Essential but often overlooked metrics for revenue performance

What are the revenue metrics captured on your balanced score card that are enabling you to drive the growth you are after and giving you predictive insight into that future?

All organizations measure sales, but this is an historical measure that does not enable you to change behavior ahead of time to drive improved growth. It is vital to be measuring and analyzing data that enables you understand and predict the future and so modify behavior in a timely manner to drive the revenue performance you are after.

Many organizations capture the required data but are not using it as efficiently as they could be. At the other end are the data driven organizations that are measured to within an inch of their lives and have lost track of why they are measuring these things in the first place.

The goal is to measure the items that drive the real value for your organization and enable you to make better revenue decisions. Each organization will be different, but here are three metrics that we have seen make a real difference in organizations, their behavior and ultimately their revenue growth.

METRIC 1 and METRIC 2: Pipeline Velocity & Pipeline Progression

These two measurements assume you have understood clearly the buying journey of your customers and have defined a staged pipeline that reflects that journey.

You should then be measuring the time it takes for a person to move through each of the stages of the pipe (Pipeline Velocity) and the percentage of people making it from one stage to the next (Pipeline Progression). Currently the B2B average progression from new name to closed sale is 2.7%. That is, for every 100 leads tipped in the top, 2.7 turn into new business. Every business and industry is different. Do you know what the ratio is for your organisation?

Pipeline Velocity and Pipeline Progression can and should be measured and analysed on a company wide basis, they can be broken down by product, region, rep – and marketing campaign.

Key questions to ask include:

- Where are the blockages in my pipeline?
- Where is the greatest attrition of leads and why?
- What methods of and filling and advancing my pipeline are leading to the greatest number of sales?

A good understanding of these metrics can then be applied to predict what your future revenue will be. Based on the anticipated marketing activities coming up I can predict what % will flow through into new customers and revenue for the business and the timing of that revenue hitting the bottom line.

METRIC 3: Customer Lifetime Value

Customer Lifetime Value (CLV) is often talked about but many organizations fail to measure this absolutely critical metric. The value for those that do is significant if the data is leveraged and not just left sitting as a number on a page. Once we establish who the most profitable customers are we can start to gather vital piece of information that can drive how we both market and sell.

The bottom line is that until you know how much a customer is worth, and compare that to the cost of acquiring and retaining them, you simply do not know whether you are making or losing money. For many that realization comes way too late.

Analysis of the customers driving the greatest CLV will assist us with making some key decisions and driving activity including:

- Building a data driven Ideal Customer Profile ("ICP") – age, industry, size, location etc.
- Mapping lead Source: how they first came to find us should drive our future marketing efforts to capture more of these ideal customers.
- What bundles of products they are most interested in? This should empower our sales teams with valuable information to assist them in driving increased revenue through cross selling more effectively.
- Which customers should I exit? Some will not be profitable at all over time and so should not be engaged with..

There will be many other metrics that you will want to keep track of. Marketers will follow web site hits, conversions to leads, clicks opens and so on. Marketing ROI on campaigns will be an important metric to be keeping track of.

Sale and marketing will also be interested in customer retention / renewal rate, customer satisfaction and the average product per customer. These are all good metrics. No doubt you have many more. But without CLV and cost of acquisition and retention, none of the others matter very much.

> ***"The key with any metric you choose is that the data being captured is being used to make better business decisions to drive great revenue and ultimately greater profitability."***

About RPMG

Since 2005, the Revenue Performance Management Group (RPMG) has been helping organisations around the world use data and analytics to unlock the secrets to sustained revenue improvement. Across 139 clients to date, those clients have enjoyed year-on-year revenue improvement of 24%.

To learn more about how our Telemetry1 Revenue Performance Engineering solution can do the same for your organization, visit our website at www.rpmgi.com or email us at info@rpmgi.com.