Strategies for Maintaining Revenue Growth

All too often, sales success in one period is contrasted by poor sales in the preceding or following periods. This sales fluctuation can be a very limiting factor in a company's attempt to build profits and establish consistent growth. During periods of high revenue, a company is often forced to outsource core production and/or service operations that are typically conducted internally at a lower cost. Outsourcing core production and operations can also often have a dramatic adverse effect on quality and customer satisfaction. This holds especially true for professional service oriented businesses.

While outsourcing core operations is a common mechanism for capturing marginal profits during uncommon peak production, it is typically preferable if possible, to smooth production and/or service delivery volumes to match a businesses output capacity. This allows a business to maintain a more consistent and higher resource utilization, which optimizes operating margins and provides for better product and/or service quality. Smoothing production also helps eliminate many of the indirect challenges associated with staff downsizing due to low production periods and allows a business to more effectively plan and handle "real" growth.

Unfortunately, for many businesses, such as manufacturers of short shelf life inventory or skilled service oriented businesses, production volume must closely match sales volume. While optimizations made to production and service delivery processes can help offset the challenges caused by fluctuating revenues, often the most effective mechanism to smooth production is to establish maintain a consistent and growing revenue stream.

Here are some strategies that you can employ to help your business build a consistent, growing revenue stream:

Strategy #1: Develop Success Metrics for Each Major Component of Your Sales and Marketing Life Cycle

Divide your sales and marketing operations into key life cycle stages that address everything from prospective client identification to closed sales. For each stage, determine at least four key success indicators to measure ongoing success. For example, a professional services firm may need to engage in ongoing prospective client identification. Success metrics for this process might include 1) Number of direct mail pieces sent to both new prospects and existing customers and number of corresponding responses; 2) Number of new and returning web site visitors and web site responders; 3) Number of new referral partners obtained and number of referrals made from existing partners; and most importantly 4) Number of qualified leads handed off to sales and the corresponding estimated revenue.

For the sales quote and proposal stage, example metrics might include: 1) Number of quotes and/or proposals submitted per month by product and by salesperson; 2) A ratio of the associated potential revenue compared to actual months sales; 3) Number of new accounts quoted each month;, and 4) Percentage of proposals won or lost.

Each metric should have a target against which success is measured. Targets should be re-evaluated and tuned to ensure sales goals are achieved on an ongoing basis. Increasing the level of activity or increasing number targets does not always translate to increasing sales, so ratios and other metrics should be used as well. Metrics should chain link together so that managers can see at every stage what it takes to drive the target sales volume to the end of process. For example, on average: how many impressions need to be made to generate a lead? how many leads does it take to derive one proposal? what percentage of proposals become orders? Answering these questions allows business managers to work backwards and formulate specific success metrics at each stage of the sales and marketing lifecycle.

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Another huge benefit of using specific success metrics it that they will also help business managers evaluate where potential revenue downturns exist and correct them before they show up at the end of the sales pipeline as missed sales goals for the period.

Sales and marketing managers should develop metrics for each salesperson and each sales team. Graph performance and make it available for the entire team to see. This will create friendly competition and most importantly, it will highlight what the most successful salespeople are doing so that others can follow suit.

Strategy #2: Forecast with Discipline

Most businesses with a direct sales force forecast sales and compare against planned sales goals. While the sophistication of a company's forecasting tools may vary greatly, generally each salesperson completes a revenue forecast each month that lists sales opportunities that have the potential to close over the next several weeks or months along with their estimated dollar value, probability of close, and key actions that have taken place.

As suggested in strategy #1 above, forecasting revenue helps sales management evaluate where potential revenue downturns exist and correct them before goals are missed. But perhaps even more important, the forecasting process gives each salesperson an opportunity to review his or her progress, address short term and longer term pipeline health, and prompts them to refine account sales strategies.

Typically, forecasts should be evaluated semi-monthly or monthly. Business with short sales cycles (less than 1 month) or high activity sales processes may even require weekly forecasting. When conducting the forecast review with the salesperson (individually or as a team), evaluate each opportunity that has the potential to close within the next 2 to 3 months, not just in the current month. The sales manager should also compare forecasts for the previous two months against what has actually transpired in the current month.

Through this review, both the salesperson and the manager begin to see important trends. For example, you may find that the negotiation stage is consistently taking twice as long as anticipated. You can then use this knowledge to establish better forecasts and goals moving forward. The sales manager may also identify trends where new prospect accounts appear each month but then disappear from the salesperson's list in the following month. The sales manager should understand and question why each account has appeared on the revenue forecast, verify that it matches with the businesses target customer profile, and track its progression (or lack thereof) through the sales process.

The sales manager should evaluate at what stages opportunities are commonly stalled in or lost and take actions to improve performance. The sales manager should also periodically call certain accounts that are either won or lost and understand from the prospective customer's viewpoint why they chose your company or a competitor.

Strategy # 3: Use Sales Quota Incentives That Build Long Term Value Creation

The use of sales quotas and bonus incentives can be a powerful sales performance driver. However, if this system is not implemented with forethought, it can dramatically amplify revenue fluctuation. This holds especially true in organizations that have a small sales force where the law of averages breaks down. Baseline quota goals, wherein sales representatives receive commission bonuses when a certain sales plateau is achieved in a given period, tend to amplify revenue fluctuation in the following ways: If a salesperson anticipates that he or she won't reach their baseline quota in a given period, they are likely to delay closing large revenue opportunities until the following period. Conversely, if quota goals are already exceeded, the sales representative may attempt to maximize bonus potential by over-aggressively closing as many opportunities as possible in the current period at the expense of sales margins, delivery capacity, and a heightened risk of losing the opportunities altogether. This short-term focus is commonly referred to as "draining the pipeline".

In contrast, a long-term focus on business goals combined with near term rewards can often provide a recipe for sustained revenue growth and long term value creation. To achieve this, many businesses are using history sales volumes, such as a 12 month rolling sales average, to determine commission bonuses on future sales. A high rolling average would result in a high commission on any sales transaction whether the sales representative is above or below their targeted sales for the period. Conversely, a low rolling average would result in a low commission. A tiered structure can be employed to dictate commission percentages at various rolling average ranges. With such a system in a place, a sales representative becomes motivated to maintain a consistent and growing sales pipeline for the current period and for the foreseeable future periods as well.

Strategy #4: Identify and Cultivate Key Referral Sources

For many businesses, referrals are one of the most significant sources of qualified leads. Best of all, referrals are likely to represent the most cost effective source of leads as well. Cultivating a strong network of referral partners who can identify prospects and help your company get its "foot in the door" will increase your ability to generate more leads and closed opportunities, reduce competition, and develop sustainable revenue.

Finding and cultivating key referral partners requires an ongoing effort. Local networking groups, industry groups, and business forums can be a good source of referral partners. Industry speakers and journal contributors may also be good people to make aware of your company. However, strategically identified businesses that provide complimentary services and/or products to those offered by your company may be your most productive referral partners.

Once you identify and engage with referral partners, create a campaign to boost their awareness of your company. Conduct both individual meetings and referral partner group gatherings that will prove valuable for them as well as your company on an ongoing contact process. First and foremost, referral partners want to be sure that you will make them look good by referring you. Their credibility is on the line. Proving your expertise to provide a high-quality service or product will become the key component of a long-term trusting relationship. Once credibility is established, you may want to also consider providing financial or other incentives for referrals to help motivate your partners when the exchange of leads is unlikely to be unbalanced. The point is this: they are providing you with value and you need to find a way to do the same for them in order to nurture these relationships over the long run.

Strategy #5: Make Data Capture and Analysis Easy

Put tools in place that make it easy to capture and analyze sales and marketing data. Using a CRM system can accomplish this. However, in order for a CRM system to work, several conditions need to be in place. First and foremost, it has to be both easy to use and useful to the salesperson (not just the sales manager) or it simply won't be used. Next, and only if the first condition is met, the CRM system needs to be made (read "required") to be part of the everyday workflow process for both salespeople and sales managers.

If both of these conditions are met, a CRM system can make it easy to track important sales metrics such as planned-to-actual sales and activity levels, forecasted sales by sales stage, lead source analysis, win/loss ratios, and marketing campaign results. CRM can also be a powerful tool for businesses with large or dispersed accounts by letting them view, update, and share customer sales information across salespeople and sales divisions.

Hint: To make CRM a profitable investment, it needs to be useful, flexible, and easy for all end users.

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