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Use Revenue Intelligence to Set Revenue Goals for Next Year

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OK, I've done it again: Changed the calendar. It's September, and I'm already talking about next year's sales goals. But we all know that very soon we will all be working on next year's budgets and thus next year's sales goals.

First, I would like to say that despite what every accountant and CEO wants to hear, you don't build your budget and then take it to the sales leader and tell her: "Here's your revenue goal for 2014, develop a plan to get here." This approach almost always ends in failure to meet the goals (or worse). Why? Because they were unrealistic. Stretch goals or growth goals (both in revenue and in profit) are mandatory. But the question is, just how much?

If you want to be sure that the revenue supports the budget, define your revenue goals first, and *then* build the budget. And if there's a shortfall – for example, new costs for say expansion or product – then adjust the revenue goals along with your sales team and senior management to reduce the gap and figure out how to finance any remaining gaps. Just saying "this is what we need" does not make it so. Sorry, Captain Picard!

Let's examine some best practices in developing revenue goals:

- Never, never take last year's team number, multiple by a percentage, and well, you get the picture. The broader your parameters, the more inaccurate they will be.
- Remember the 80-20 rule when you create revenue goals, and focus on getting next year's revenue projection accurate for the 20 % of your customers who will drive 80% of next year's revenue.
- Ask each salesperson to rank their top accounts by revenue and likelihood to renew for next year. Literally assign points for revenue total and most likely to renew. Ask each sales person to have a conversation with those customers NOW and talk with them about what growth (if any) *they* expect next year. If they don't expect to grow, don't expect their purchases with you to grow. These accounts may not increase at all and could even decrease.
- Next, in the bigger customers, talk about the value they experienced over the last year by using your solution. Ask how your solution contributed to their growth or profitability – pick your favorite financial metrics to focus on. And talk about how you and your solution plan to contribute to their profitability or growth next year. If the customer didn't receive a proportionate value last year, you have work to do to before you ask

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them to increase their purchases next year.

- Examine the medium revenue accounts and ask each sales person what must happen for that account to purchase more next year. Is the driver something you can execute, or is it something the customer must do? For example, if you can confidently say that when you release the new product or upgrade medium accounts will jump on board – then this is revenue you can count on. If however, in order to buy more from you, your customer must generate new revenue from *his* product release, then you need to be damn sure that he's damn sure about the release date and its value to his customers.
- When projecting for new business, consider how many new accounts each sales person closed for each of the last three years and the average revenue each new account generated. Add a growth percentage to this commensurate with your position in the market, and you'll be close to accurate on the new business you can project.

Sit down with all this information and coach your sales team how to use this "revenue intelligence" to create revenue projections for each of their accounts. Aggregate this, add a stretch percentage, and you should have a realistic, achievable revenue goal.

Remember, SMART goals are successful when driven from the bottom up. So take charge now, and be the first to present your goals to the CFO. Beat her to her own game!