

# Adaptive Planning

**Solution:  
Top-Down and Bottom-Up Sales Planning**

**Adaptive Planning, Inc.**  
**Solution: Top-Down and Bottom-Up Sales Planning**  
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## Solution: Top-Down and Bottom-Up Sales Planning

### 1. Overview

There are several different possible approaches to planning sales and related revenue. Following are some typical examples:

1. Sales numbers are set by planners either at the corporate level or by the head of Sales. These numbers are then used to drive sales quotas and revenue plans for the company. This method of planning is often called top-down.
2. Sales numbers are input by the employees responsible for doing the selling. They forecast what they think they can sell. These numbers are rolled up to create the total company revenue plan. This method of planning is often called bottom-up.
3. A combination of top-down and bottom-up planning is used. Top-down numbers are set by corporate or sales planners; then sales managers compile their forecasts from the bottom-up. If there is a discrepancy between the top-down numbers and the bottom-up numbers, adjustments are made to the plan until they meet.

This solution addresses the challenge of performing top-down and bottom-up forecasting in the same plan.

### 2. Top-Down Targets

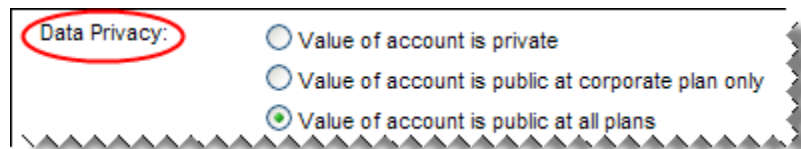
The first step is to consider how the top-down targets are going to be stated. For example, will the targets be bookings numbers by region? Or bookings numbers by product? In this example, the top-down target is planned by the Sales VP in the form of bookings by region. The rest of the sales plan flows from these targets and some other assumptions, as described below.

#### Create Top-Down Custom Accounts

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First, create custom accounts to provide a place for entering top-down targets. The targets in this case will be entered as regional bookings numbers, so there should be one custom account for each region. The targets can be expressed in units or dollars; in this example, they are dollars. Create these as sub-accounts rolling to a parent account (e.g. "Sales Targets by Region") so that totals can be easily displayed on sheets and reports.

Set the **Data Privacy** on these custom accounts to "value of account is public at all plans."



This way, sales planners will be able to see and refer to these top-down targets, as illustrated in the sections below.

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- **Hint:** Gather these accounts in a parent account called something like “Sales Targets by Region.” Use a naming convention to differentiate custom accounts from GL accounts. For example, name a custom account “cTarget Region 1.” The small letter “c” at the beginning of the account name identifies it as a custom account. This naming convention can help clarify formulas that include these accounts.

Name	Code	Type
Custom		Custom
Sales Summaries		Custom
Sales Targets by Region	cTarg_by_Reg	Custom
SALES Target US	cTarg_Reg_US	Custom
Sales Target EMEA	cTarg_Reg_EMEA	Custom
Sales Target Europe	cTarg_Reg_EUR	Custom
Sales Target ROW	cTarg_Reg_ROW	Custom

### Create Top-Down Sales Sheet

Create a standard sheet for top-down sales planning. It can be named something like “Top-Down Sales Targets.” This will be where the corporate or sales planner enters top-down bookings targets, in this case by region (regional quotas.) Add to the sheet the custom top-down sales target accounts.

No dimensions are necessary on this sheet. Grant sheet access to those planners responsible for top-down sales planning.

The sheet is now ready for data entry. Using the accounts just set up, numbers can be entered for each of the different regions as shown here:

Accounts	Jan-2008	Feb-2008	Mar-2008
Enter Top-Down Sales Targets			
Sales Targets by Region			
Sales Target US	1,000,000	1,000,000	1,000,000
Sales Target EMEA	600,000	600,000	600,000
Sales Target Europe	750,000	750,000	750,000
Sales Target ROW	150,000	150,000	150,000
Total	2,500,000	2,500,000	2,500,000

These values can be entered (or calculated) in the Corporate Plan, in Edit Plan mode, or in whatever departments are appropriate.

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### 3. Bottom-Up Planning

#### Use Modeled Sales Sheet

Meanwhile, bottom-up sales planning is done using a modeled sales sheet. Users enter their bookings forecast, tagging each item with the appropriate dimensions (in this case, product and region).

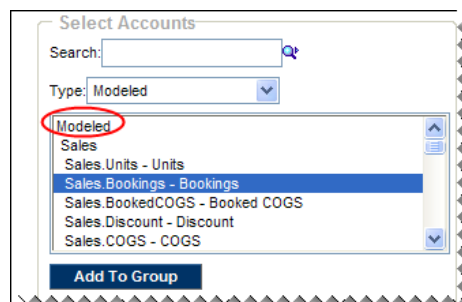
Label	Product	Region	Rev. Rec.	Invoicing
Hardware 1, US	Hardware 1	US	UpFront	UpFront
Hardware 1, EMEA	Hardware 1	EMEA	UpFront	UpFront
Hardware 1, EUR	Hardware 1	Europe	UpFront	UpFront
Hardware 1, ROW	Hardware 1	ROW	3MonthStartingMo2	3MonthSpread
Hardware 2, US	Hardware 2	US	YrSpread	UpFront
Hardware 2, EMEA	Hardware 2	EMEA	YrSpread	UpFront
Hardware 2, EUR	Hardware 2	Europe	YrSpread	UpFront

Once this is completed, the sales managers should be able to review their sales numbers rolled up by the different dimensions, in this case, region and product. In order to accomplish this, a standard sheet can be created to summarize bookings from this sales sheet.

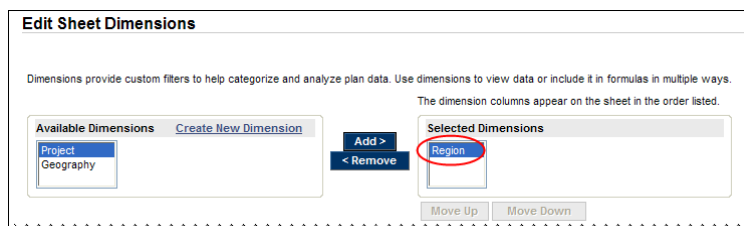
#### Create Sales Summary Sheet

Create a standard sheet to summarize bookings by region. Name the sheet something like "Sales Summary."

**Create an account group that contains the modeled bookings account from the Sales sheet.** Name the account group something like "Bottom-Up Sales Summaries."



Add the region dimension to the sheet, so that the modeled accounts can be rolled up by region.



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Grant sheet access to those planners responsible for bottom-up sales planning.

This sheet can be used to view sales bookings rolled up by region.

→ **Hint:** Other modeled accounts and dimensions can also be added to the sheet. For example, units can be added, and the product dimension can be added. This would provide additional ways of looking at rolled-up sales data.

### Compare Top to Bottom

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The top-down sheet can be modified to include summaries by region of the bottom-up sales numbers. This way, corporate planners who set the targets can see how close the bottom-up numbers are.

If the modeled booking accounts were to be viewed at the rolled-up corporate plan level, the region information will not be seen. (Dimension detail is not seen at the corporate plan level.)

Accounts	Jan-2008	Feb-2008	Mar-2008
<b>Bottom-Up Sales Summaries</b>			
Bookings	2,500,000	2,500,000	2,500,000

The bottom-up sales bookings can be summarized by region in custom accounts instead. The region summaries will be used to compare bottom-up to top-down numbers.

### Create Bottom-Up Custom Accounts

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Create custom accounts to summarize bookings from the sales sheet by region.

**Hint:** Gather these accounts in a group called something like “Bottom-Up Sales Summaries.”

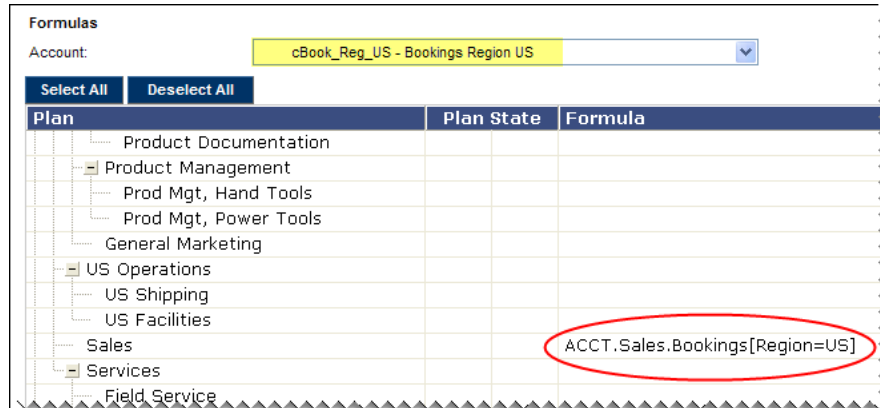
Name	Code	Type
Custom		Custom
Sales Summaries		Custom
Sales Targets by Region	cTarg_by_Reg	Custom
Bottom-Up Sales Summaries		Custom
Bookings by Region	cBook_by_Reg	Custom
Bookings Region US	cBook_Reg_US	Custom
Bookings Region EMEA	cBook_Reg_EMEA	Custom
Bookings Region EUR	cBook_Reg_EUR	Custom
Bookings Region ROW	cBook_Reg_ROW	Custom

## Adaptive Planning, Inc. Solution: Top-Down and Bottom-Up Sales Planning

### Link Custom Accounts to Modeled Accounts

Use the Formulas tab to create a formula for each booking summary by region.

Create the formulas in all departments involved in bottom-up sales planning.



**Create a formula in each of the custom accounts**, referencing the appropriate modeled account (e.g. Total\_Bookings) and the appropriate dimension (e.g. US). It is not necessary to include [Rollup=Yes] in these formulas. For example:

Bookings US=ACCT.Total\_Bookings[Region=US]  
 Bookings EMEA =ACCT.Total\_Bookings[Product=EMEA]  
 Revenue EUR =ACCT.Total\_Revenue[Region=Europe]  
 Revenue ROW =ACCT.Total\_Revenue[Product=ROW]

This way, all planners will be able to use these accounts to view the results of the data entered on their bottom-up sales sheets. And the rolled-up values can be viewed by managers with the appropriate authority (e.g. the VP of Sales.)

At this point, no effort has yet been made to adjust the bottom-up numbers to meet the top-down targets, and the sheet will reflect this. (The sheet must be viewed at the Corporate Plan level, in View Rollups mode, to see the rolled-up bottom-up values.)

Top Down Sales Targets			
Accounts	Jan-2008	Feb-2008	Mar-2008
<b>Enter Top-Down Sales Targets</b>			
Sales Targets by Region			
Sales Target US	1,000,000	1,000,000	1,000,000
Sales Target EMEA	600,000	600,000	600,000
Sales Target Europe	750,000	750,000	750,000
Sales Target ROW	150,000	150,000	150,000
<b>Total</b>	<b>2,500,000</b>	<b>2,500,000</b>	<b>2,500,000</b>
<b>Bottom-Up Bookings</b>			
Bookings by Region			
Bookings Region US	462,675	462,675	462,675
Bookings Region EMEA	986,650	986,650	986,650
Bookings Region EUR	215,825	215,825	215,825
Bookings Region ROW	288,450	288,450	288,450
<b>Total</b>	<b>1,953,600</b>	<b>1,953,600</b>	<b>1,953,600</b>

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### Using Reports Instead of Sheets

A matrix report could be created for the same purpose as the Top-Down sheet. The report would have regions and accounts in its rows axis. However, the top-down sales targets must first be tagged by region.

First modify the Region dimension to be available on Standard sheets.

Dimension Details

Name:

Type:  Plan  Standard

Then, add it to the Top-Down Sales sheet.

Action	Summary
<a href="#">Edit</a>	Account Groups: Enter Top-Down Sales Targets , Bottom-Up Bookings
<a href="#">Edit</a>	Dimensions: <input type="text" value="Region"/>
<a href="#">Edit</a>	Available On: Multiple Plans
<a href="#">Edit</a>	Customization for Subplans

Open the Top-Down sheet in the Corporate Plan, in Edit Plan mode, and tag each target with the appropriate region. (Each row must first be turned into a split in order to attach a dimension to it.)

Accounts	Region	Jan-2008	Feb-2008
<b>Enter Top-Down Sales Targets</b>			
[-] Sales Targets by Region	Any		
[-] Sales Target US	US	1,000,000	1,000,000
US			
Total		<b>1,000,000</b>	<b>1,000,000</b>
[-] Sales Target EMEA	EMEA	600,000	600,000
EMEA			
Total		<b>600,000</b>	<b>600,000</b>
[-] Sales Target Europe	Europe	750,000	750,000
Europe			
Total		<b>750,000</b>	<b>750,000</b>
[-] Sales Target ROW	Any	150,000	150,000
ROW			
Total		<b>150,000</b>	<b>150,000</b>
Total		<b>2,500,000</b>	<b>2,500,000</b>

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Now, create a matrix report called something like “Top-Down vs. Bottom-Up Sales.” In the Report Builder, the dimension Region is in the rows axis. Also in the rows axis are the **custom** accounts used to enter top-down targets, and the **modeled** bookings account from the bottom-up Sales sheet.

Top-Down vs. Bottom-Up Sales			
Accounts	Region	Jan-2008	Feb-2008
+ Sales Targets by Region	Region (Rollup)		
	Region (Uncategorized)	0	0
	ROW	300,000	300,000
	US	2,000,000	2,000,000
	EMEA	1,200,000	1,200,000
	Europe	1,500,000	1,500,000
	Total Region (Rollup)	5,000,000	5,000,000
Bookings	Region (Rollup)		
	Region (Uncategorized)	0	0
	ROW	288,450	288,450
	US	462,675	462,675
	EMEA	986,650	986,650
	Europe	215,825	215,825
	Total Region (Rollup)	1,953,600	1,953,600

→ **Note:** This Top-Down sheet and report, which show both the top-down targets and the bottom-up bookings by region, are useful to those planners who can see all rolled up sales data. A slightly different approach can be used if sales planners need access to the top-down targets, as described in the next section.

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#### 4. Top Meets Bottom

There are several different ways that the top-down and bottom-up plans can meet.

##### **Sales Planners Must Meet Top-Down Target**

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One method, described in this example, involves holding sales users accountable to meet top-down targets with their forecasts.

If this method is to be used, the sales planners must have access to the top-down planning numbers, so they can see what their targets are. There are two ways of doing this:

1. Make the top-down report described above a Shared Report.
2. Create a plan-independent sheet that includes the top-down targets.

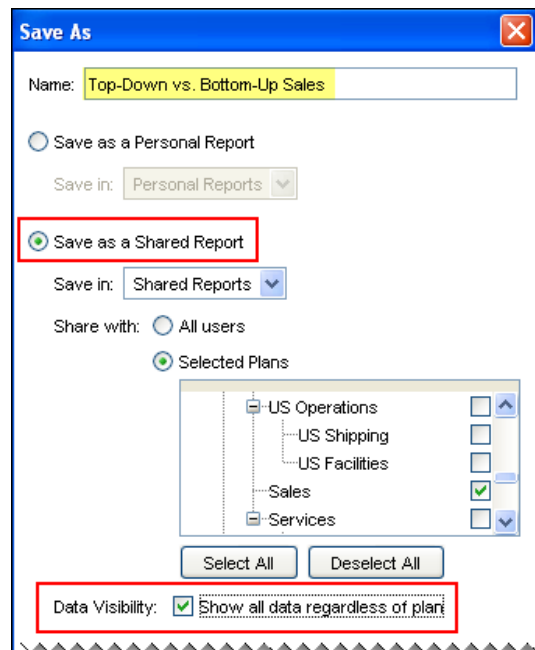
Either way, sales planners can be given access to the top-down targets, which are planned at the corporate plan level.

##### **Create a Shared Report**

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Open the Report Builder for the report created in the previous example. Click on the Save As button. (Alternatively, run the report in HTML format. From here, click on the Save As button.)

Select the “Save as a Shared Report” radio button. Choose the plans that need access to the top-down sales targets. Check the Data Visibility box, which says, “Show all data regardless of plan.”



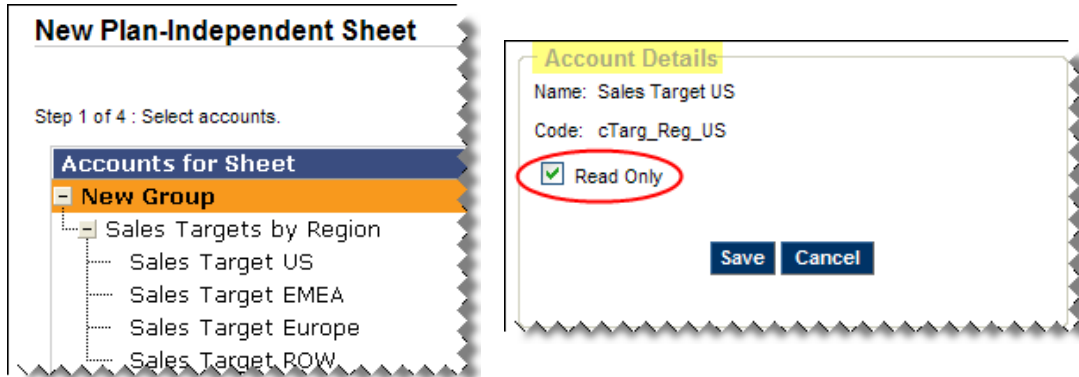
Now, all sales users will be able to open this report and see both the sales targets by region, as well as the bottom-up bookings by region, regardless of their plan access.

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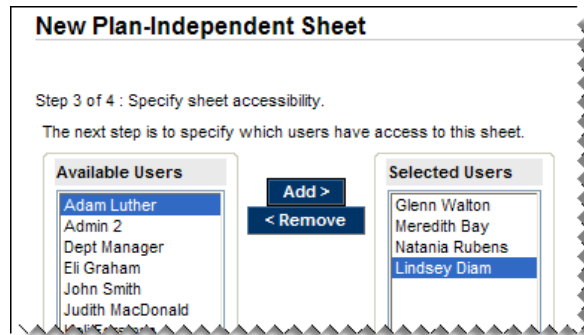
### Create a Plan-Independent Sheet

This information can be shared with users another way. Create a Plan-Independent sheet, and add the custom top-down sales target accounts to the sheet. Make the accounts read-only, so that users of the sheet can view but not modify the targets.

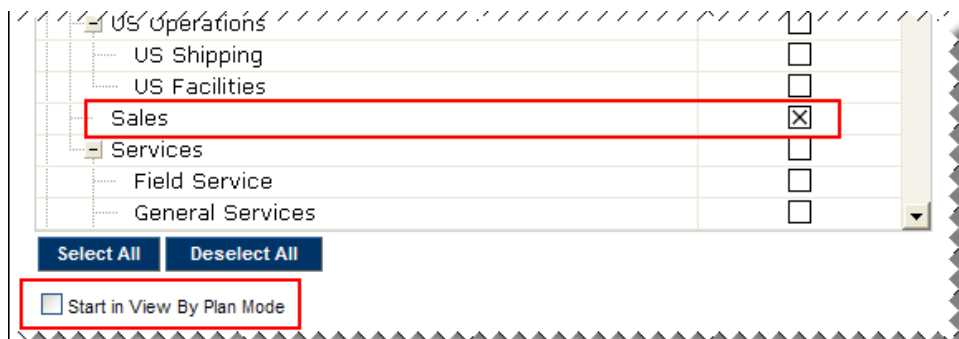


Next, add another account group, which includes the modeled bookings accounts. These accounts will be automatically read-only.

In sheet accessibility, give access to all planners who are responsible for bottoms-up sales planning.



In plan availability, specify all the plans that will include sales planning.



Uncheck the “Start in View by Plan Mode” option. This way, the sheet will default to View by Account mode, which will display the sales targets and the bottom-up sales numbers in rows. Now the sales planners can view the top-down targets and the bottom-up forecast on this plan-independent sheet.

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→ **Note:** If multiple plans are involved in bottom-up sales planning, some users might not be able to see the rolled up bottom-up numbers. The rolled-up totals can be seen at the Corporate Plan level (or at the total Sales level.) For this reason, a shared report might be more useful to all involved planners.

### *Create Formulas to Manipulate Bottom-Up Numbers*

In this example, the VP of Sales has decided to take the top-down regional targets, and spread them over all products, using percentage assumptions.

→ **Note:** The top-down target accounts must have data privacy set as public for all plans, as described above, in order for the Sales VP to be able to include them in formulas. Alternatively, these accounts could also be public at the corporate plan only, if the sales targets are to be planned in no other department besides the corporate plan.

The first step for this user is to go to the Locals tab, and create local assumptions, which represent the product breakdown of bookings. These assumptions must total 100%. An additional local can be created which sums the others, to make sure that they equal 100%, as shown here:

Local Name	Code	FY2008		
		Q1		
		Jan	Feb	Mar
TE Sales	TE_Sales	1,000.00	1,000.00	1,000.00
Hardware 1 % of Sales	Hdwr1_pct_Sales	0.15	0.15	
Hardware 2 % of Sales	Hdwr2_pct_Sales	0.25	0.25	
Software 1 % of Sales	Sftwr1_pct_Sales	0.15	0.15	
Software 2 % of Sales	Stwr2_pct_Sales	0.12	0.12	
Service 1 % of Sales	Svc1_pct_Sales	0.27	0.27	
Service 2 % of Sales	Svc2_pct_Sales	0.06	0.06	
All Prod % of Sales	All_Prod_Pct_Sales	1.00	1.00	

→ **Hint:** Decimal precision can be set for all Locals under Admin, Company Setup, Setup Details.

Then, within the Bottom-Up Sales sheet, these percentages are multiplied by the top-down booking target for each region.

Label	Product	Region	Jan-2008	Feb-2008
Hardware 1, EMEA	Hardware 1	EMEA	90,000	90,000
Hardware 2, EMEA	Hardware 2	EMEA	150,000	150,000
Hardware 1, US	Hardware 1	US	150,000	150,000
SW App 1, EMEA	SW App 1	EMEA	90,000	90,000
SW App 2, EMEA	SW App 2	EMEA	72,000	72,000

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For example, the formula for the row in Region 1, Product A is:

$$= \text{LOCAL.Prod\_A\_Pct} * \text{ACCT.cTarg\_Reg\_1} [\text{plan} = \text{Corporate Plan}]$$

The sales targets have been planned at the corporate plan level. Since these custom accounts are public for all plans, other users can refer to these accounts in formulas.

In this way, the VP of Sales drives the regional targets down to the product level, based on some assumptions about the mix of product to be sold.

### ***Check the Calculations***

The VP of Sales can use the shared report or the plan-independent sheet described above to check these calculations. Bookings by Region should equal Top-Down Sales Targets by Region.

**Shared Report:**

Accounts	Region	Jan-2008	Feb-2008	Mar-2008
<b>Top-Down vs. Bottom-Up Sales</b>				
Sales Targets by Region	Region (Rollup)			
	Region (Uncategorized)	0	0	0
	ROW	150,000	150,000	150,000
	US	1,000,000	1,000,000	1,000,000
	EMEA	600,000	600,000	600,000
	Europe	750,000	750,000	750,000
	Total Region (Rollup)	2,500,000	2,500,000	2,500,000
Bookings	Region (Rollup)			
	Region (Uncategorized)	0	0	0
	ROW	150,000	150,000	150,000
	US	1,000,000	1,000,000	1,000,000
	EMEA	600,000	600,000	600,000
	Europe	750,000	750,000	750,000
	Total Region (Rollup)	2,500,000	2,500,000	2,500,000

**Plan-Independent Sheet:**

Accounts	Jan-2008	Feb-2008	Mar-2008
<b>Top-Down Target (P.I.)</b>			
View Rollups Edit Plan			
X ✓ fx			
Overview Assumptions Enter Computers Top-Down Target			
- Sales Targets by Region			
+ Sales Target US	1,000,000	1,000,000	1,000,000
+ Sales Target EMEA	600,000	600,000	600,000
+ Sales Target Europe	750,000	750,000	750,000
+ Sales Target ROW	150,000	150,000	150,000
--- Total	<b>2,500,000</b>	<b>2,500,000</b>	<b>2,500,000</b>
- Sales Targets by Region			
+ Sales Target US	1,000,000	1,000,000	1,000,000
+ Sales Target EMEA	600,000	600,000	600,000
+ Sales Target Europe	750,000	750,000	750,000
+ Sales Target ROW	150,000	150,000	150,000
--- Total	<b>2,500,000</b>	<b>2,500,000</b>	<b>2,500,000</b>

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### Troubleshooting

If the top-down and bottom-up bookings totals do not equal one another, check the following things:

1. Do the product percentage Locals equal 100%?

Local Name	Code	Q1
		Jan
Product A % of Sales	Prod_A_Pct	0.60
Product B % of Sales	Prod_B_Pct	0.35
Product C % of Sales	Prod_C_Pct	0.05

2. Sort the Bottom-Up Sales sheet by product; does each product have one line for each region?

Label	Product /	Region	...	...	...	Jan-2008
Hardware 1, EMEA	Hardware 1	EMEA	...	...	...	90,000
Hardware 1, US	Hardware 1	US	...	...	...	150,000
Hardware 1, EUR	Hardware 1	Europe	...	...	...	112,500
Hardware 1, ROW	Hardware 1	ROW	...	...	...	22,500

3. Resort the Sales sheet by region; does each region have one line for each product?

Label	Product	Re... /	...	...	...	Jan-2008
Hardware 1, EMEA	Hardware 1	EMEA	...	...	...	90,000
Hardware 2, EMEA	Hardware 2	EMEA	...	...	...	150,000
SW App 1, EMEA	SW App 1	EMEA	...	...	...	90,000
SW App 2, EMEA	SW App 2	EMEA	...	...	...	72,000
Service 1, EMEA	Service 1	EMEA	...	...	...	162,000
Service 2, EMEA	Service 2	EMEA	...	...	...	36,000

4. Check the formula for each row to make sure that the region, type, and product in the formula match the dimensions on that item.

Label	Product	Re... /	...	...	...	Jan-2008	Feb-2008
Hardware 1, EMEA	Hardware 1	EMEA	...	...	...	90,000	90,000
Hardware 2, EMEA	Hardware 2	EMEA	...	...	...	150,000	150,000

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**Other Methods of Top-Down and Bottom-Up Planning**

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The example above illustrates how a top-down target can be set, then bottom-up numbers manipulated to meet those numbers, based on assumptions about the mix of product to be sold. There are numerous other methods of sales planning, including but not limited to:

1. Sales managers enter their bookings forecasts for the coming year, based upon their own expectations. These numbers are rolled up and analyzed by upper management, compared to the previous year, and then quotas (top-down) numbers are decided upon. The Sales planners are asked to revisit their plans and return them with totals equaling their quotas.
2. Bottom-up bookings forecasts are entered and rolled up. Then upper management enters one or more “plugs” into the plan, to modify the rolled up totals.
3. Top-down numbers and bottom-up numbers are prepared simultaneously, then compared at the plan rollup level. The plan is revised and/or plugged at the top and/or the bottom as many times as it takes for the two to meet.

Any of these planning methodologies can be accommodated in the Adaptive Planning application. Each method could involve a similar use of a modeled sales sheet, public accounts, and shared reports or plan-independent sheets to compare top-down and bottom-up numbers.