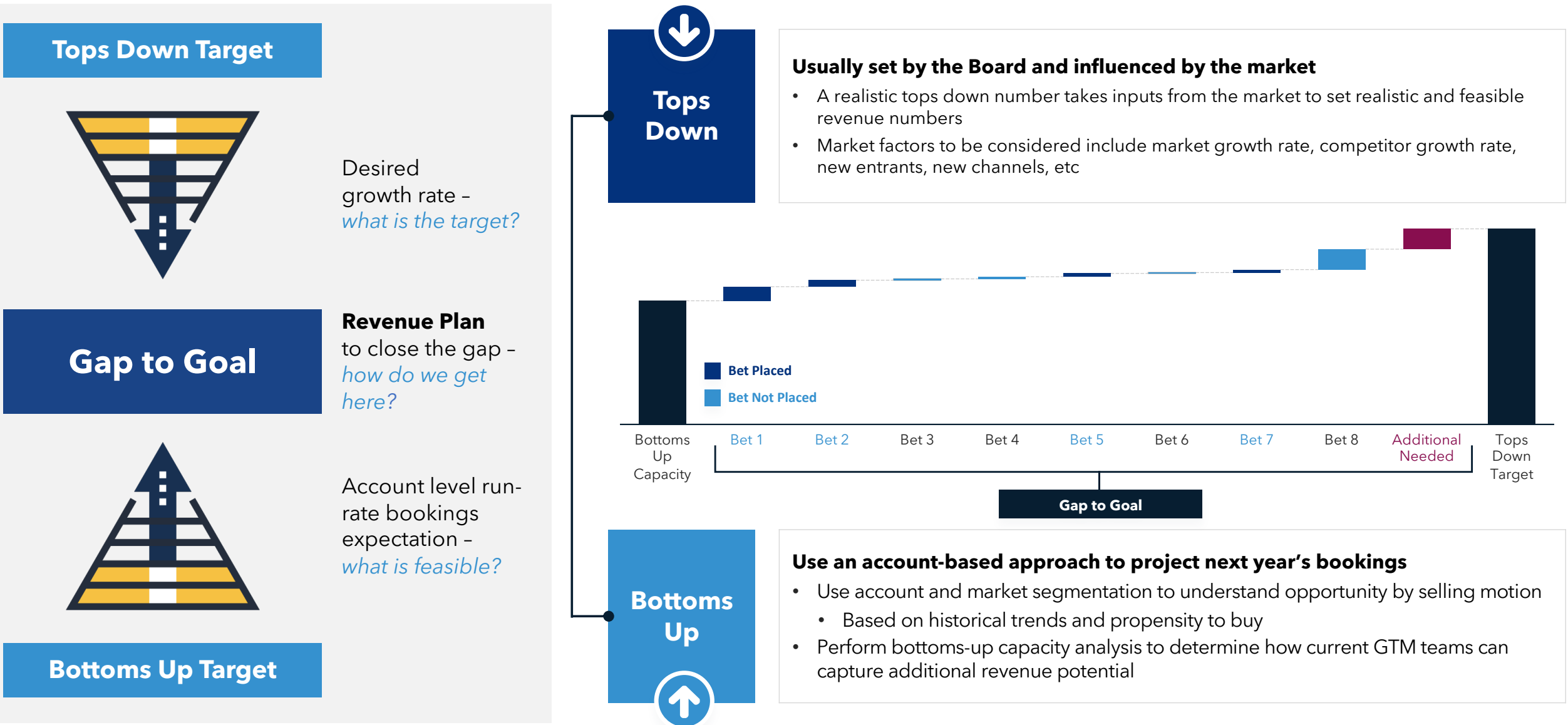
Quantifying the time, effort, and ROI of bets allows executives to make objective, informed tradeoff decisions versus making subjective or reactive decisions on where to make strategic investments.

It also helps understand *when* to expect results so teams don't lose patience and change direction prematurely.

- > **Time to Realization**
How long before you see return on your investment?
6-9 Months, 9-18 Months, 18-24 Months
- > **Level of Effort**
How many resources and change will this bet take to implement?
Low, Medium, High
- > **Impact on Enterprise Value**
How much return on your investment can you expect?



Bottoms up capacity modeling is the foundation of building a revenue plan - it helps GTM teams understand what to adjust to meet the tops down target



The revenue plan identifies how the 3-5 selected bets will impact financial targets across five levers of revenue growth

Illustrative

A Good Revenue Plan

- > Identifies where you can expect to obtain revenue growth through five levers
- > It shows how bets will impact the different levers of revenue growth and where dollars and resources should be allocated
- > Companies must understand their bottoms-up capacity to know if and how they can take advantage of market opportunities
- > Bets should align with bottoms up potential - how will they augment your company's ability to meet the top's down number? Through additional capacity, capability, or efficiency?

	Levers for Revenue Growth					
	New Logo	Cross-Sell	Upsell	Price Change	Churn	Total
Current Bottoms Up Capacity	\$ 34.0	\$ 4.4	\$ 6.8	\$ 3.7	\$ (3.4)	\$ 45.5
Bet 1 - GTM Transformation	\$ 2.0	\$ 1.5	\$ 1.2		\$ 0.5	\$ 5.2
Bet 2 - Talent Investment	\$ 1.8	\$ 0.2	\$ 0.4			\$ 2.4
Bet 3 - Launch Inside Sales	\$ 0.5					\$ 0.5
Bet 4 - Customer Success		\$ 0.4	\$ 0.2		\$ 0.2	\$ 0.8
Bet 5 - Optimize Rev Marketing	\$ 1.0	\$ 0.2				\$ 1.2
Bet 6 - Pricing Improvement				\$ 0.3		\$ 0.3
Bet 7 - Territory & Quota Redesign	\$ 0.9	\$ 0.2				\$ 1.1
Bet 8 - Launch New Product	\$ 5.2	\$ 2.3				\$ 7.5
Revised Bottoms Up Capacity	\$ 45.4	\$ 9.2	\$ 8.6	\$ 4.0	\$ (2.7)	\$ 64.5
Tops Down Board Number						\$ 72.0
Gap to Goal						\$ 7.5

Use a detailed execution cadence to align the Executive and GTM teams to drive desired results

How to do this:

- > Map out the details of each strategic objective ranging from a long-term to short-term view
- > Break down the objective into quarterly and weekly milestones so the team has clarity on how to execute on the strategic goal in the mid and short-term
- > This enables you to be agile so you can reassess and pivot every week/quarter on the actions that help achieve the goal
- > It is not a requirement to adhere to a multiyear project plan

Select the best 3-5 options

Create a 3- to 5-year vision that can be allocated by function and by year, quarter, and week

3-5 Year

Annual

Quarterly

Weekly

Big Bets

1	
2	
3	
4	
5	

Key Initiatives

1	
2	
3	
4	
5	

Priorities

1	
2	
3	
4	
5	

Goals

1	
2	
3	
4	
5	

Best practice sequencing for Annual Revenue Planning

Determine if your firm needs to adjust any of its GTM levers to execute the bets you placed

Market-leading growth executives take a programmatic approach to how they plan for an Acceleration Summit (SKO). There are 7 key workstreams that they complete in advance of the summit:

04 Months Prior	03 Months Prior	02 Months Prior	01 Month Prior
<p>1. Account Segmentation: Understand which customers and prospects are most likely to generate the most revenue in the coming year.</p>	<p>2. Routes to Market: Use the output of Account Segmentation to ensure your routes to market are the most effective to reach the highest value customers and the most efficient to reach lower value customers.</p> <p>3. Coverage Plan: Use the output of Account Segmentation to determine the number of people you will need for each type of role in the coming year.</p>	<p>4. Org Structure & Design: Given the understanding of where next year's revenue will be generated, validate that you still have the right org design model. Refresh your headcount and productivity model to ensure you have the right number of people.</p> <p>5. Talent Assessment: Determine if you have the next wave of leaders internally, or if you need to source them externally. Identify the A-player reps that you need to retain and build a plan to transition C-player reps' accounts to A-players.</p>	<p>6. Territories, Quotas, and Compensation Plans: Market leaders ensure that at the beginning of the Acceleration Summit, every rep has their territory, quota, and comp plan.</p> <p>7. Accelerate the Employee Lifecycle: Develop an Employee Life Cycle Management Plan which improves bookings per sales rep through key inflection points in rep tenure.</p>



Why SBI?

Driven by insights and delivered from experience, SBI continues to help clients grow their revenue, margin and enterprise value in ways never before possible.

Working with us, leaders can expect confidence and trust with experienced partners every step of the way. We engage and support our clients as an extension of their team, both guiding and working side-by-side to deliver relatable, practical strategies that work for today and tomorrow.

Connect with SBI today and talk to us about how we can help you on your **growth journey**.

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