

# Quick Start for Sales Plan

How to use your Custom Excel Workbook

## Quick Start Instructions

Here are simple, step by step instructions to get your Sales Plan working for you as quickly as possible. Just follow the steps below in order and you'll be on your way.<sup>1</sup>

**A Note about Input Cells:** Enter input data only in shaded blue cells. These input cells are found mostly on the 'Inputs' worksheet and also on the 'Labels' worksheet. Some blue input cells contain Excel formulas that copy data from adjacent input cells. (For example, if you enter data in the first period, the model will usually copy it to the other time periods to the right.) This feature is a convenience for those inputs that sometimes have repeated values. You can overwrite any formula in a blue input cell; they are just there to provide starting data to get you going quickly.

### Step 1: Enter Names of Products, Selling Locations, Sales Channels, and Customer Industries

Select the Labels worksheet.

1. Edit the names of products, selling locations, sales channels, and customer industries in the bottom section starting around row 100. (These may already be correct from the customization process. If you want to increase the numbers of products or other items in the model, you must return to the ModelSheet website and customize a new spreadsheet.)
2. Check the start date of the model at the top of worksheet 'Labels' and change it if necessary.

### Step 2: Enter Historical Data

If you elected to use Excel Databases for major input tables:

1. Enter the name of the company or organization that identifies the sales plan, near the top of worksheet 'History Input'.
2. Find the worksheet 'Rev Hist DB' near the right end of the workbook. Either replace this worksheet with one that contains your revenue history data, or copy and paste the data from another database into the worksheet. The data is segmented by product, by the market segments, and by time period in the history time range.
3. Find the worksheets 'Units Hist DB' near the right end of the workbook. Either replace this worksheet with one that contains your sales unit history data, or copy and paste the data from another database into the worksheet.
4. Find the worksheets 'Price Hist DB' near the right end of the workbook. Either replace this worksheet with one that contains your list price history data, or copy and paste the data from another database into the worksheet.
5. If you selected the option to compute Contribution Margins, then updated the Excel database 'Cost DB'.
6. If you chose the option to measure utilization of capacity: Enter the capacity for sales units of each product in each historical time period. If your business has no inventory (for example a service business) then this may be your production capacity.
7. If you chose the option to have exchange rates between some territories, then enter the Exchange rate history.

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<sup>1</sup> You can find more explanation of how the model works under the heading Sales Plan Explained in a NutShell below.

If you did not elect to use Excel Databases for major input tables:

1. Enter the name of the company or organization that identifies the sales plan, near the top of worksheet 'History Input'.
2. On worksheet 'History Input', enter revenue history data for each product-market segment for each time period in the history time range. (You can remind yourself what this variable does by checking out the Excel comment. Just hover the mouse over the cell to see the comment.)
3. Enter sales units history data for each product-market segment on worksheet 'History Input'. (You can remind yourself what this variable does by checking out the Excel comment. Just hover the mouse over the cell to see the comment.)
4. Enter list price history data for each product-market segment on worksheet 'History Input'.
5. If you chose the option to compute contribution margins, then enter data in the table for variable cost history per sales unit.
6. If you chose the option to measure utilization of capacity: Enter the capacity for sales units of each product in each historical time period. If your business has no inventory (for example a service business) then this may be your production capacity.
7. If you chose the option to have exchange rates between some territories, then enter the Exchange rate history.

### **Step 3: Enter Plan Data**

1. On worksheet 'Plan Input', enter the planned list prices for each product x market segment x time period in the plan time range.
2. Enter the planned price discount rates for each product x market segment x time period in the plan time range.
3. If you have new products that have not sales history, then enter the data for new products. The data enables you to define a linear ramp-up of sales starting a time that you specify. You can further adjust the plan with the managers' adjustment discussed later.
  - Enter the name of each new product, which must be the name of one of the products in your product line.
  - Enter then name of a "model product" for the new product. The new product will replicate the distribution of its sales units over market segments taken from the model product.
  - Enter a whole number to indicate the plan time period in which the new product is introduced and sales begin to be positive.
  - Enter the planned sales units for the first time period in which the product has positive sales.
  - Enter the planned growth rate of sale units per time period for each new product.
4. If you chose the option to compute contribution margins, then enter data in the table for variable cost history per sales unit.
5. If you chose the option to measure utilization of capacity: Enter the capacity for sales units of each product in each historical time period. If your business has no inventory (for example a service business) then this may be your production capacity.
6. If you chose the option to have exchange rates between some territories, then enter the Exchange rate history.

At this point, you can see the sales plan has nonzero values for revenue and sales units on worksheet 'Sales Plan'. However, the managers' sales targets have not yet been incorporated in the plan.

## Step 4: Economic Performance Indices to Adjust the Plan (Optional)

If you chose to include economic performance index (indices) to adjust your plan, then enter the current economic performance indices that you chose to include:

1. Macroeconomic adjustment factor for the entire plan.
  - The current planned macroeconomic performance indicator over plan time
  - The adjusted macroeconomic performance indicator over plan time (This defaults to the current vales and you can change it later with actual and adjusted index values.)
  - Elasticity of sales units with respect to the macroeconomic index. This is usually a positive number.
    - If the value is a positive number (the usual case), then sales units increase when macroeconomic conditions improve.
    - If the value is a negative number, then sales units decrease when macroeconomic conditions improve.
    - If the value is zero, then the macroeconomic index has no effect on sales units.
  - Elasticity of average selling prices with respect to the macroeconomic index. This is usually a positive number.
    - If the value is a positive number (the usual case), then average selling prices increase when macroeconomic conditions improve.
    - If the value is a negative number, then average selling prices decrease when macroeconomic conditions improve.
    - If the value is zero, then the macroeconomic index has no effect on average selling prices.
2. Economic index for each product segment. (Enter the same items as for the macroeconomic index.)
3. Economic index for each location segment. (Enter the same items as above.)
4. Economic index for each industry segment. (Enter the same items as above.)

Note: If the value of an adjusted economic index equals the original value, or if the elasticity parameters for sales units and prices are zero for the index, then that index has no impact on the plan.

## Step 5: Enter Actual Sales Data

If you elected to compare Plan and Actual sales and you elected to use Excel Databases:

1. Update the Excel database 'Rev Actual DB' with actual revenue data for each product, market segment and time period in the plan time range.
2. Update the Excel database 'Units Actual DB' with actual sales units data for each product, market segment and time period in the plan time range.

If you elected to compare Plan and Actual sales and you did not elect to use Excel Databases:

1. On worksheet 'Actual Input', enter actual revenue data for each product, market segment, and by time period in the plan time range. The model defaults that actual sales data to the plan values. You can overwrite the formulas in the blue input cells with actual data as it becomes available.
2. On worksheet 'Actual Input', enter actual sales units data for each product, market segment, and time period in the plan time range. The model defaults that actual sales data to the plan values. You can overwrite the formulas in the blue input cells with actual data as it becomes available.

If you did not elect to compare Plan and Actual sales: do nothing.

## Step 6: Enter Managers' Revenue Targets

Select the Targets worksheet.

You don't have to enter any managers' revenue targets. You can enter some and omit others, and the sales planning process will proceed without the targets you omitted.

1. Enter manager's adjustment factors for product segments.
2. Enter manager's adjustment factors for location segments.
3. Enter manager's adjustment factors for channel segments.
4. Enter manager's adjustment factors for industry segments.

## Step 7: Adjust the Sales Plan Using Managers' Revenue Targets

Select the Targets worksheet.

Enter segment adjustment factors on worksheet 'Targets' for any segments whose revenue plans you want to change to better match managers' revenue targets.

Start by making the plan match the targets with lowest priority in controlling the sales plan, and end by adjusting the plan to match the targets with highest priority. Usually this means you should adjust the plan to match industry managers' targets first, then product managers' targets, then channel targets, then location managers' targets, and company-wide total targets last. This ordering assumes that targets for total revenue have priority over all other revenue targets, and location managers' targets have second-highest priority.

1. Enter your adjustment factors for industry segments. A good choice is to use the suggested adjustment factors.
2. Enter your adjustment factors for product segments.
3. Enter your adjustment factors for channel segments.
4. Enter your adjustment factors for location segments.
5. If you included adjustment for any "2-factor segments", then enter the adjustment factors you chose from this list:
  5. Product – Location Adjustments
  6. Product – Channel Adjustments
  7. Product – Industry Adjustments
  8. Location – Channel Adjustments
  9. Location – Industry Adjustments
  10. Channel – Industry Adjustments

These optional 2-way adjustments enable you to better match managers' revenue targets for product, location, channel and industry segments. The plan does not track separate targets for the 2-factor segments.

You can change the adjustment factors several times to improve the fit of the plan to the revenue targets. For each cycle of adjustments, start by adjusting to fit the revenue targets that have the lowest priority in influencing the sales plan, and save the targets with the highest priority until last.

The model defaults that actual sales units data to the plan values. You can overwrite the formulas in the blue input cells with actual data as it becomes available.

1. Enter actual data for revenue for each time period for which you have actual results. Do this for each product-market segment.

The model defaults that actual revenue data to the plan values. You can overwrite the formulas in the blue input cells with actual data as it becomes available.

## Step 8: See Your Results!

You will find your completed sales plan for revenue and sales units on worksheet 'Sales Plan'.

Now that you've entered your data, take a look at the graphs.

- Worksheet 'Graphs' displays graphs of total revenue and sales units for the entire company for historical and planning time. You can also see graphs of the revenue and sales units for each product during planning time.
- One or more worksheets with names like 'Pivot 1' contain pivot tables and pivot charts. You can reconfigure the tables and charts in many ways. You can also make new pivot tables from the same source data as the existing pivot tables. Pivot tables are widely considered the most powerful feature in Excel, and you get their full power and flexibility in this model.

You can view tables with the revenue and sales units plans for each product-market segment and each plan time period on the 'Sales Plan' worksheet. You can also see sales plans for each product, selling location, sales channel, and customer industry on worksheets named Products, Locations, Channels and Industries.

You can check how well the plan matches managers' targets on the Targets worksheet.

If you want to learn more what these quantities mean, read the comment on the table by hovering the mouse over the cell with the small red triangle (which is Excel's way of telling you that cell has a comment). There you'll also find a "formula name" that defines the table. You can look up that name on the 'Formulas' worksheet to see the human-readable formulas that are used to define the values in the table.

## Sales Plan Explained in a NutShell

Your Sales Plan model produces a detailed sales plan for your business's products and services broken out by product, location, channel, and industry (or other customer grouping). The model uses managers' targets and historical data into an internally consistent plan that combines managers' judgments and knowledge about relative size and growth of smaller segments that is contained in the historical data.

The model performs the computations summarized below. (The names of the worksheets that contain some input data are different if you choose the database option for entering sales history data. Not all features are included in the Light and Standard versions.)

### Compute a Raw Sales Plan from History Data

You provide sales units history data. The model computes the straight line of best fit through the sales units history data for each product-market segment, and extrapolates this line to create a sales units plan.

You provide revenue and list price history data. The model computes average prices and price discount percentages and uses values in the last historical time period as default values in all plan time periods. You can override the default price plan by entering new values. The model computes the revenue plan by multiplying sales units plan times list price plan times price discount percent plan.

At this point, you have a sales plan that is based on historical trends only, without using managers' targets.

### Adjust the Sales Plan Using Managers' Revenue Targets

You may (but you need not) enter managers' revenue targets for total revenue, each product, each sales location, each sales channel, each industry, and optionally revenue targets for "two-factor segments" (such as product-location).

You enter adjustment factors for any segments whose revenue plans you want to better match managers' revenue targets. A good choice is to use the suggested adjustment factors that the model computes. Repeat this process to close in on all managers' targets.

At this point, you have a sales plan that is 100% internally consistent, that matches managers' revenue targets, and that uses knowledge from sales history data about relative sizes and growth rates of smaller segments.

### **Include New Products**

"New Products" are those that begin selling during the sales plan time range. When you customized your Sales Plan model (Advanced versions only), you specified a maximum number of new products to include. To specify that a new product with a nonzero sales plan,

You enter the name of each new product and the name of an existing (not new) product that is a "model product" for how to divide sales of the new product across sales locations, channels, and industries.

You specify (a) the time period in which sale of the new product begins, (b) sales units in the initial selling time period, and (c) the rate of increase of sales units per time period.

The model now contains a sales plan for each new product that is based on the specifications you entered.

That is basically all there is to it.<sup>2</sup>

## **Where to Get More Information**

Read the Excel comment on each table on every worksheet. Each comment contains important information about what the table contains or what it does in the model.

Worksheet 'Formulas' contains a list of the named variables in the model and formulas that define each variable in terms of other variables. This worksheet is often the best way to understand how the entire model fits together.

The user guide for the *Sales Plan* model contains more information. See

<http://templates.modelsheetsoft.com/modelsheettemplates/sales-plan-templates-user-guide.aspx>

The introductory webpage for the *Sales Plan* model is

<http://templates.modelsheetsoft.com/modelsheettemplates/sales-plan-templates.aspx>

For a white paper about the *Sales Plan* model, see

<http://templates.modelsheetsoft.com/my/getfile.aspx?name1=whitepaper-sales-plan>

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<sup>2</sup> You might want to know about a few other features. The linear regressions ignore early time periods with all zero sales. Regressions limit the growth rate of each micro-segment to a modest value that you can set in Excel.