SBI
Growth Advisory
Driven by Insights
Delivered from Experience

Annual Planning for 2026

Why leaders must build the foundations for next year's growth and commercial efficiency now

Why planning for 2026 starts now

For most leadership teams, annual planning begins later than it should. The best planning processes take several months, from thinking through core assumptions and strategic bets to setting territories, compensation, and quotas and rolling them out to the team. But it's challenging to dedicate attention to next year when you are trying to execute on the current year plan, and even more so if the plan has gone sideways.

Our research and conversations with CEOs, CFOs, and commercial leadership teams indicate that planning for 2026 is going to be more complicated than usual, and also much more critical to get right. In this report we cover five realities that are driving this. Some of them (like artificial intelligence) are new factors that we haven't contended with in planning the way leadership teams need to now; others are years-long trends that are reaching breaking points. Together they make it clear that an early start, and best practice planning approaches, are critical to ensure a high-confidence plan.

In the following pages we share the research and data that underlie each of the five realities below, along with the questions you need to be investigating, and the actions we recommend you and your teams get started on now. SBI has supported leadership teams in their planning efforts for decades, and we continue to enhance that support with new AI-driven analytical capabilities that give leaders deeper intelligence about their business than they've ever had before. Let's get you ready.

1. Market Uncertainty Is Higher Than Ever

The first half of 2025 has been marked by significant uncertainty. While the year began somewhat sluggishly for many organizations, overall sentiment was generally positive. But Q2 marked the highest levels of policy uncertainty measured in decades. And this uncertainty trickled directly into business decision-making, slowing deal cycle times substantially, and forcing many to second-guess their growth plans. By early July, while market sentiment has begun to recover somewhat, signs of volatility and tempered buying remain dominant.

2. Companies Are Getting Low Return on Commercial Spend

3. NRR Is Steadily Declining

4. AI Is Simultaneously Transforming the Product and Execution

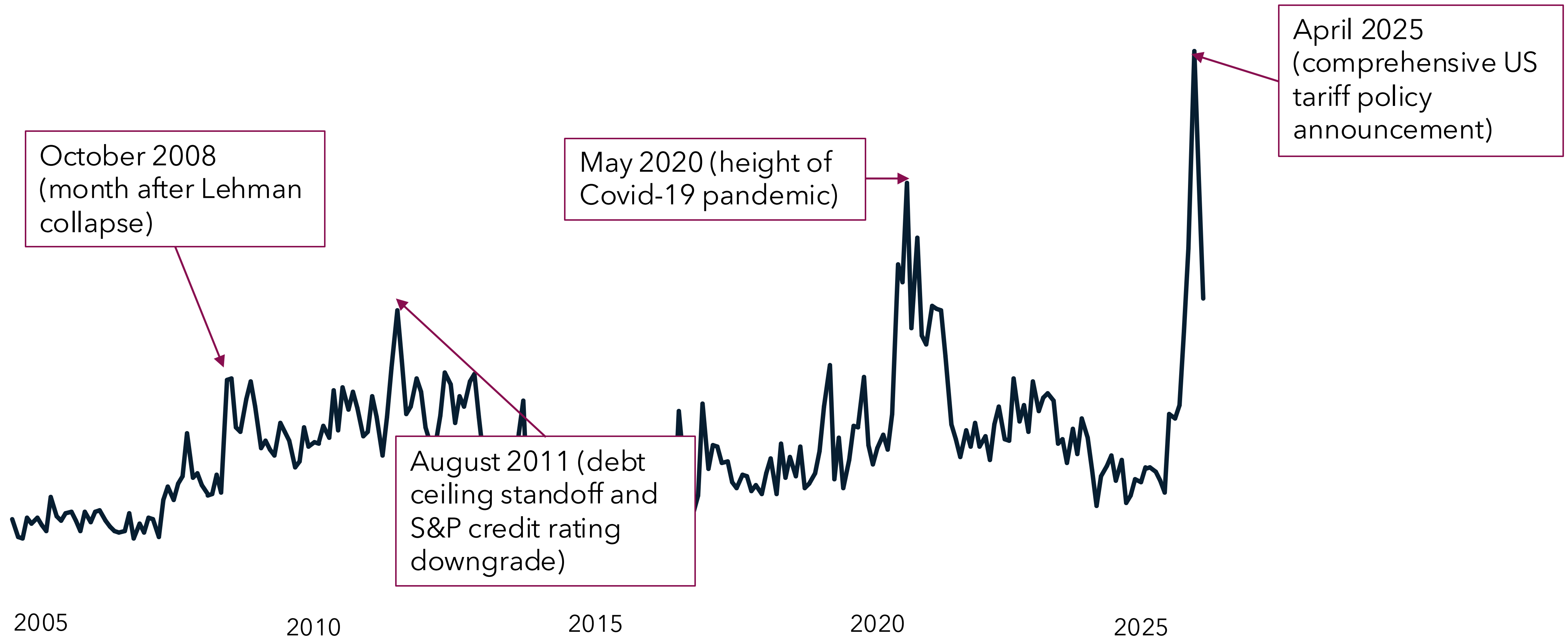
5. A Fast Start Is Critical To Full-Year Success

The Planning Imperative

Market uncertainty is likely to continue as companies adjust to both a new policy environment and business transformation brought on by artificial intelligence. This will make it harder to establish and agree on the core assumptions underlying the growth plan. Leadership teams will need more lead time and a much more robust fact base than in years past to get it right.

Unprecedented uncertainty

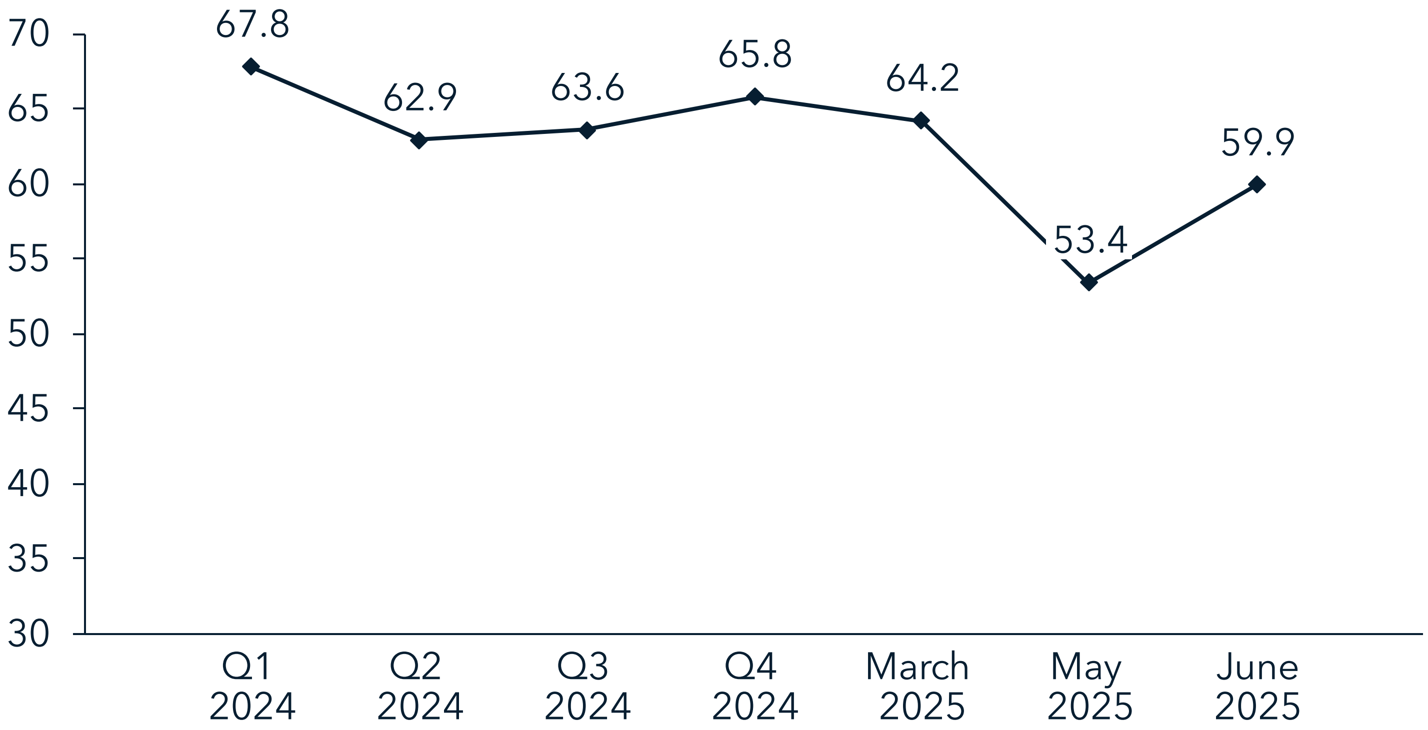
United States Economic Uncertainty Index, January 2005 – June 2025*



*Three-Factor U.S. Economic Uncertainty Index combines news coverage of uncertainty, forecast dispersion in economic indicators, and disagreement among forecasters to measure overall economic uncertainty.
Source: 'Measuring Economic Policy Uncertainty' by Scott Baker, Nicholas Bloom and Steven J. Davis at www.PolicyUncertainty.com.

CEO commercial sentiment declined dramatically in May and remains far lower than average

B2B CEO Commercial Sentiment Index



Note: The B2B CEO Commercial Sentiment Index is an average of CEO reporting across five indicators – pipeline, deal volume, deal speed, deal size, and renewal rates.
Q1 2024 N = 87; Q2 2024 N = 102; Q3 2024 N = 140; Q4 2024 N = 120; March 2025 N = 127; May 2025 N = 40; June 2025 N = 120
Source: SBI Q1 2024 CEO Survey; SBI Q2 2024 CEO Survey; SBI Q3 2024 CEO Survey; SBI Q4 2024 CEO Survey; SBI Q1 2025 CEO Survey; SBI May 2025 CEO Pulse Survey; SBI Q2 2025 CEO Survey

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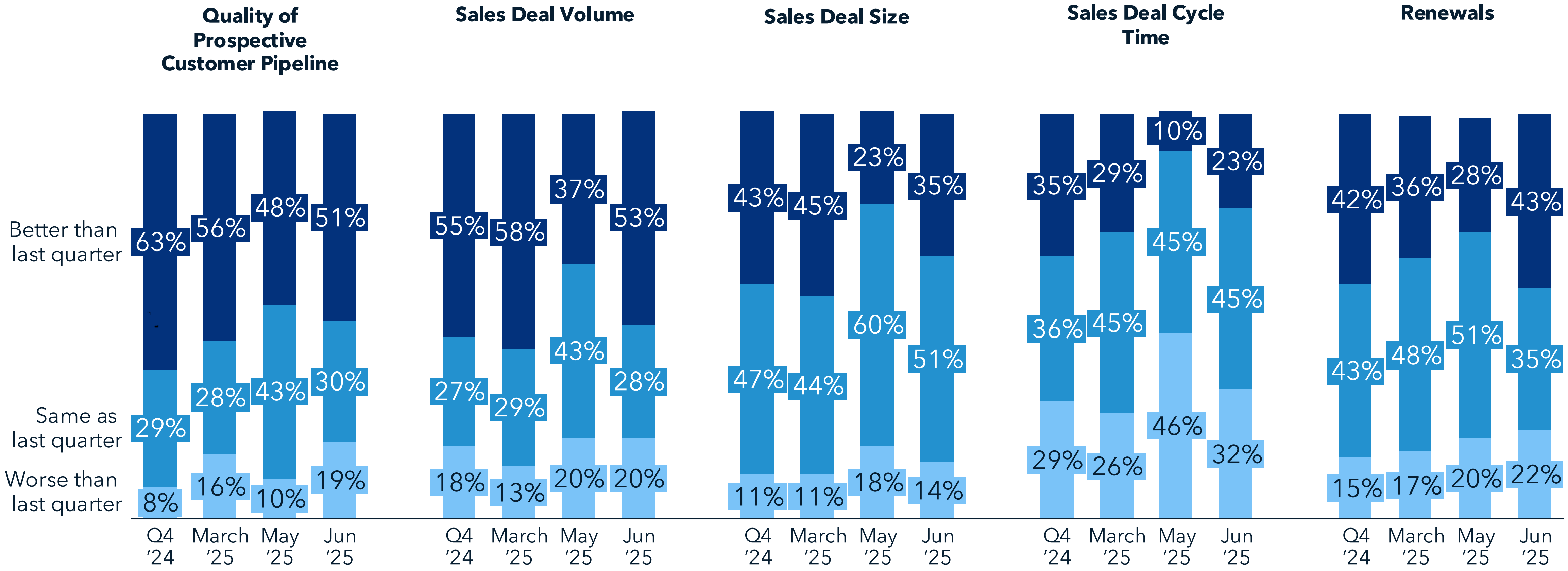
Sentiment regarding pipelines, deal volume, size, and cycle time all remain lower than the end of 2024



Note: Totals may not sum to 100% due to rounding
Q4 2024 N = 120; March 2025 N = 127; May 2025 N = 40; June 2025 N = 120
Source: SBI Q4 2024 CEO Survey; SBI Q1 2025 CEO Survey; SBI May 2025 CEO Pulse Survey; SBI Q2 2025 CEO Survey

Market Uncertainty: What CEOs and their leadership teams should be thinking about

Questions You Should Be Asking

1. How do our commercial indicators compare with our industry peers'?
2. How much of softening demand is driven by market uncertainty vs changing customer needs?
3. Which sectors have been most successful in terms of revenue, win rate, and average deal size?
4. Where is growth coming from across different market segments? What is the mix of new vs existing buyers?
5. What are our revenue concentration trends?
6. How useful has scenario planning been for us in recent years? Should we be simply building in more upside and downside flexibility?

Activities to Start Now

- Cleanse and enrich data to support fact-based decision-making
- Gather and pressure-test assumptions about market direction at both the macro- and micro-levels
- Interview customers, Board members, and experts regarding expectations for the next 18 months

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1. Market Uncertainty Is Higher Than Ever

2. Companies Are Getting Low Return on Commercial Spend

Commercial efficiency continues to be a problem for most companies. While the rate of acceleration is slowing, sales and marketing expenses have grown by 68% since 2020 (including an additional 8% in 2024). But revenue growth rates have declined from 20% to 9% over that same period. The yield on sales and market spend is low for most organizations across most sectors.

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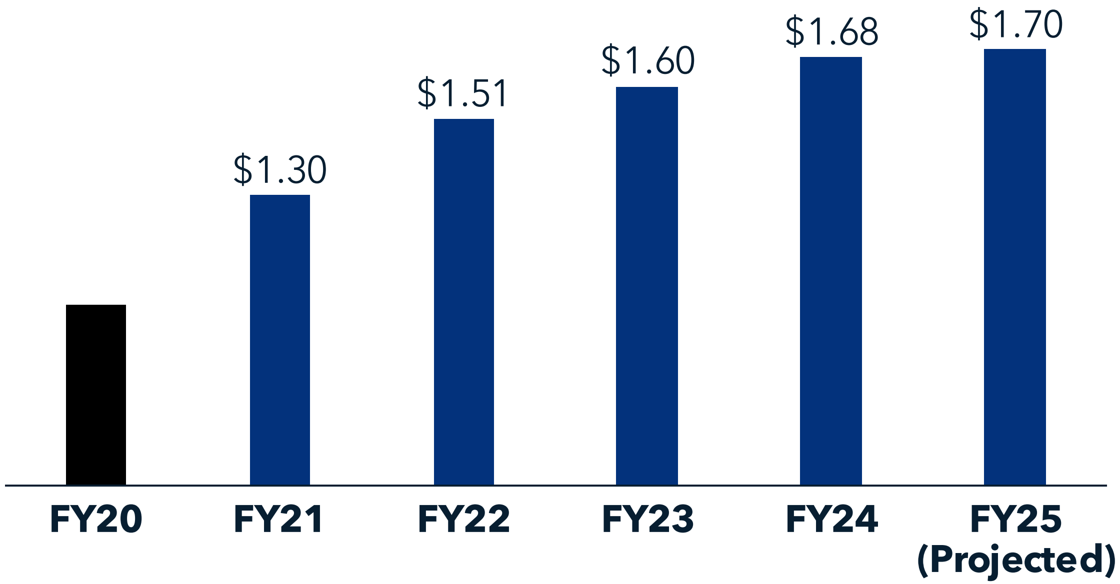
The Planning Imperative

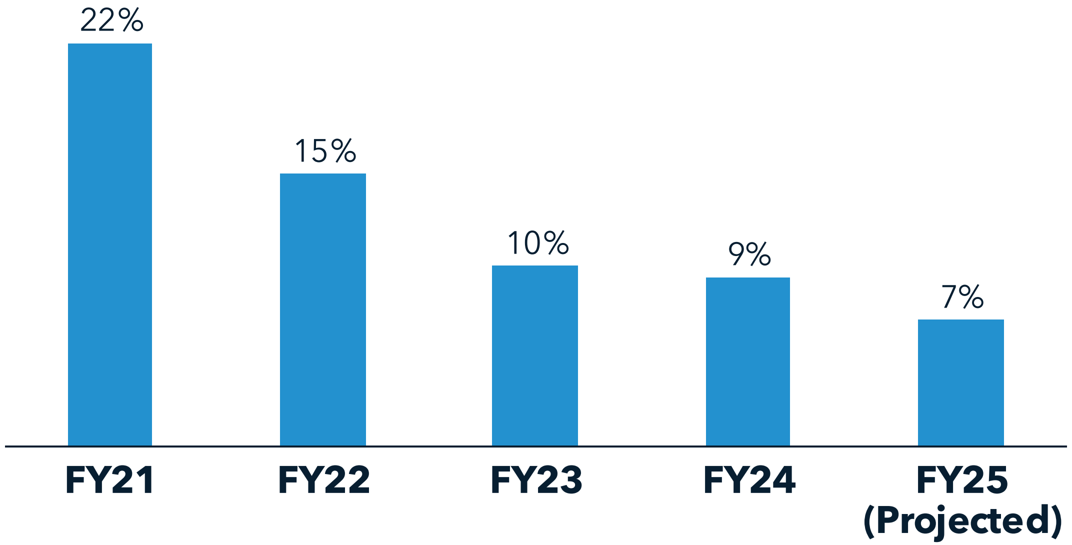
While costs are coming under control, we know that sales and marketing spend in general correlates to growth. The key is allocating that spend in the right way, which requires more than a bold bet, a gut instinct, or a simple trending of past year performance. A robust planning process that provides ample time to investigate the right areas for commercial spend is critical for ensuring that spend drives high-quality growth.

Sales and marketing expenses continue to increase, but revenue growth rates are stagnating

Change in Median Sales and Marketing Expenses FY21-FY25 (projected)
Indexed to 2020



Median Revenue Growth Rate, FY21-FY25 (projected)



Note: FY25 projections are based on modeled annualization of Q1 2025 results.

n=300 publicly-traded companies in communication services, financial services, healthcare technology and information services, industrials, and technology sectors (using GECS industry definitions) with headquarters in US and CA, $100M-$5B in annual revenue in FY21-FY24, and a fiscal year ending Dec 31.
Medians are industry-weighted.
Source: SBI 2025 Commercial Efficiency Index Analysis

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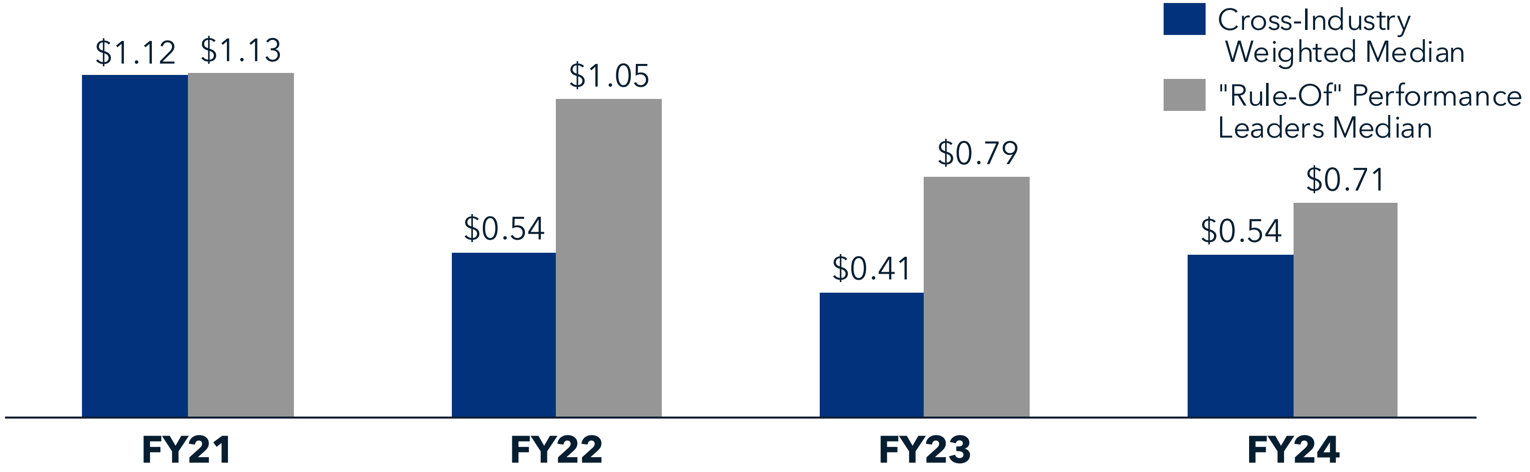
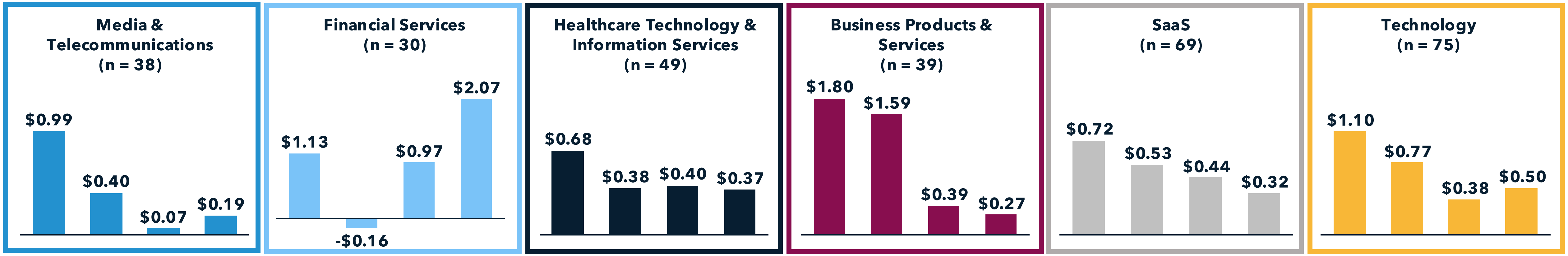
The growth gained for every dollar of sales and marketing expense, while rebounding, remains quite low across sectors

Median Growth Yield on Sales and Marketing Expense, FY21-FY24

Year-over-year growth $ / sales and marketing spend $





n=300 publicly-traded companies in communication services, financial services, healthcare technology and information services, industrials, and technology sectors (using GECS industry definitions) with headquarters in US and CA, $100M-$5B in annual revenue in FY21-FY24, and a fiscal year ending Dec 31. Medians are industry-weighted.
Source: SBI 2025 Commercial Efficiency Index Analysis

Commercial Efficiency: What CEOs and their leadership teams should be thinking about

Questions You Should Be Asking

1. How can we tell whether we are allocating resources to the most impactful areas of the business?
2. How has return on go-to-market expense varied over the last three years?
3. How has the ratio of quota- to non-quota carriers changed over time? Is it correlated with seller productivity?
4. How evenly (based on account potential) are customers and opportunities spread across the commercial team?

Activities to Start Now

- Evaluate the coverage model for under-served segments
- Explore channel and other partnerships for lowering CAC
- Baseline commercial team skills, competencies, and time spend to support year-end resourcing decisions
- Refine your ICP based on the most relevant propensity-to-buy factors

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1. Market Uncertainty Is Higher Than Ever

2. Companies Are Getting Low Return on Commercial Spend

3. NRR Is Steadily Declining

Average net revenue retention (NRR) dropped 3.4 points over the past two years - from 110.5% to 107.1%. This is notably below healthy expansion levels. It is not a company-specific problem, but rather a broader market issue as companies struggle to retain and grow their customer base. This trend is concerning given the heavy emphasis companies are placing on expanding the base to combat a challenging growth environment.

4. AI Is Simultaneously Transforming the Product and Execution

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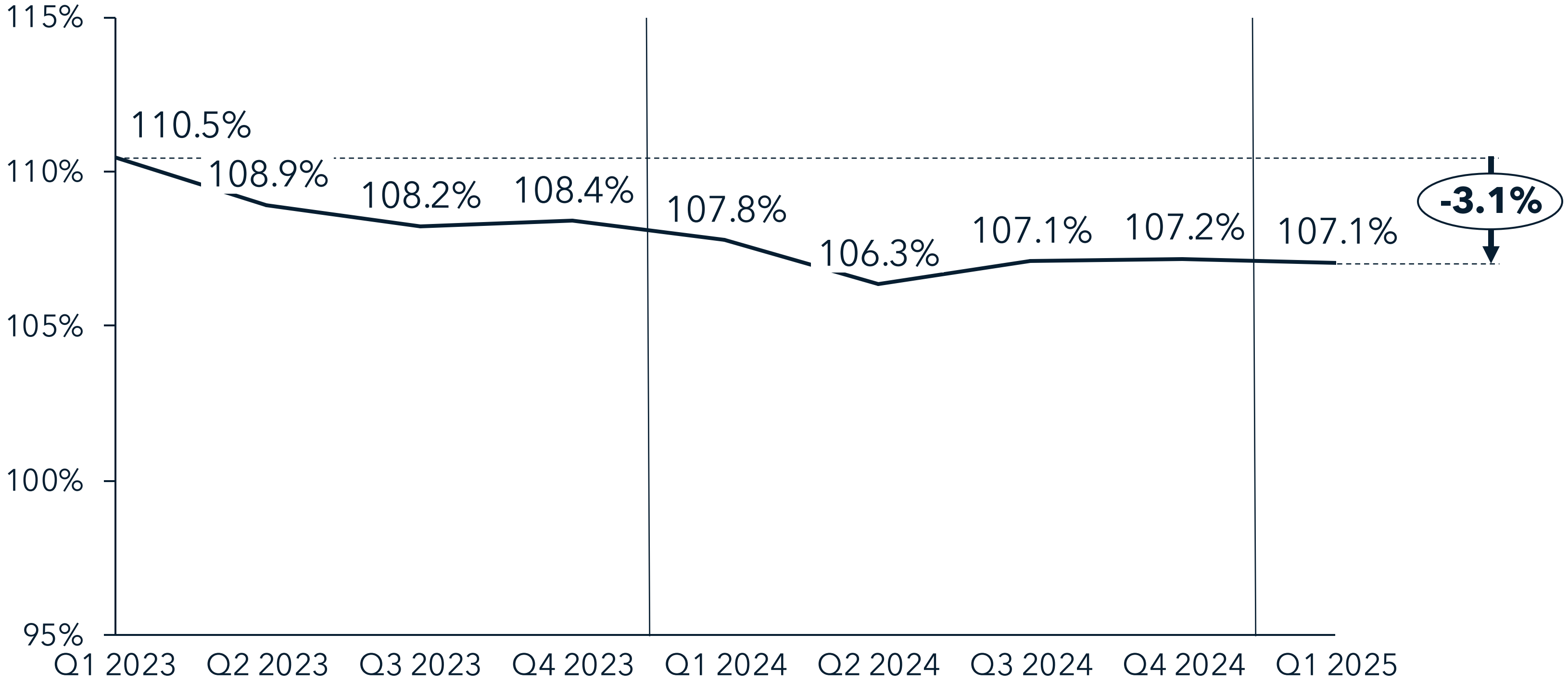
The Planning Imperative

Company economics, and reliable sources of growth, are shifting. It's critical to understand early whether NRR trends are driven by service issues, challenges with the offering, or shifts in the way customers think about the product and its value. This investigation must begin urgently so that leadership teams can make the right decisions on resource allocation, commercial talent, and account prioritization to ensure strong performance in 2026.

Average NRR declined consistently over the last two years

Average NRR by Quarter

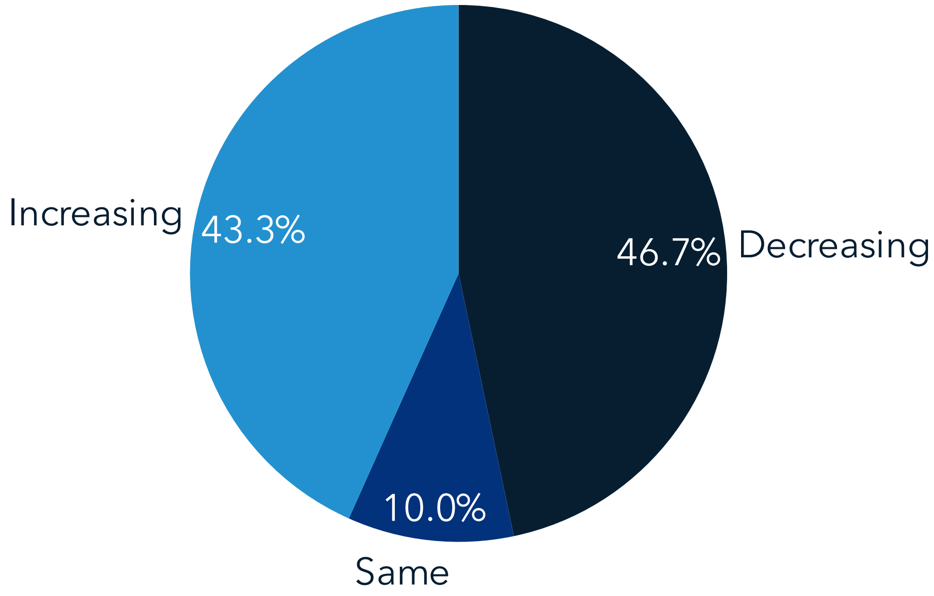


Note: Percentage change is calculated as overall percentage, rather than percentage points
Q1 2025 N = 82 ;Q1 2023 N = 46; Q2 2023 N = 43; Q3 2023 N = 50; Q4 2023 N = 54; Q1 2024 N = 61;
Q2 2024 N = 57; Q3 2024 N = 65; Q4 2024 N = 70;

Source: SBI NRR Dataset

NRR is declining for nearly half of all companies

Percentage of Companies Showing YoY NRR Change, Q1 2024 vs Q1 2025

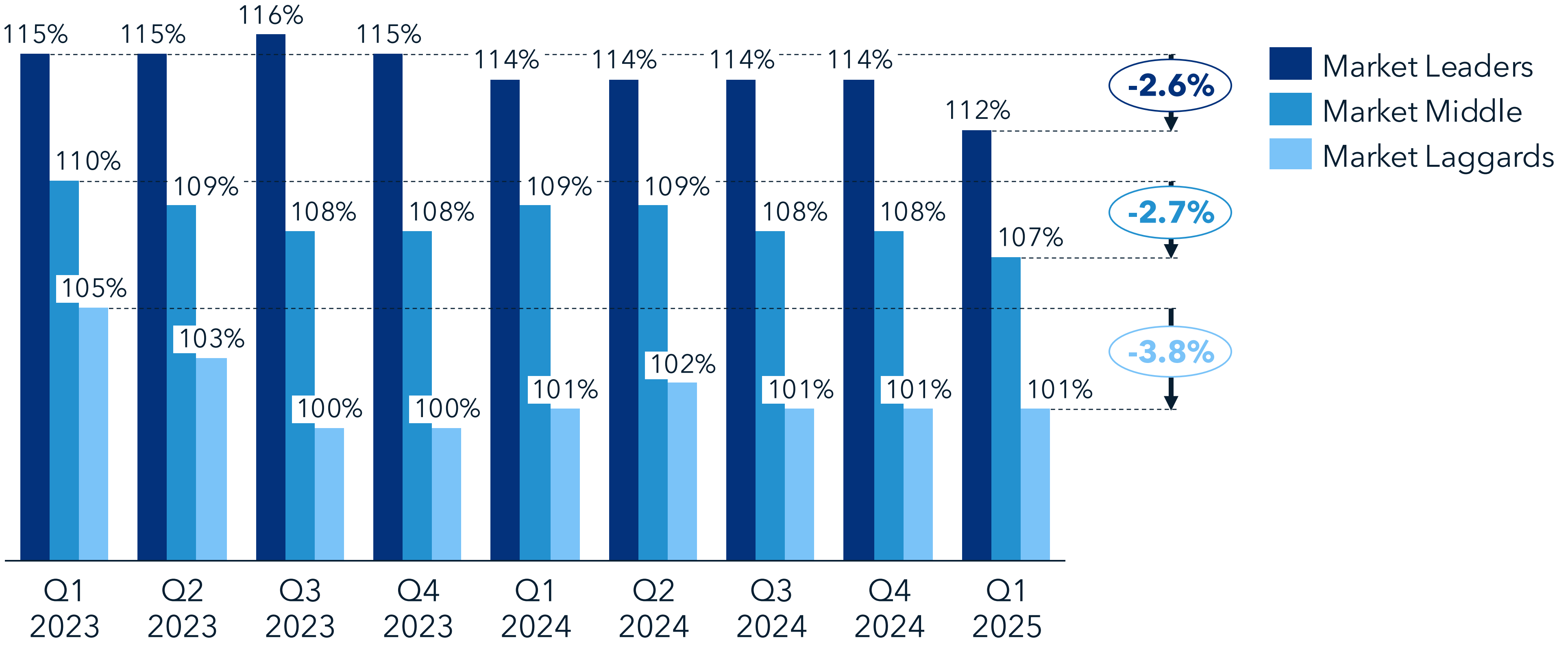


Q1 2023 N = 46; Q2 2023 N = 43; Q3 2023 N = 50; Q4 2023 N = 54; Q1 2024 N = 61; Q2 2024 N = 57; Q3 2024 N = 65; Q4 2024 N = 70; Q1 2025 N = 82

Source: SBI NRR Dataset

Even high performing companies' NRR is declining

Median NRR by Performance Quartile



Note: Market Leaders are defined as 75th percentile, Market Middle as 50th percentile, Market Laggards as 25th percentile
Percentage change is calculated as overall percentage, rather than percentage points

Q1 2023 N = 46; Q2 2023 N = 43; Q3 2023 N = 50; Q4 2023 N = 54; Q1 2024 N = 61; Q2 2024 N = 57; Q3 2024 N = 65; Q4 2024 N = 70; Q1 2025 N = 82

Source: SBI NRR Dataset

NRR: What CEOs and their leadership teams should be thinking about

Questions You Should Be Asking

1. Have we considered or made changes to our CSM/ AM coverage ratios to improve retention and expansion?
2. Is our offering evolving sufficiently with customer workflows? Are customers engaging with us differently?
3. Is our pricing aligned to true customer value?
4. How are AM and CS teams handling commercial motions for cross-sell, upsell, and renewals? Where are the friction points or where are they dropping the ball?
5. What are the characteristics of our highest churn customer groups? Lowest churn?

Activities to Start Now

- Enhance your customer marketing program to increase awareness and loyalty
- Optimize your customer coverage models, with more data-driven allocation of accounts per individual CSM or AM
- Review pricing and packaging to ensure they align with true customer usage patterns

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4. AI Is Simultaneously Transforming the Product and Execution

Most companies have incorporated artificial intelligence into their offerings. Far fewer have been able to put AI to work at scale for better commercial execution, even though an increasing number anticipate commercial headcount reductions due to AI. Leading organizations are demonstrating a direct relationship between AI-driven value and better revenue realization. And importantly, they are getting that value differently – through AI-driven decision support and contextualization rather than simple automation.

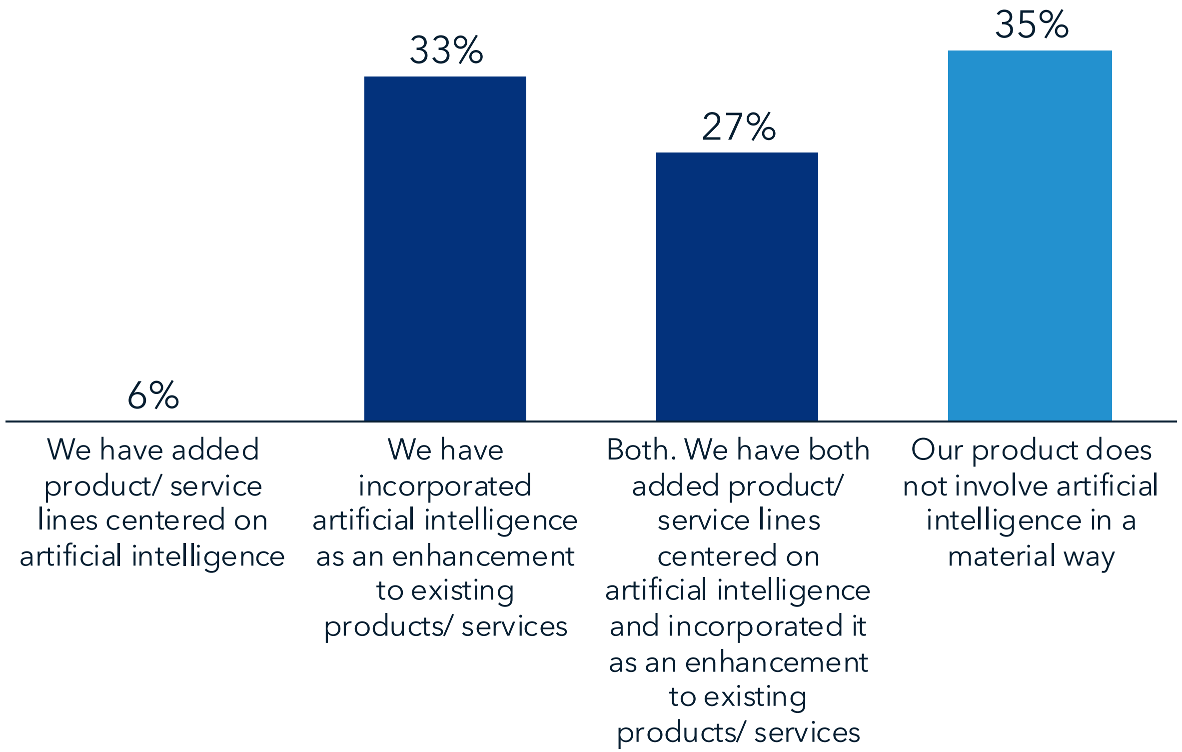
5. A Fast Start Is Critical To Full-Year Success

The Planning Imperative

For many companies there are new offerings to introduce, expand, price, and potentially renew for the first time, increasing the risk of faulty models. This gets coupled with tools that carry high promise of improving efficiency and dramatically shifting capacity models. Planning models require more varied and newer inputs than usual, making accuracy more challenging. At the same time, the risk of getting things wrong is higher than ever, as companies can find themselves over-resourced and inefficiently executing.

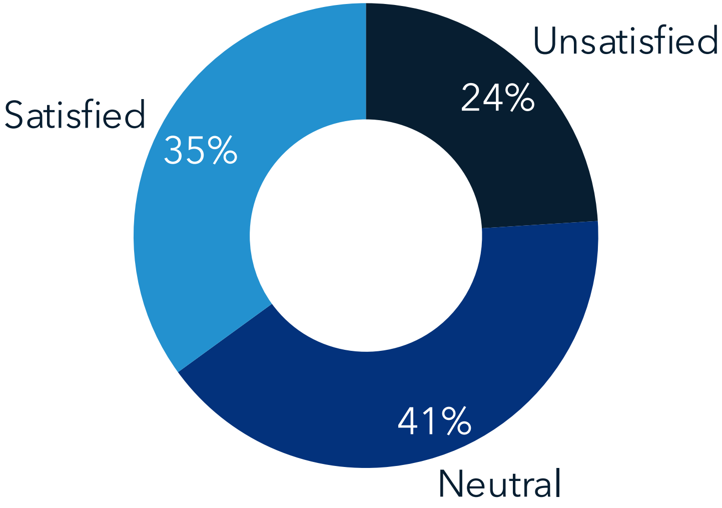
More than 60% of companies have incorporated AI into existing or new products, with mixed levels of success

Extent of Incorporation of AI into Products/ Services



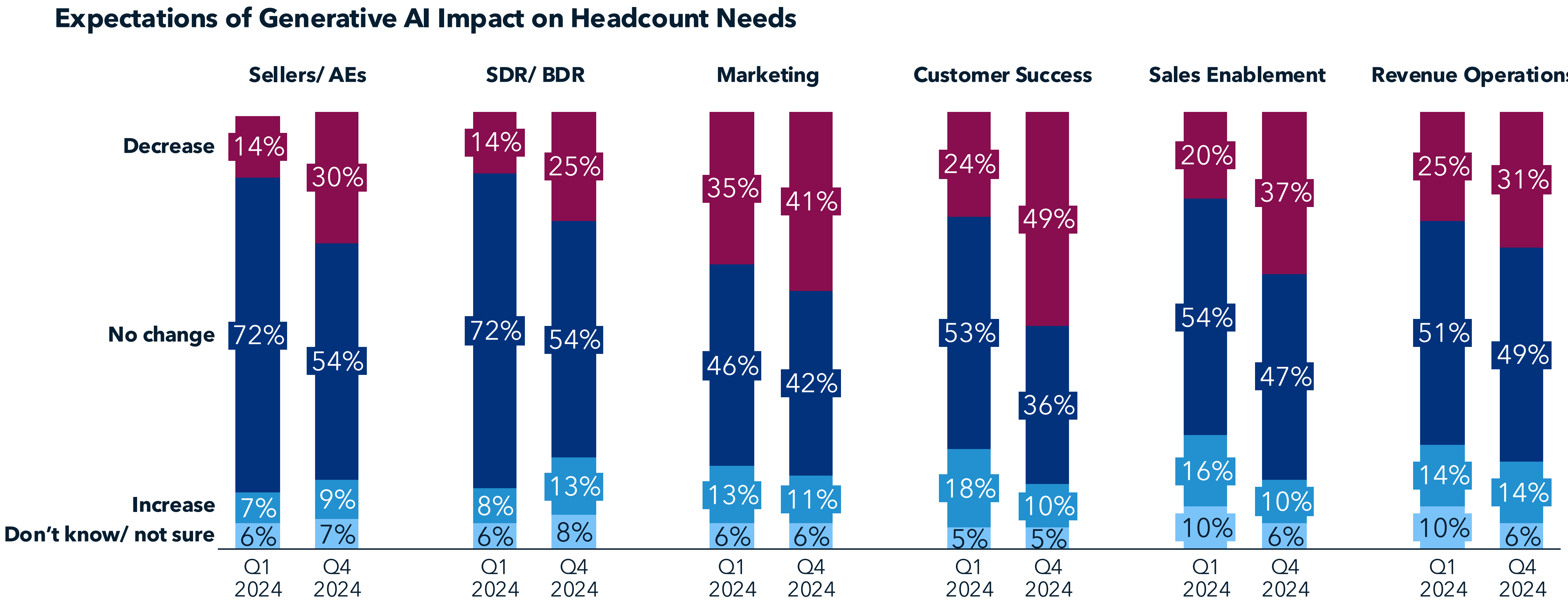
N = 120
Source: SBI Q4 2024 CEO Survey

Satisfaction with Ability to Monetize AI in Products/ Services to Date



N = 78
Source: SBI Q4 2024 CEO Survey

The portion of CEOs anticipating headcount reductions due to generative AI is growing



Q1 2024 N = 87; Q4 2024 N = 120

Question: What do you anticipate as the impact of generative artificial intelligence tools (e.g., ChatGPT) on your headcount needs in the following commercial areas by the end of 2025 [in Q1 2024 survey] / the beginning of 2026 [in Q4 2024 survey]?

Source: SBI Q1 2024 CEO Survey; SBI Q4 2024 CEO Survey

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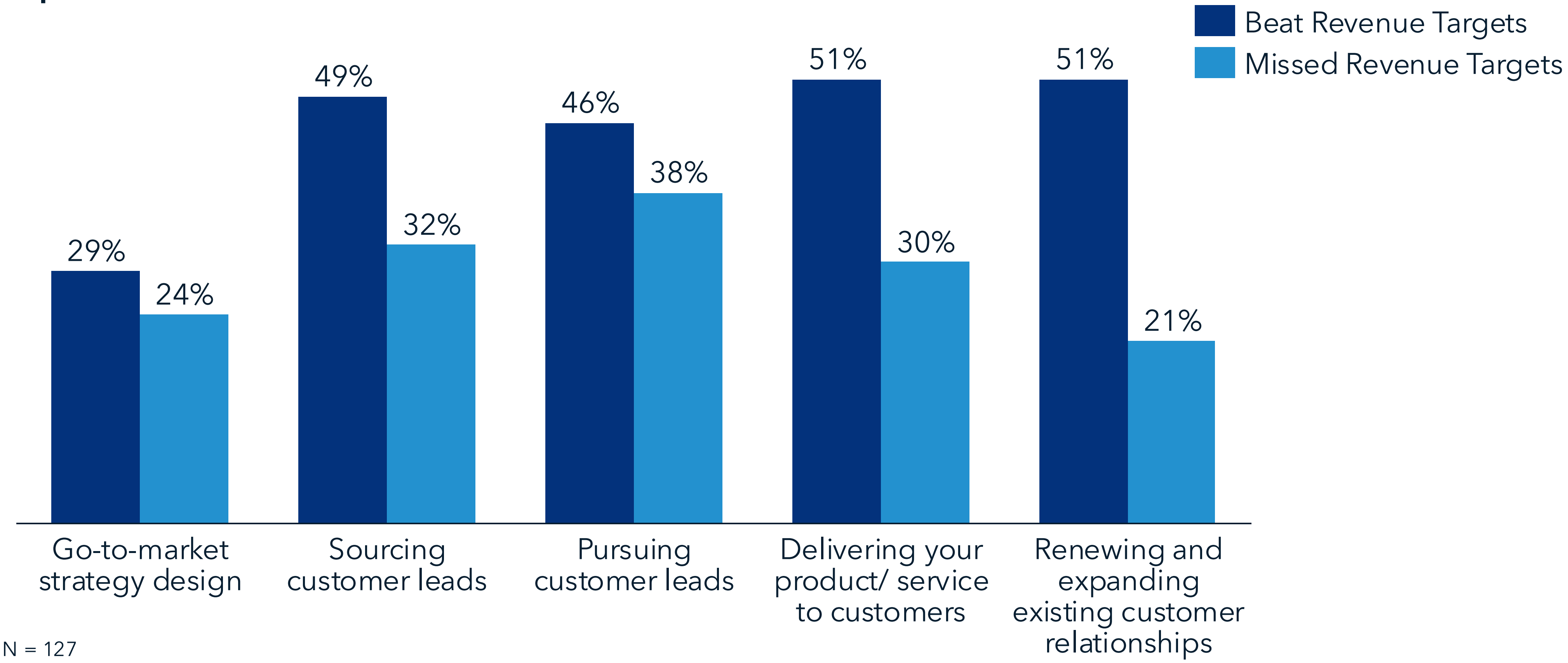
Those who beat targets are seeing more AI value across go-to-market

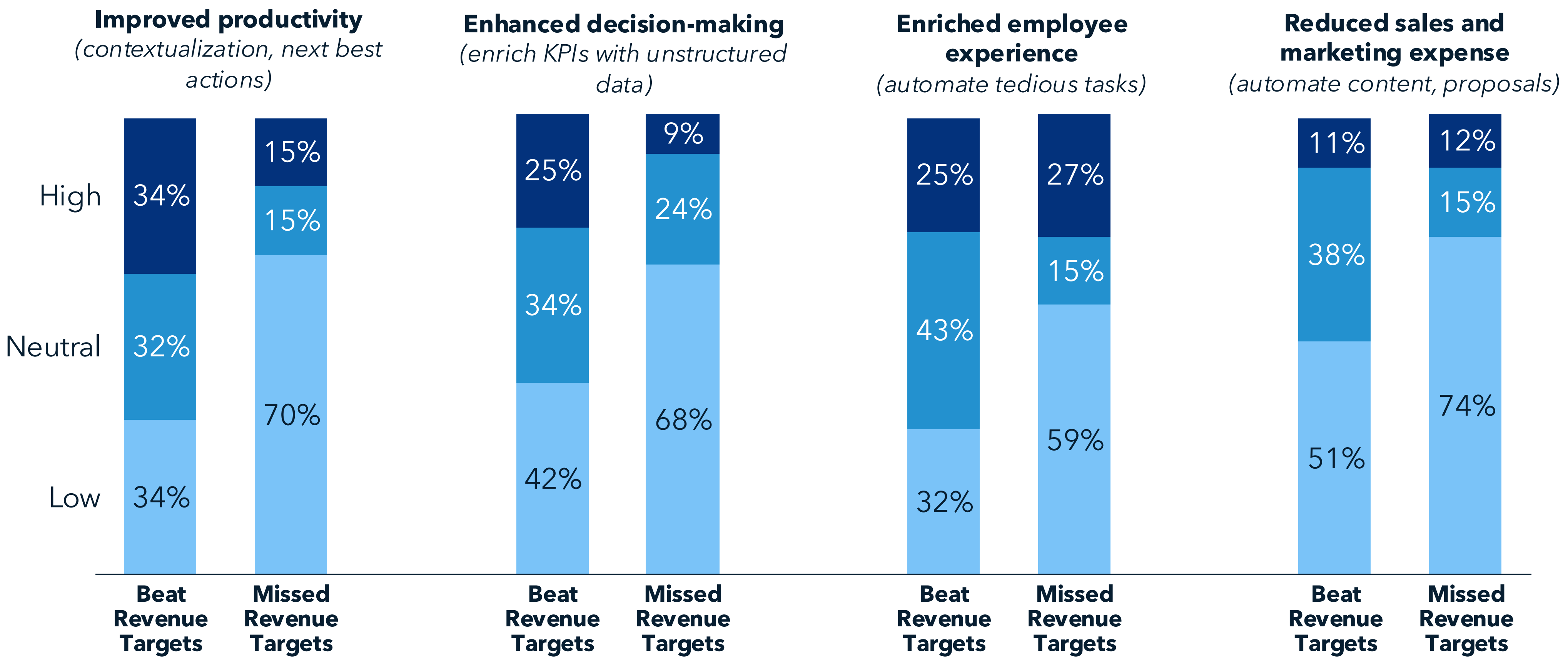
CEO's Reporting High Value Delivered So Far From Artificial Intelligence Across Commercial Operations



N = 127
Source: SBI Q1 2025 CEO Survey

Those who beat targets are more likely to be using AI for strategic value (decision-making and productivity), not just process automation

CEO Ratings of Value Delivered So Far From Artificial Intelligence



N = 127
(Totals may not sum to 100 due to rounding)
Source: SBI Q1 2025 CEO Survey

AI in Go-to-Market: What CEOs and their leadership teams should be thinking about

Questions You Should Be Asking

1. How can we be using artificial intelligence to accelerate improvements in our biggest go-to-market challenge areas?
2. How much more efficient can we expect to get across the next twelve months by using AI? What are the resourcing implications?
3. How are customers valuing AI as part of our offering? Are they paying more? Using us less?
4. Do we have the data foundations necessary to be using AI for decision support and deeper business intelligence?
5. Where are teams applying AI effectively and how can we learn from and scale that across the organization?

Activities to Start Now

- Conduct a comprehensive commercial tech stack audit to identify under-utilized and/ or overlapping capabilities
- Identify the top ways that AI can address your three biggest go-to-market challenges as a starting point for an AI strategy
- Evaluate and enhance your existing data foundations to enable AI-driven decision-making

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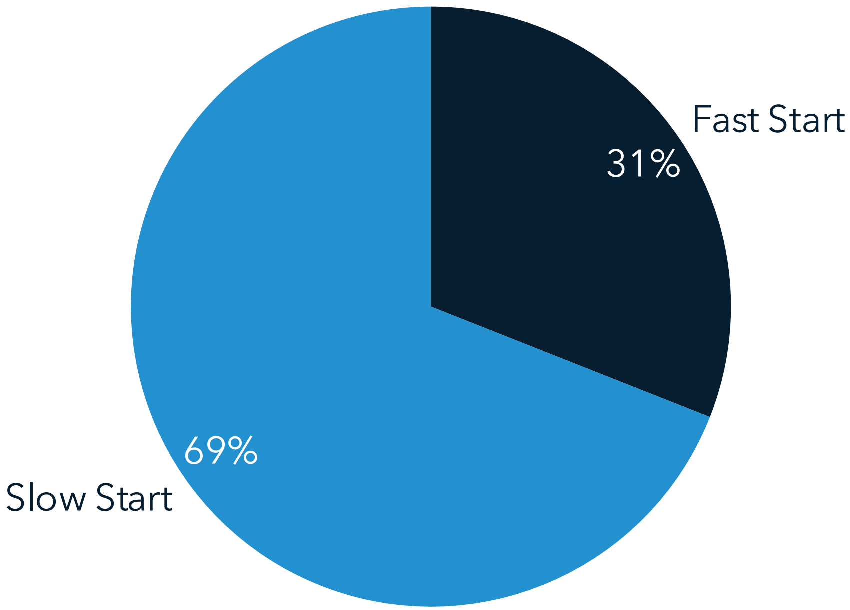
Companies that beat their industry peers in Q1 see a 6x higher full-year revenue growth rate than those same peers. And those that get off to a slow start have no better than a 4 in 10 chance of reversing course and ending the year as an industry leader.

The Planning Imperative

A fast start is only possible when the commercial engine is ready to go on day one, if not before. Companies that start their process too late either end up truly starting their year too late, or starting it with a plan they know is not as strong as it needs to be.

A fast start to the year pays off in 6x higher revenue growth for the full year

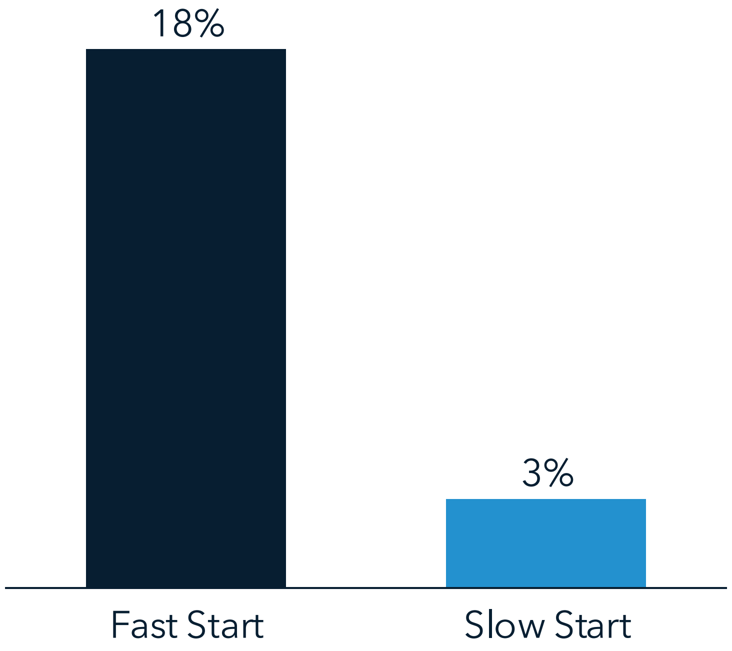
Portion of Companies That Achieved a Fast Start in Q1 2023



"Fast Start" is defined as achieving industry 70th percentile revenue growth rate in Q1 2023 over Q4 2022.

N = 606 public companies, $100m - $5b in annual revenue, in Healthcare, Insurance, Manufacturing, Media, Professional Services, Semiconductor, Software, and Telecom.

2023 Revenue Growth Rate for Fast Start vs Slow Start Companies



For most companies, Q1 is destiny

How Fast and Slow Start Companies End the Year

Fast Start Companies

Slow Start Companies

Start of Year **End of Year**

23% of companies **start fast** and **sustain**

27% of companies **start slow** and **rebound**

7% of companies **start fast** but **decline out of industry leadership**

42% of companies **start slow** and **never recover**

3 out of 4

Odds of ending the year strong after a fast start

4 out of 10

Odds of ending the year strong after a slow start

- Start Fast and Sustain: industry 70th percentile or higher revenue growth rate in Q1 2023; above industry median at end of 2023
- Start Fast then Decline: industry 70th percentile or higher revenue growth rate in Q1 2023; below industry median at end of 2023
- Start Slow and Rebound: below industry 70th percentile revenue growth rate in Q1 2023; above industry median at end of 2023
- Start Slow and Never Recover: below industry 70th percentile revenue growth rate in Q1 2023; below industry median at end of 2023

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Fast Start: What CEOs and their leadership teams should be thinking about

Questions You Should Be Asking

1. When do our commercial teams typically get new territory assignments and how can we accelerate that?
2. How much of our Q1 bookings are historically backlog vs new pipeline?
3. How often are we on-target in the first three months of the year? Where/ why do we typically miss?
4. How much stalled pipeline truly converts into bookings in the new year, and over what time horizon?

Activities to Start Now

- Solidify your annual planning set-back schedule, starting from an earlier-than-usual SKO
- Analyze your previous years' first quarter performance vs plan
- Analyze past performance against "big bet" growth levers

2026 Planning Starts Now

Critical planning steps that must happen now

Step 1

Align with executive team on growth levers

Step 2

Identify strategic bets

Step 3

Prioritize based on potential opportunity, time to impact, and ability to execute

Step 4

Create a Revenue Growth Office to manage execution

Planning timeline to be ready for a fast start at or before kickoff

04 Months Before

1. **Account Segmentation:**
   Understand which customers and prospects are most likely to generate the most 2026 revenue.

03 Months Before

2. **Routes to Market:**
   Use the output of Account Segmentation to ensure your routes to market are the most effective to reach the highest value customers and the most efficient to reach lower value customers.

3. **Coverage Plan:**
   Use the output of Account Segmentation to determine the number of people you will need for each type of role in the coming year.

02 Months Before

4. **Org Structure & Design:**
   Given the understanding of where next year's revenue will be generated, validate that you still have the right org design model. Refresh your headcount and productivity model to ensure you have the right number of people.

5. **Talent Assessment:**
   Determine if you have the next wave of leaders internally, or if you need to source them externally. Identify the A-player reps that you need to retain and build a plan to transition C-player reps' accounts to A-players.

01 Month Before

6. **Territories, Quotas, and Compensation Plans:**
   Market leaders ensure that at the beginning of the SKO, every rep has his/her territory, quota, and comp plan.

7. **Accelerate the Employee Lifecycle:**
   Develop an Employee Life Cycle Management Plan which Improves Bookings per Sales Rep through key inflection points in rep tenure.

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SBI's Wayforge platform provides AI-driven intelligence on four core growth dependencies to improve your return on go-to-market

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Growth Advisory

Growth Strategy

Assess **market opportunity** and **where time is being allocated** to better understand how to **improve commercial resource allocation**

Operating Model

Examine how your team is structured, **how effectively you're covering the market**, and where inefficiencies may be slowing down your performance

Commercial Talent

Evaluate the **makeup and performance of your sales team** – from ramp times and turnover to productivity gaps across top and low performers

Data & Insights

Measure the accuracy and usefulness of your pipeline, forecasts, and segmentation to **ensure you're making data-driven decisions**

https://sbigrowth.com/wayforge

About SBI

Guided by intelligence and forged through experience, SBI helps clients grow their revenue, margin and enterprise value in ways never before possible.

Working with us, leaders can expect confidence and trust with experienced partners every step of the way. We engage and support our clients as an extension of their team, both guiding and working side-by-side to deliver relatable, practical strategies that work for today and tomorrow.

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