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**REVENUE**  
**OPERATIONS**

A NEW WAY TO  
**ALIGN SALES & MARKETING,**  
**MONETIZE DATA,**  
**AND IGNITE GROWTH**

**WILEY**

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## CHAPTER 10:

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# Tuning the Operating System to Get Maximum Performance

As with any machine, digital technology provides us with different mechanisms to control outcomes. Some of these are inherent to the configuration of the machine. Others are levers that create immediate change. In a car, for example, you can now modulate your drive mode and speed to get more fuel economy on long trips. Shift torque ratios and gears to get more horsepower in a race. Stiffen your suspension and center of gravity to get more agility around curves. Achieving these different performance outcomes involves adjusting variables like torque, fuel and oxygen intake, transmission ratios and suspension stiffness. These actions used to be done with a clutch, gas pedal, and a gear shifter. More and more these are managed by a computer.

For a computer – you might want battery life for long plane flights, processing power for data management, high pixel screens for gaming and VR experiences. This requires adjusting variables like energy output, memory usage, processing resources and screen configuration. The dials and sliders that control these variables are easy to find on the control panel on a modern computer.

Your revenue operating system is no different. We've already shown you how to build the right configuration. Now we will discuss how you can tune the dials to maximize performance.

Selling systems can generate vastly different outcomes based on how variables like channel mix, customer treatment types, coverage ratios, selling effort, and product emphasis are set up. For example, a Pharmaceutical company was able to drive \$25 million in marginal sales contribution – an 8% increase – by changing the size, deployment, and product emphasis of their sales force, according to research conducted by Professor Leonard Lodish of Wharton.<sup>[CITATION]</sup> We've seen other organizations dramatically adjust the sales performance by shifting the key parameters such as calling patterns, customer targeting, and product emphasis. These efforts can result in rapid revenue growth and better profit contributions without adding resources and costs at the same rate.

Business leaders have three levers to use advanced analytics and key parameter adjustments to create impact:

- 1. Digitize Planning Processes To Improve Agility in Deploying Your Resources**  
Digitizing the process of planning, managing, and optimizing territory boundaries, seller targets and quota assignments will make those processes faster, less expensive and more data-driven. Not only does this streamline key commercial processes, but it also provides more timely visibility into the performance of people and programs against goals. The ability to make mid-period adjustments and conduct more frequent plan reviews will drive greater accountability.
- 2. Use Analytics To Make Better Predictions, Forecasts and Investment Decisions**  
Taking advantage of advanced analytics and AI capabilities – and the massive new sales data sets available to every business – can significantly improve the accuracy, predictability, and quality of plan inputs. Consolidating data and cross-pollinating it provides better value-added analysis, which then drives better and more accurate planning inputs like estimates of seller capacity, future sales, how customers will respond, and the size of potential opportunities.
- 3. Adopt Advanced Modeling Techniques To Evaluate More Scenarios and Build Consensus**  
Advanced models and algorithms make it easier for managers to develop, evaluate, and optimize many different scenarios. This is especially important when there are so many variables to consider when managing your growth engine. In a sales context, scenario planning and modelling of key factors, like the different ways competitors will respond, the ways in which seasons will change demand and territory “boundaries” will line up with opportunity are important to getting the most growth from scarce selling resources. Likewise, assumptions about sales rep tenure, how fast revenues will be booked, the channels customers want to use, and the best way to staff those channels have a big impact on your top and bottom line. The ability to simulate quick adjustments to any or all of

these variables will help you better prioritize and work through difficult decisions with trade-offs . It will also allow you to “pivot” your system to shifting market opportunities. Models can speed up the analysis of planning inputs like breaking out historic revenues byproducts, channels, industries, and geography. They make it faster to adjust the allocation of effort based on what will deliver sales at the lowest cost, highest profits, and greatest top-line revenue.

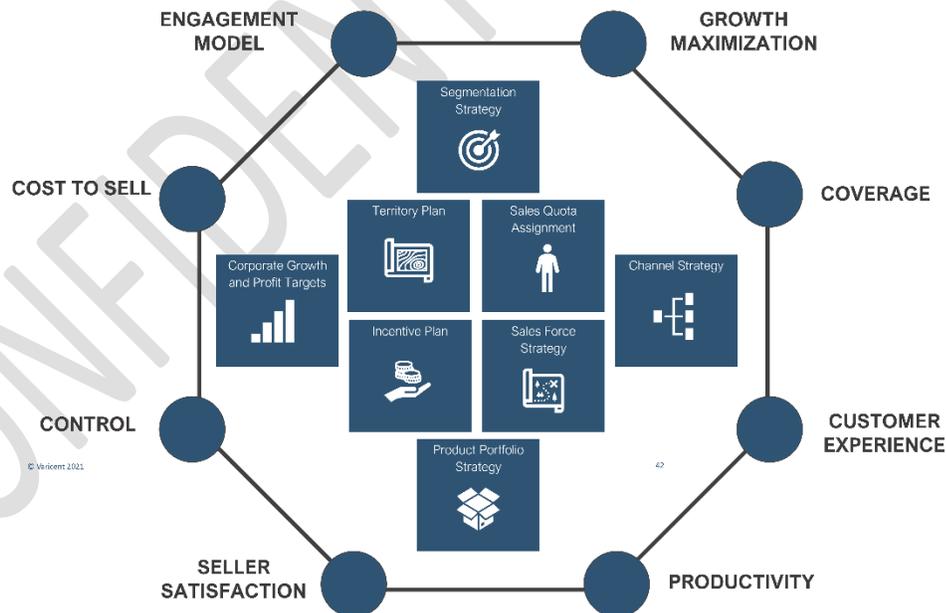
## DIGITIZING PLANNING PROCESSES TO IMPROVE AGILITY IN DEPLOYING YOUR RESOURCES

Business leaders can improve their return on selling assets by digitizing the sales territory and quota planning processes.

The process of designing, planning, managing, and optimizing sales territory boundaries and seller quota assignments has several dysfunctional elements. First, the process itself is complex, lengthy, and error-prone. It’s a labor-intensive undertaking for most sales organizations, even in the best of circumstances. Second, the process is slow and fails to keep up with rapid changes in competition, demand, and innovation. Third, it involves many inputs and a near infinite range of possible scenarios that overwhelm any spreadsheet based approach. Finally, it requires stakeholders from sales, marketing, product, finance, and operations teams to jointly balance factors against sometimes contradictory and/or competing objectives.

To optimally plan, design and refine territory boundaries and seller quota assignments, we must ensure that they are precise, accurate, fair, profitable, and attainable. Ensuring all of this involves collecting, analyzing, and modeling up to fifty or more qualitative and quantitative data inputs from inside and outside the company.

### EXHIBIT XXX: THE KEY TRADEOFFS AND STAKEHOLDERS INVOLVED IN ALLOCATING SELLING RESOURCES AGAINST MARKET OPPORTUNITY



Recent changes in the economy, buying behavior and selling models have amplified this complexity. Most firms must make more frequent adjustments to sales territories and quota assignments to response to changing market conditions. The baseline commercial model continues to become more digital, data-driven, distributed, and diverse.

At the same time, a revolution in AI has introduced new solutions and modeling tools that can simplify this complexity. Developments in advanced analytics provide the opportunity to improve the Territory and Quota Planning (TQP) process. These improvements affect the quality and impact of its outputs, and the resources, labor, time, and effort involved in managing it. Advanced modeling techniques offer the potential to improve the effectiveness and predictability of territory and quota plans. Here are some examples of the positive impact digitizing your core planning processes can have:

**Generating more revenue growth from existing sales assets.** Companies that digitize their territory alignment process increase revenue up to 15%. The revenue increase comes from four places according to research by the Sales Management Association: **Better resource allocation.** Tighter alignment between sales territories and your go-to-market strategy. Improved sales productivity. And better goal attainment.<sup>12</sup> Optimizing territory design alone can increase sales by 2 to 7%, without any change in total resources or sales strategy because an optimally designed, well-balanced, and aligned territory plan can improve seller productivity by 10-20% and save costs according to research by the Alexander Group.<sup>16,4</sup>

**The agility to reach the market faster.** Organizations that use automated workflow processes are two to three times more efficient than their counterparts who use manual or spreadsheet-driven processes.<sup>5</sup> Data-driven automation can help take 30-60 days out of the territory and quota planning cycle. One way to get these results is by automating the collection and analysis of many data inputs. Another advantage automated tools give you is they make it easier to get the 6–12 different organizations involved in aligning territories and quotas with marketing, compensation and corporate growth strategy working better together.<sup>4</sup>

Digitizing your processes is a win-win. It can help you improve sales achievement while reducing selling costs. Organizations that use automated technology for territory design have up to 20% higher sales achievement than the average.<sup>12</sup> B2B selling teams can achieve a 10–15% cost reductions by matching territory size with revenue and profit growth opportunities, reducing the number of territories and lowering cost channels.<sup>4</sup>

Unfortunately, most organizations are not digitizing these processes. Most still cling to outdated approaches to the territory and quota planning process. Fewer than 20% of selling organizations have a data-driven, quantified understanding of the total market opportunity and untapped customer potential, according to a survey of 870 B2B executives worldwide by Bain & Company.<sup>8</sup>

A big reason for this is you can't digitize a process you have not yet "systematized." The fact is most managers say they are not very good at territory and quota planning in the first place. Only 36% of sales executives and performance professionals say they are effective at territory design. Most of them (79%) feel they have inadequate off-cycle and mid-year territory evaluation practices.<sup>12,9</sup>

Why is this? One big reason is too many companies still do this process manually. In a digital age, spreadsheets are still the primary tool for most organizations when looking to manage sales quota and territory planning. As a result, as we've already noted, most organizations largely fail to finish planning before an upcoming sales period starts.

Another reason is the sheer complexity of planning. "The number of variables and permutations involved in modern territory and quota planning have increased dramatically," reports Michael Smith of Blue Ridge Partners. "This additional rigor will yield more precision, higher goal attainment and greater opportunity realization. But businesses that still use spreadsheets to manage their sales quotas and territory planning, they fail to get their updates completed and accepted by the field two-thirds of the time."

## USING ANALYTICS TO MAKE BETTER PREDICTIONS, FORECASTS AND INVESTMENT DECISIONS

Corporate leaders struggle with any long-term growth formula because so many growth plans are based on guesses, forecasts, and "bets" on which growth investments will work. Growth plans tend towards these uncertainties because managers rarely agree on three fundamental things: the most essential questions about their growth strategy, the true economic rationale for evaluating strategic growth investment, and the fundamental "math of growth".

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This is an area where advanced analytics can create a lot of value. Analytics give managers the horsepower, processing power and facts they need to better assess the tradeoffs between conflicting corporate agendas and perspectives. They also make it easier to agree upon and align all aspects of the go-to-market model – from sales force strategy to market segmentation to product portfolio, go-to-market, and sales incentive strategy.

Growth strategy is at its core the strategic allocation of business resources to realize the greatest revenues, profits from the market. While there is no one perfect growth plan for everyone, there is a balance that is probably best for your specific company. A common understanding of both the assumptions and expectations of the plan is required on some level, or else execution will suffer.

“It’s important to remember that defining, sizing, balancing, and optimization of growth resource allocation depends on a number of interrelated factors,” reminds Cam Tipping, who’s SABRE strategy simulation is used in 70 top MBA programs to teach growth strategy. “These factors are always in conflict. Cost vs. customer service. Sales capacity vs. coverage. Seller balance and fairness vs. revenue maximization. Seller satisfaction vs. short term revenue growth. Sales rep location, skill and expertise vs. market need. This leads to trade-off decisions. There is no right answer. Each organization has its own priorities, methods, or “algorithms” for balancing these tradeoffs to arrive at territory definition and quota assignments that create the most value for the enterprise – in terms of short- and long-term growth, profitability, and firm value.”

To be more specific, Academic research tells us that there are seven interrelated decision factors that inform the development of growth strategies and plans.<sup>106</sup> These factors include the selling channel designs and go-to-market strategies that every selling system runs on, all of which vary according to the type of information they contain – such as qualitative, quantitative, objective, or subjective data inputs. Selling channel designs and go-to-market strategies also vary based on how they are derived. For example, some organizations use a top-down approach to divide markets into segments and rep assignments. Others use a bottom-up approach that factors in more local market input and the unique capabilities and skills of individual sellers. The best try to use both to get the most accurate plans in place.

EXHIBIT XXX: THE INTERRELATED DECISION FACTORS THAT INFORM GROWTH SYSTEM PERFORMANCE



Given this interrelationship between go-to-market variables, it’s important to align all of the components of the go-to-market strategy. They must work in concert with the prescribed territory boundaries and sales quota assignments that generate revenue and yield from resources. Multiple strategic and tactical objectives are in tension and require active

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balancing. Coordination amongst the key stakeholders in other functions will ensure your territory and quota plan aligns with relevant strategies, such as channel strategy, product portfolio strategy, market segmentation and incentives.

At a high level, business leaders must balance four fundamental tradeoffs when optimizing the growth formula for their company.

- The tradeoff between high levels of control over the sales force and market coverage. Too much control may limit sales freedom and lead to missed opportunities. Too little control can lead to undisciplined selling, overlaps and disputes.
- The tradeoff between cost and the customer experience. Too much focus on optimizing cost can hurt the lifetime value and quality of important client relationships. Too little focus on costs can lead to waste and margin erosion.
- The tradeoffs between maximizing opportunity and the retention of your sales force. Overly aggressive goals can be unrealistic and lead to stress and attrition on the sales team. On the other hand, relaxing growth goals can leave value and revenues on the table and reduce your competitiveness and productivity.
- As organizations move to multi-channel, digital and virtual selling models – they need to re-balance selling team activities, roles, and priorities. For example, engaging customers through direct and digital channels requires a much different type, mix and sequence of customer engagement and different customer treatment types. The productivity, workload and capacity of virtual sales reps will be different from traditional field sellers or key account managers. Modern engagement models need to factor in the level of digital engagement, reductions in sales travel due to remote selling. You must also factor in the increased speed and frequency of response that digitally enabled customers have come to expect when you establish activity-based productivity measures.

To fully realize the growth potential of new territory designs, interaction patterns, and customer priorities most organizations need to reengineer their selling architecture. This means adjusting territories, incentives, engagement models, roles, and customer engagement cadences to generate higher returns from your revenue teams. Technology and data infrastructure assets should support them, as current desktop productivity tools like spreadsheets are overwhelmed with the volume of variables. Advanced analytics, AI algorithms and models can help assess different scenarios and inform better optimization and resource allocation decisions.

There are several specific areas where advanced analytics, models and algorithms can accelerate your ability to evaluate different market scenarios and resource allocations. They will help you evaluate many different scenarios faster, as well as allow you to manage many more variables in reconfiguring selling architecture. They can also support you in optimally matching selling resources with specific market opportunities. Models can speed up the development and evaluation of a wide variety of trade-off decisions throughout the planning and optimization process, including but not limited to:

- **Sales resource allocation:** Optimizing the incremental revenues associated with incremental staffing in a market. Optimizing in this way involves experimentation with different levels and mixes of staffing in different models based on assumptions about sales response function, rep productivity, the marginal cost of incremental sales, and demand elasticity.
- **Sales force emphasis:** Optimizing the incremental profit and revenue contribution vs. level of effort, mix of calling and products sold. There are thousands of rep, customer, and personal combinations to consider. Still, selling performance, resource requirements and margins can change dramatically based on these variables. So, exploring many options makes sense if it can be done quickly and affordably.
- **Optimizing territory assignments:** Optimizing sales potential vs. the mix of customers and accounts in a given territory can positively impact sales productivity, total profits and revenue growth and risk. Planners can experiment with a variety of different combinations to achieve the optimal balance for their organizations. Advanced models can process and optimize territories to balance a variety of critical variables. Some of the most important ones to consider are: Making sure quotas are equal vs. equitable. Balancing carrots (incentives and lifts) and sticks (gates and penalties) to motivate sellers. Emphasizing selling new as opposed to existing products to maximize margins and customer lifetime value. Balancing the time spent with new and existing clients to optimize top line growth and cost to sell. The degree you use activity and behavior as opposed outcome-based metrics to motivate the right decision-making and effort of sellers.

- **Breaking down baseline revenues and revenue forecasts by product, channel, industry, and geographic mixes.** Understanding how changes in market coverage will impact market share, revenue attainment and cost to sell.
- **Optimizing top-down opportunity allocation.** Top-down quota planning breaks down the total revenue opportunity of a company into smaller units that can be assigned to individual sales reps or teams. There are a variety of ways a business can break down that opportunity based on cost to sell, sales force size, product emphasis, staffing levels, and sales force focus.

#### SEVEN PLACES ANALYTICS CAN HELP YOU MAKE BETTER PREDICTIONS, FORECASTS AND INVESTMENT DECISIONS

1. **Sales forecasts** - Developing more accurate predictions of future sales based on a mix of actual pipeline data from CRM, historical transaction data, current levels of customer engagement and seller activity, buying signals from individual buyers and better models of customer response.
2. **Customer scoring and value models** - Better estimating customer potential based on data about opportunity potential, intent to buy, propensity to buy, historical sales, coverage difficulty, and effort to convert.
3. **Opportunity potential** - Sizing the revenue and profit potential of addressable markets based on go to market strategy, sales forecast, historical performance baselines, and corporate growth and profit targets
4. **Seller capacity** - Calculating sales rep capacity based on sales force roles, field input, and judgment, expectations of quota attainment and individual skills and experience.
5. **Seller productivity and profitability** - Assessing estimates and targets for seller performance based on a combination of historical performance, individual capabilities, the specific customers in their territories, and the products they are selling.
6. **The sales response function** - Estimating the relationship between selling effort and actual sales revenue based on external market inputs, the state of the economy, internal conversion rates, and the historical relationship between actual sales and seller staffing and attention.
7. **Workload estimates** - Developing more accurate estimates of seller effort and workload based on granular inputs, such as transaction economics, the different levels of customer treatment, the number of touches and calls in the engagement model, and the desired level of customer experience.

## ADOPTING ADVANCED MODELING TECHNIQUES TO EVALUATE MORE SCENARIOS AND BUILD CONSENSUS

Advanced analytics and, particularly, the use of advanced modelling techniques can help your team plan, manage and measure the performance of your growth strategy. They allow you to better and more accurately create, test, and improve plans.

Professor Leonard Lodish and V "Paddy" Padmanabhan have taught the "*Leading the Effective Sales Force*" curriculum to a generation of growth leaders over the past decade at Wharton and INSEAD.<sup>23</sup> They believe it is no longer enough to rely on history or rules of thumb in making sales force allocation decisions. The precise historical data available to sales managers is increasingly able to help them rationally decide on sales force size, territory boundaries, and call frequencies for each account and prospect.

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“Decision science has evolving beyond simple extrapolations of historic performance or management 'rules of thumb' about key TQP planning parameters, such as seller workload estimates, the sales response function, opportunity potential or seller productivity,” relates Cam Tipping. “Advanced models and business simulations are empowering sales managers and key stakeholders in product, marketing, and senior leadership to develop much more accurate and nuanced planning assumptions based on quantitative facts and qualitative management judgements that reflect the true drivers of sales performance and customer response based which yield much more effective planning outputs. This includes a better understanding about how sales assignments were derived, and why they are in the collective best interest all parties involved.”

Using advanced sales analytics and modeling techniques to derive more accurate and predictive planning parameters is an emerging best practice. Data inputs from many different data sources no longer solely rely on extrapolations of historical baseline data derived from simple assumptions. Some data inputs can be derived by modelling sales response functions, sales profitability, customer value modeling, signals of customer intent and readiness to buy, and “win probability.”

A fact-based business case for sales resource allocation is now possible. Investment in markets can be empirically determined by developing a sales response model for the markets you serve. Such a model looks at demand and supply information, competitive spending, and the relationship between sales staffing and revenue performance. Other models can calculate incremental profit and revenue contribution of incremental effort, as well as calling patterns and product emphasis.

The ability of analytics to make planning insights more predictive helps sales organizations unlock the potential in their go-to-market approach, which can drive growth, improve yields, and generate the greatest return on growth investment, [ “The most advanced organizations are using AI to find the predictive elements in their unique data to identify customer opportunities and seller performance issues. [QUOTE] “ For example, it’s possible to identify and predict which sellers have the highest probability of hitting their quotas or churning, including the ability to drill down into the detail on the headwinds, tailwinds, traits, and behaviors that explain why they are at risk and what drives their performance. A leadership team can use this granular and predictive data to decide on the thresholds of revenue and thresholds of churn risk they can tolerate in their plan.”]

79% of sales teams currently use or are planning to use sales analytics technology.<sup>14</sup> It is possible to calculate much more accurate inputs for several critical data inputs to the planning, management, and measurement of growth resources. Your growth strategy can be improved significantly with advanced modeling and analytics technique that use the following inputs:

- **Estimates of market potential and opportunity** - by incorporating internal sales baselines over three years or more with external measures of economic activity, demand, buying behavior, and market trends to more accurately quantify and forecast market opportunity or the total addressable market. Using estimates can greatly enhance the TQP process because fewer than 20% of selling organizations have a data-driven, quantified understanding of the total market opportunity and untapped customer potential.<sup>8</sup> Most CMOs are not using data to support their growth strategy and resource allocation decisions, and two-thirds could not demonstrate the contribution of marketing to firm sales and profits with the data they have, according to a survey of 500 Global CMOs in the [Forbes Marketing Accountability Report](#).
- **Seller profitability and performance** - by correlating rep activities and outcomes with profit contribution, sales quota attainment, and productivity metrics such as calling volume and conversion rates.
- **Customer and account priorities** – by calculating account potential by combining internal sales baseline data with external firmographic, technographic, and demographic information as well as usage, adoption, and buying intent to determine customer buying potential, penetration, and lifetime value.
- **Sales workload estimates** – by building rep workload and capacity estimates using a wide range of scenarios based on different customer engagement models – the number, mix, nature and frequency of customer engagement, different levels of treatment by customer type, and the mix of products presented to those customers.

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- **Sales forecasts** – by integrating pipeline health and opportunity metrics from CRM with customer engagement, intelligence, intent, and win-probability data from first-party data drawn from customer-facing systems and third-party data sources.
- **The Sales Response function** - A sales response function is the relationship between sales and marketing investments and actions and the contribution they generate in terms of revenues, profits, and business objectives. According to academic research<sup>14</sup>, the optimization of all aspects of sales operations depends on the behavior of Response Functions, explicitly or implicitly.
  - The ability of management to create valid estimates of the effects of the efforts of sellers on business outcomes is critical to their ability to make effective and optimal decisions about how to allocate sales resources.
  - The science of sales response calibration has evolved from estimates of the response function based on management judgments, fixed effects (linear and uniform and simple allocation heuristics), or rules of thumb) into far more objective and complex data-based econometric techniques based on regression analysis, maximum simulated likelihood, and hierarchical Bayesian analytics, according to research by Professor Leonard Lodish, Professor of Marketing at the Wharton School of Business.<sup>17</sup>
  - Advanced modeling techniques can create much more accurate Response Functions that represent how sales at relevant levels of aggregation (e.g., on a company, territory, or rep level) vary with selling efforts and other external factors such as competitive, market, and environmental influences. Without models, managers used simplistic historic extrapolation, linear relationships or “rules of thumb” as the basis of estimating the response function.
  - An emerging best practice for solving the problem of allocating scarce resources is to conduct an econometrics modeling analysis based on S-shaped (or convex-concave) response functions, because they are most common in nature and factor in the concept of diminishing returns.<sup>15</sup>

Algorithmic models and planning simulations can help managers maximize their return on growth assets by refining these critical inputs, testing planning assumptions many periods into the future, evaluating more allocation scenarios, and integrating more perspectives faster and with less labor.

Managers can simultaneously increase sales and reduce costs. At the same time, they can dramatically increase speed to market by using advanced analytics and modeling techniques to stress test their planned allocations and assumptions. This works to increase speed to market because growth strategy is fundamentally the strategic allocation of growth resources and investment, and the current assumptions, predictions and scenarios they use to make those allocations are largely based on gut feel, institutional beliefs systems, and unchallenged assumptions about the value, responsiveness, and attainability of customers and markets.

Too few leaders are making the critical growth trade-offs, allocations and risk investment decisions required to adapt to a dynamic and rapidly changing marketplace. In fact, fewer than 20% of selling organizations have a data-driven, market-based understanding of the total market opportunity.<sup>[CITATION]</sup> Right now, the huge investments organizations are making in marketing analytics are better at improving marketing tactics than they are at driving strategic marketing decisions. The A/B testing our digital marketing teams routinely use to track performance are great at optimizing marketing tactics, campaigns, and little decisions. The problem is they don't tell you how to run your selling system better. As Elissa Fink, the former CMO of Tableau puts it, “there is no A/B test for the big strategy and trade-off decisions the CMO needs to make, where you are either all-in or out.” The more you use data and the more you see it benefiting even tactical execution, the smarter you become about your business, your market, your decisions.

**THE POWER OF SIMULATIONS TO “WAR GAME” SCENARIOS, PRESSURE TEST PLANS, AND BUILDING A COMMON PURPOSE**

AI-driven simulation-based tools can provide you with a faster, more collaborative way to generate your territory, product launch, account-based marketing and business unit growth plans. Using simulation tools lets your leadership team “war game” more scenarios. Almost every profession use simulations to develop complex plans and strategies and to develop skills and talent. Lawyers use simulations to game different strategies for mock trials. Doctors in training use simulations to

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practice surgery without the risk of hurting patients. Pilots train on flight simulators so they don't crash when they make mistakes.

Simulations are gaining popularity as a sales strategy and planning tool. There are a variety of big benefits associated with using these simulation-based tools, particularly when compared to the traditional "top-down" approaches to strategy development most companies use.

First, it compresses time in testing go-to-market strategies. Most growth strategies will not bear fruit or fail until several sales periods after they are deployed. So managers and planners can only guess at what will happen in years two, three, and four. You either guess right, or you guess wrong—and everyone has their own best guess. Simulations let groups of people play out different growth scenarios years out into the future. For example, the SABRE business tool used by over 70 MBA programs and countless corporate planners allows teams to "war game" different resource allocation strategies seven periods into the future. This is a huge advantage.

Second, AI-driven simulations can manage millions of scenarios and possible resource allocations to find the best combination to maximize growth. They allow managers from sales, marketing, service, and product groups to collectively test and balance combinations. What products should the sales force emphasize which customers to target and prioritize in calling; different ways of treating those customers: all of these factors combine to help you generate the greatest profit and growth contribution and ROI, and quota attainability.

A third benefit is "crowdsourcing" the market knowledge and experience of your team. Simulation tools can incorporate dozens, even hundreds, of field leaders into the planning process. This means using simulations makes it possible to combine bottom-up, local market knowledge and performance insights with top-down focus on realizing the greatest profit, revenue, and opportunity share. The best of both worlds. "Simulations are one of the fastest ways to build a team consensus," reports Professor David Reibstein of Wharton, who has been using the SABRE Simulation with executives and MBA students for years. "It brings together different points of view and lets you test different approaches. In the end, you get better consensus understanding of the customer response function, and a better sense of how to manage the product portfolio strategy."

A fourth benefit of simulations is that they allow planners the opportunity to "pressure test" and adapt plans to deal with rapidly changing and different competitive and market scenarios.

A fifth advantage is speed. Simulations effectively accelerate the time between strategy development, tactical planning, buy-in, communication, and implementation by revenue teams. This is important because most organizations that use spreadsheets and manual planning approaches cannot get those plans updated and agreed upon by seller before the selling year actually begins. That's effectively starting a journey without a plan.

A final advantage is risk management. All future plans are risky. And while it's nice to say things "take risk and fail fast", most managers really don't want to take big risks with their careers. "Simulations let you guess and screw up without costing you your career," advised Professor Reibstein. "few of my students have taken big risks on their jobs. But all of them have crashed a plan in a flight simulator game". Experience is the best teacher. One of the biggest advantages of simulations is they let you try different things without consequences. And they give you years of experience in a week."

### **THE POWER OF MODELS TO ALGORITHMICALLY BALANCE AND TUNE YOUR REVENUE ENGINE**

Sales modeling is both an art and science. This is true even in the most data-driven organizations.

But the speed and complexity of modern selling has made modeling an essential tool for tuning and running your revenue operation system. For example, modeling is increasingly critical to sales resource allocation due to rapidly changing customer behavior, shorter product life cycles, and the complexity of omnichannel selling.

### EIGHT PLACES WHERE ADVANCED MODELING TECHNIQUES CAN BE USED TO EVALUATE MORE SCENARIOS AND BUILD CONSENSUS

1. **Selling Channel emphasis** – finding the optimal mix of “products in the bag” based on the ability to cross-sell and upsell products, the effort and skills required to sell them, their margin potential, and the potential to sell many products to target customer personas.
2. **Opportunity allocation** – finding the best way to allocate market opportunity to all customer-facing channels and to employees who optimally balance the ability to generate revenues, profits and market share with the skills, capacity and roles of individual sellers.
3. **Territory control boundaries** – using algorithms to define the optimal territory boundaries based on account potential, customer channel preference, time zone and geographic constraints, and the skills and capacity of sellers.
4. **Quota type and definition** – defining the best structure for setting quotas that balance risk with income security, the ability to attain quotas, and the desire to create a common focus on the customer and on the right behaviors.
5. **Bottom up targets** – establishing bottom-up sales rep targets based on a mix of inputs including seller capacity, local market knowledge, customer priorities, workload estimates and market demand.
6. **Customer and account priorities** – establishing fact-based customer scoring based on customer value scoring models, relationship strength, and signals of intent, preference, or propensity to buy based on actual customer engagement and CRM data.
7. **The best engagement model** – calculating the best mix of calling patterns, calling types, calling frequency, and treatment types to yield the most revenue and profit from seller effort and channel infrastructure.
8. **Historic performance baselines** – evaluating historical sales data taking into consideration geographic location, industry, selling channel, product usage, to generate the best predictions for opportunity potential, future sales, and territory boundaries.

Managing a selling system requires constantly paying attention to, achieving and achieving balance between the seven-interrelated inputs against corporate growth goals and resource constraints. Changing the size, segmentation, and emphasis of your selling channels. Resetting your sales territories and market segments to chase shifts in demand. Adjusting the way you engage and treat customers based on their unique needs and potential.