**The 6 Elements of a Sales Plan**

Every company has or should have an annual budgeting and business planning effort. In most cases it calls for growth in revenue and/or margin and it is the sales organization’s role to deliver that growth. The big question is how is the sales growth achieved and that is the purpose of the sales plan.

Sales Management must take the responsibility for developing the plan and its execution. The sales plan determines the sources of revenue, how to acquire that revenue, who will perform what tasks and what assistance from other departments (Finance/Mfg./Admin) the sales organization expects and needs to reach the objective. In most cases, the sales plan needs to be tightly linked to the marketing plan, so a good practice is for marketing and sales to collaborate on their plans.

The key elements of the sales plan would include:

1. Key assumptions
2. Revenue sources
3. Activities or drivers
4. Metrics
5. Risks to consider
6. Alternatives

Let’s take each in turn.

Key Assumptions could include market conditions, competitors and their actions, available resources and company offering. For example:

* Market conditions – continues to grow modestly at 6%/year.
* Competitors – stable with no new entrants. No obvious changes to their strategies.
* Available resources – sufficient internal resources exist for marketing, services, delivery/production.
* Company Offering – current offering is competitive with necessary quality. Planned new product/service in Q3 will have little effect on current planning.

Revenue sources describes who and what will be the source of revenue. Many companies derive most revenue from existing customers with existing offerings. But a high growth company seeking to expand revenue by 50% this year, will very likely need many new customers to achieve that goal.

Below is a matrix of sources, each of which will require a unique set of goals and actions.

Identifying the activities or drivers to achieve the goals for each revenue source is a fundamental requirement for success. This cannot be stressed too highly – a lack of clear measurable actions is the most common root cause of sales execution failure.

Let’s use an example where we assume revenue from new customers must increase by 100% from $120,000 to $240,000 in the coming year. Each new customer averages $20,000 in revenue, so we can assume we need 12 new customers to reach the goal. The company wins 50% of each opportunity where a presentation is made and 67% of meetings with a qualified prospect yields a presentation. Historically, it takes 10 leads from a qualified prospect for each new customer. Below is a summary of what is needed:

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | Leads | Meetings | Presentations | New Customers |
| Total | 120 | 36 | 24 | 12 |
| Month | 10 | 3 | 2 | 1 |

For existing offerings to existing customers there will be a different set of activity goals, possibly number of account calls, presentations to interested groups, etc. Similarly, for new offerings to existing customers. Further these activity goals will need to be assigned the multiple sales people on the team.

Many companies do not track the information required to develop these plans, hence the importance of establishing a means to gather key metrics. Furthermore, the above example demonstrates the importance to the marketing organization of a clear sales plan as they will need to generate the qualified leads to support the plan.

Additional actions which may result from the planning exercise could be a review of the sales team composition and distribution. For example, will another new account sales person be needed? What territory or market segment will they cover, etc.

Finally, a vigorous and clear eyed discussion of potential risks to the plan should take place and alternatives considered to mitigate those risks. Examples of risks might be:

* Loss of key customer
* Loss of key sales staff
* Delay in new offering
* Market/economy slowdown
* New market entrants and what segments are most vulnerable
* New alternatives to current offerings

No company can expect to address all of these risks but a prudent plan will include some “upside” initiatives. Some examples could be to add/accelerate sales promotions, recruit additional channel or strategic partners, expand strategic accounts faster than planned, create a customer/client win back campaign, etc.

Summary

Establishing a regular sales planning discipline is critical to your organization’s success. It should align with the overall business plan, identify the needed inputs from each corporate function and consider the risks to achievement. It is vital that the plan have specific activity goals to assure sales execution success and these goals are important inputs to the marketing organization’s ability to plan and support the organization’s revenue goals.

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