OpsPanda Alert:
Your sales capacity is below plan.
Recommend re-plan. Click here.

🐼

Do Organizations That Use Excel Or OpsPanda For Sales Capacity Planning Have Higher Bookings?

This research report uncovers a correlation between fine-grained data driven sales capacity planning and increased bookings. It also identifies underlying best practices for more effective sales planning.

opspanda

Executive Summary

Organizations that use Microsoft Excel for sales capacity planning - the conventional approach – miss their sales goals more often than companies that use the modern fine-grained data driven approach employed by OpsPanda.

This sales performance divergence is attributed to the quality and accuracy of capacity plans; Excel generated plans more often than not woefully underestimate required sales resources, and consequently result in missed targets. Excel sales capacity models create a false sense of security and obfuscate poor planning assumptions due to simplification of organizational complexity and the use of incorrect averages, assumptions, and SWAGs.

Conversely, companies that make data driven sales capacity planning decisions based on historical and real-time sales data generate more accurate capacity plans that result in 11% higher bookings than cohorts that use Excel. In this study, a model company with a $250 million sales target closed $27.4 million more business using OpsPanda versus Excel. The data used to generate these scenarios was aggregated and anonymized from existing companies to closely replicate actual plan inputs and assumptions that are commonly used today.

These findings are consistent with prior studies* that highlight the improved financial performance of companies that are data driven versus those that rely on estimates, SWAGs, and intuition.

Overview Of Study Results

Five key sales capacity planning variables – quota achievement, ramp time, attrition, seasonality, and new hire timing – were analyzed individually to determine their revenue impact. Separate capacity plans were created that closely model how sales leaders use Excel and OpsPanda, and the forecasted bookings were then compared to each other.

When analyzing the sales impact of each variable individually, researchers discovered evidence of two important linkages between fine-grained data driven sales capacity plans and resulting revenue; (1) a two-way interdependence between opportunity pipeline forecast and sales capacity plan, and (2) the aggregate effect of plan variables. These discoveries are explored in more detail below.

Key Finding

Companies similar to the one in this study that set rep quota achievement with a data driven tool like OpsPanda can expect $23.2 million more bookings per year than if they rely on intuition and averages in homegrown Excel models.

Quota Achievement

Quota achievement and over assignment calculations are a black art in most sales operations as intuition and prior assumptions tend to dictate these critical inputs. However, this research quantifies the impact of 'guessing wrong' at $23.2 million in lost bookings per year when compared to basing quota achievement on historical actuals. Further, all organizations understand that quota achievement varies significantly by rep type, product line, rep tenure, geography, etc. but with Excel the complexity of modeling these nuances becomes untenable. So, most organizations that use Excel for capacity planning simply average these critical inputs in order to make them manageable in a spreadsheet. Unfortunately, this mistake is pivotal in generating 'garbage in, garbage out' capacity plans that ultimately reduce sales bookings for the company.

In contrast, when quota achievement is modeled using fine-grained data automatically extracted from a company's CRM system true and accurate quota achievement is inputted into new sales capacity plans. This drives more accurate hiring and rep allocation across geographies, territories, and product lines, thereby producing a better overall sales capacity plan and more revenue.

This study used a 71% quota achievement and a 10% sales target over assignment for the Excel test. For the data driven analysis, the actual CRM historical quota achievement indicated a 65% quota achievement value as more appropriate.

Key Finding

Accurately modeling new rep ramp time by considering historical data as well as product line, geography, and economic cycles will generate $17.8 million higher annual sales.

Ramp Time

Most companies consider the time it takes to ramp up new sales reps when capacity planning, however they often employ relatively simplistic methodologies to calculate ramp time and as a result produce inaccurate capacity plans. When modeling field capacity using Excel there is a tendency to average ramp time across all new hires. When comparing this "peanut butter" approach to a more fine-grained analysis that learns from historical data stored in a company's CRM system, sales organizations generate $17.8 million more in annual sales.

Differences in ramp time can be attributed to variances in product type, geography, and even economic cycles. If a company's sales operations team takes these variances into account by using purpose-built software tools that leverage historical rep ramp data then they create an accurate capacity plan that guides the organization to hire new reps for the right product line in the right territory at the right time.

For example, when creating the planning scenario in Excel, this study employed a widely used six-month ramp assumption for all new field reps. In contrast, the OpsPanda planning scenario used a nine-month ramp period that was indicated from historical CRM data. Based on this single difference, the Excel scenario required hiring 74 new reps to make the company's sales target while the OpsPanda scenario more accurately forecasted that 88 new hires were necessary.

Key Finding

Fine-grained modeling of a company's historical attrition rates yields $6.2 million more in annual bookings than using an industry average attrition value.

Attrition

Attrition – the rate at which sales representatives leave a company – is primarily driven by three key events; year-end bonuses, mid-year reviews, and missed quotas. Also, attrition of new hires is usually higher than that of tenured reps.

Most sales capacity plans simplify attrition rate calculations by using a flat 12% attrition rate across all reps for the full year. The data from this study indicates that this approach of averaging attrition introduces meaningful error in calculating necessary field headcount throughout the year.

An accurate capacity plan includes built-in attrition awareness due to geographic employment law variances, individual rep tenure, specific rep quota achievement in a given quarter, and timing within the fiscal year.

For the Excel scenario this study used an average 12% attrition rate across all reps, similar to how most companies model attrition today. The fine-grained planning scenario used an attrition rate of 19% that was based upon CRM historical actuals, then this number was further adjusted across fiscal calendar months. Adjustments were also included to reflect the different attrition rates of new versus tenured reps.

Seasonality

Most companies experience seasonality in their bookings due to new product introduction cycles, fiscal year end "use it or lose it" budgeting by some customers, typical holiday months in specific geographies, etc. Seasonality can be difficult to accurately model without accessing and interpreting fine-grained historical data, so many companies ignore it entirely when planning sales capacity in Excel. There's a broadly accepted assumption that modeling seasonality as flat won't materially affect bookings when planning sales capacity. Unfortunately, this assumption introduces another error source into sales capacity planning.

This experiment compared forecasted bookings that resulted from an Excel generated capacity plan with no seasonality adjustments to OpsPanda that included historical seasonality.

New Hire Timing

The timing of new hires is an area where sales leadership spends a lot of time negotiating with finance. There's a natural tension between a sales leader who wants to hire sooner rather than later and a finance manager who wants to defer hiring costs. Admittedly, deferred hiring gives flexibility into the sales headcount cost for the year, but at what cost to the company's bookings?

With most Excel generated models the sales leader is not adequately armed with a defensible evidence based scenario highlighting the revenue that is lost with a back-end loaded hiring plan. Consequently, finance sometimes renegotiates rep hire timing, thereby putting the sales team's targets in jeopardy before the planning year even begins.

Conversely, OpsPanda empowers sales teams to hit the ground running with the right hiring plan; they can easily and quickly play out multiple new hire timing scenarios in different quarters to develop a comprehensive understanding of the revenue and cost impacts associated with each option. Now negotiations between sales and finance have a shared, evidence based set of scenarios that accurately tie together bookings forecast, headcount costs, and new hire timing.

This research modeled new hire timing with Excel by evenly spacing new hires across all four quarters, a widely used approach. Alternatively, the OpsPanda generated capacity plan forecasted hiring more reps earlier in the year; it also recommended more hiring at the end of the prior year so that some of the new hires would be partially ramped up at the start of the year.

Interdependence Between Opportunity Pipeline Forecast and Sales Capacity Plan

Today, sales organizations create and manage two distinct planning motions; the opportunity pipeline forecast and the sales capacity plan. Interestingly, research from this study uncovered dependencies between these planning processes that are significant enough to affect the accuracy of both these plans.

As field capacity increases, field generated opportunities also increase. And as the opportunity pipeline increases, more sales capacity is required to capitalize on the pipeline. For many companies, field sales reps generate 35% or more of the opportunity pipeline. The main concern is that if sales capacity is modeled too low, or reps are hired too late, the opportunity pipeline will be reduced.

The Aggregate Effect of Plan Variables

All five sales capacity variables independently improve bookings when accurately modeled, but they also demonstrate an aggregate effect on bookings.

For instance, consider the complex interplay that exists between attrition and quota achievement. When a top performing sales rep leaves a company, hiring a new rep is unlikely to fully replace the prior rep's quota achievement, even after considering ramp time. In this scenario, using an average quota achievement across all reps will overestimate sales capacity; fine-grained rep level quota achievement data based on historical actuals is necessary to accurately predict sales capacity at any given time. There's also a relationship between perceived unattainable quotas and higher attrition. Looking at historical data allows planners to adjust attrition assumptions in step with quota levels.

Another example of the aggregate effect variables have on capacity plans involves the timing of new hires and seasonality. For instance, if lots of hires are ramping during a typically slow season due to seasonality, bookings will be lower than if new reps are ramping during a normally busy season. Tools like OpsPanda allow planners to quickly play 'what if' scenarios and compare the headcount costs of ramping new hires in different seasons versus generated bookings, while automatically considering the aggregate effect of all of the variables.

Future Development

Top performing companies are embracing a more dynamic approach toward planning throughout their organization to stay competitive in their markets. Purpose-built software like OpsPanda offers dynamic planning in contrast to static plans created in Excel. Today, OpsPanda customers' CRM data is constantly analyzed mid planning cycle so sales teams can be alerted when their forecasted sales capacity is inadequate to meet their sales targets. In the future, OpsPanda will not only alert clients of a future sales capacity deficit but will also make recommended changes to their capacity plan by utilizing new machine learning and AI technologies.

For example, OpsPanda will give specific recommendations related to new hire timing, rep mix, and assignment of sales reps to specific territories and product lines in order to maximize bookings. In the future OpsPanda's machine learning algorithms will not only use data from an individual company's CRM system but also leverage anonymized cross-company trend data and macro economic data to generate smart recommendations.

Customers that make their sales targets: 95% of OpsPanda customers * vs. 31% of other companies.**

Conclusion

A company conducting sales capacity planning in Excel runs the risk of generating a flawed capacity plan that may cause it to miss sales goals. Conversely, a company that uses an evidence based tool that analyzes fine-grained historical and real-time CRM data, such as OpsPanda, is more likely to meet its sales goals and realize higher bookings. The model company in this study with a $250 million sales target closed $27.4 million more business using OpsPanda versus Excel.

OpsPanda doesn't just automate an Excel driven planning process, rather it utilizes more accurate data inputs based on historical information and more accurate models that reflect the complexities of business. Organizations worldwide are rapidly transitioning to tools that support data driven decisions to improve their revenue and profitability. In March 2013 McKinsey and Company wrote, "…when companies inject data and analytics deep into their operations, they can deliver productivity and profit gains that are 5 to 6 percent higher than those of the competition."

Methodology

This study analyzes the differences in bookings that result from using Excel versus OpsPanda to generate sales capacity plans. The model company in this study was created using aggregated and anonymized data from existing OpsPanda customers and prospects. The company had prior revenues of $200 million per year with a plan to grow to $250 million.

First, a base sales capacity plan was created in OpsPanda that replicated commonly used SWAGs, estimates, and averages found in sales plans created with Excel. This base Excel plan was then duplicated five times in OpsPanda. A different sales planning variable (quota achievement, ramp time, attrition, seasonality, and new hire timing) was modified in each duplicate plan using fine-grained historical data extracted from the model company's CRM system. Each of these modified scenarios was then compared to the base Excel plan. This allowed for the separate analysis of five unique comparisons that isolated the effect of each capacity planning variable on anticipated bookings. Finally, a new OpsPanda capacity plan was created that included all five variables using fine-grained historical data to model the interaction of the variables for a complete picture of evidence based planning. This plan was compared to the base Excel plan to better understand the aggregate effect on bookings of more accurate variables.

The table below shows how this data was applied in the Excel base plan and the individual OpsPanda scenarios.

Key Sales Variables	Excel	OpsPanda
Quota Achievement	71% (plus 10% over assignment)	65% (no over assignment modeled)
Ramp Time	6 months	9 months
Attrition	12%	19%
Seasonality	Not modeled	Q1: 15%; Q2: 25%; Q3: 20%; Q4: 40%
New Hire Timing	Q1: 15%; Q2: 25%; Q3: 25%; Q4: 35%	Q1: 25%; Q2: 25%; Q3: 25%; Q4: 25%

> *"Implementing a fine-grained data driven sales capacity process is the #1 action sales leaders can take today to increase sales."*
> *- Jon Kondo, OpsPanda CEO*

Why Act Now?

1. The longer a sales organization waits to make the transition to evidence based capacity planning, the more revenue they miss. The $250 million model company in this study was missing $2.3 million per month by not upgrading their capacity planning methodology.

2. Data driven sales leaders win more internal negotiations for sales resources. The sooner a switch to data driven sales capacity planning occurs, the sooner sales and finance leaders can join together to allocate resources more appropriately by using a consistent capacity planning tool based upon evidence.

3. There is a river of sales capacity planning data that flows out of organizations every day. Machine learning algorithms rely on this proprietary company data to make recommendations and provide future insights. OpsPanda stops critical data loss and stores it for future use.

Contact OpsPanda today.
Email: info@opspanda.com
Phone: 1-844-OPSPANDA
(1-844-677-7263)

About OpsPanda

OpsPanda is the industry gold standard for sales capacity planning. Companies like HubSpot, Navis, and AppDynamics are part of the OpsPanda ecosystem that is advancing best practices for fine-grained data driven sales capacity planning. Headquartered in Silicon Valley and led by industry veterans who understand planning software, OpsPanda is at the forefront of exploiting AI and machine learning to dramatically improve clients' sales capacity plans and associated revenue.

opspanda