The following content was originally posted on PointClear's ViewPoint Blog

4 Revenue Sources Most Revenue Calculators Miss

***Posted by** Dan McDade on March 1, 2016*

This is Part One of a two-part blog about how organizations with a complex sales process can improve accuracy in lead/revenue projections.

Most ROI calculators I see published are flawed. Many of the tools are designed to determine how much revenue an organization needs and where that revenue came from. However, that is overly simplistic and lacks critically important metrics. Revenue projected from the "write content and they will come" mentality is overestimated. The real potential of lead nurturing is ignored. Furthermore, necessary outbound investments are underestimated.

Nonetheless, senior marketing and sales leaders stumble forward only to wake up and find themselves behind before they get to the end of the month or quarter.

It doesn't have to be that way.

By including oft-overlooked metrics, and evolving your ROI Calculator into a comprehensive Lead/Revenue Calculator, you can get more accurate predictions of potential leads and expected revenue.

Simple ROI Calculators miss the mark in the following ways:

1. ***Not taking into account critical metrics, including revenue from the previous year*.** Total revenue goals for the current year should include an estimate of the percent of

revenue that will be retained from the previous year (this is important because many companies don't set retention goals.) Test your estimates for 2016 by going back to the end of 2015 and compare actual retained revenue with your estimates. If you didn't make an estimate, start doing so now.

2. ***Over-confidence in the impact of inbound-only strategies on revenue, including percent of new revenue that will come from inbound sources*.** Companies frequently overestimate the percentage of revenue that will come from inbound sources. Without measuring it year over year it's tough to accurately project what to expect. Additionally, inbound revenue estimates will allow you to course correct if the actual number is coming in below your projections—or is exceeding them.

Moreover, waiting for the market to come to you can end up hurting your results. If you wait for buyers to come to you it is likely that you are going to end up as column fodder in an evaluation already won by a more agile competitor. In January, 2016 Julie Schwartz of ITSMA stated:

"It's widely believed that 60-70% of the buying process is over before prospects want to engage with a salesperson. The premise is that there is so much information available online that salespeople are thought to be unnecessary in the early stages. ITSMA's data says that for high consideration technology solutions, ***this is a myth***. In fact, we believe just the opposite: *70% of B2B technology solution buyers want to engage with sales reps before they identify their short list. In fact, buyers perceive value in interacting with sales at every stage of the buying process—even the early stages.* In the epiphany stage they want education and unique perspectives; in the awareness stage they want product information and subject matter experts (SMEs); and in the interest stage they want benchmarks and best practices."

3. ***Inadequate consideration of the value of outbound nurturing of inbound and outbound leads, including the residual value of marketing/sales activity from previous year*.** Effective follow-up on pipeline, nurture and no-response prospects can triple the revenue from marketing campaigns. Failure to augment programs with outbound leaves significant money on the table and can keep you from meeting revenue goals. Read this white paper to learn more.

4. ***Lastly, is the extent to which most B2B considered sales situations depend on proactive efforts to hit their number.*** Per The Aberdeen Group:

"Teleprospecting is a valued complement to content marketing and inbound marketing and should be a component of any MQI-to-MQL Nurturing program. In fact, **Aberdeen research** shows that 60% of leads, on average, still come in through outbound marketing efforts – vs 40% from inbound." (*From CMO Essentials)*

In Part Two of this blog, we will provide a Comprehensive Lead/Revenue Calculator and some benchmarks for what to expect from the four categories of revenue discussed in this blog.

Posted by *Dan McDade on March 3, 2016*

This is Part Two of a two-part blog about how to improve accuracy in lead/revenue projections in organizations with a complex sales process:

To recap part one, simple lead generation calculators miss these four things:

1. They don't take critical metrics (like last year's revenue) into account
2. They have too much confidence in inbound-only strategies
3. They devalue the importance of outbound nurturing
4. Outbound still supplies a majority of leads for your company (from Aberdeen Research)

Comprehensive Lead/Revenue Calculator for 2016

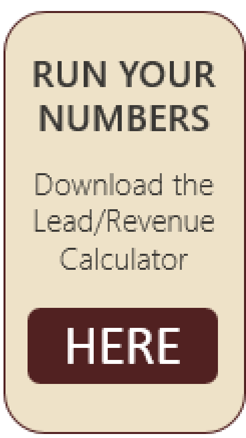
We have developed the following comprehensive Lead/Revenue Calculator that factors in metrics frequently ignored in the planning process, and addresses other shortcomings often found in these sorts of tools. This is a model you can adjust to fit your company; so multiply, add zeros, adjust percentages or make whatever other changes you feel will shed light on your lead generation situation.

Lead to Revenue Calculator	
Prior Year Revenue	$3,200,000
% Prior Year Revenue Retained	70%
Revenue Retained	$2,240,000
Current Year Revenue Goal	$5,000,000
Current Year Net New Revenue Required	$2,760,000
% Expected Inbound Revenue	35%
Expected Inbound Revenue*	$966,000
% Expected Nurture Revenue	11.25%
Expected Nurture Revenue*	$310,500
Current Year Net New Cold/Outbound Revenue Required	$1,483,500
Average Deal Size	$200,000
Net Number of Deals Required to Close	7.4175
Close Rate	10%
# SQLs Required	74.175
Lead Rate (outbound)	5%
# of MQLs required	1483.5
% of Business Sourced by Sales	35%
Net Number of MQLs Required to Hit Number	964.275

**Sales still has to close these deals*

SiriusDecisions Demand Waterfall acronyms: MQL = Marketing Qualified Lead, SQL = Sales Qualified Lead

The Lead/Revenue Assumptions



The assumptions embedded in the example above are industry benchmarks OR based on our actual experience over twenty years with clients. For example, we estimate that inbound marketing efforts will produce about 35% of the gap revenue. Some of the other assumptions are estimates from SiriusDecisions Demand Waterfall metrics on the "Average Company" vs. their best-in-class averages. While many industries estimate that sales reps source 60% of their own business, the reality is that each company should provide much more support. Hence the 35% used in this example.

Additional Things to Consider

Most lead/revenue calculators start with the desired revenue and take an arithmetic approach to calculating the number of leads needed to hit the number. There are two problems with that approach:

1. While I recommend backing in to the number of leads needed, many companies have a tendency to overestimate average deal size or oversimplify the value of a deal, hence underestimate the number of leads required to meet revenue goals. Here's an example:

A deal in January is better than a deal in any subsequent month; and, a deal in Q1 is at least three times better than a deal in Q4 from a revenue standpoint—especially in a recurring revenue model. If the average deal size is $15,000 per month, a close in March yields $135,000 in the current year while a close in September yields $45,000. Even if the deal is not recurring, closing early rather than later allows for acceleration of add-ons, upgrades, consumables, etc. A true understanding of the impact of deal size and deal value is essential to arriving at lead predictions that will hit the number.

2. One lead/revenue calculator I've seen uses the term "lead" loosely. It calculates the number of MQLs (Marketing Qualified Leads) that need to be generated to hit the number rather than SQLs (Sales Qualified Leads). If, for example, it takes 742 MQLs to generate 8 deals; the deals will be won ONLY if sales accepts responsibility for following up on the 742 MQLs; or their organization does that for them. Because if you dump 742 raw MQLs on any sales force there is a better chance they will ignore all of the leads rather than work any of them. Why? Because few sales executives are going to work leads when only one out of ninety-two are actually perceived as worth their time. Sales has been conditioned to expect poor quality leads from marketing and rarely follows up on raw, unfiltered so-called leads. The calculator you use needs to arrive at the number

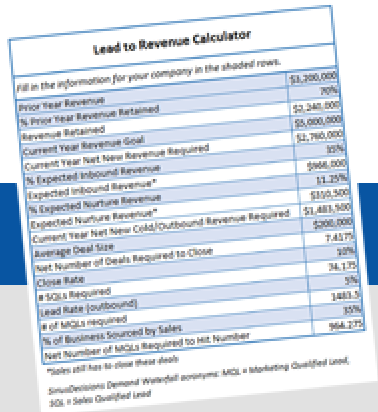
of SQLs and your process needs to assure that those are the *only*l eads turned over to sales.

The problem of dumping leads on sales is not new, but seems to get worse every year. Many marketing departments have a quantity versus quality view of their job. Each year their budget is cut. At the same time they are required to generate more leads than the previous years “quota.” So, they might look at marketing automation, for example, to score leads and end up being able to send more, poor-quality leads to sales faster than ever before.

Or, they might go the route of using content aggregators to identify hand-raisers (e.g., whitepaper downloaders) and send those hand raisers to the field as qualified leads. In one experience (with a very large software company) content aggregator leads cost $23.15 “raw,” but $2,660 per qualified lead (only 1.8% of them were actually qualified). If you spend $92,600 to generate 4,000 so-called leads (4,000 x $23.15) most of the raw leads will be lost as the field is unlikely to follow up 100 leads to find 1.8 qualified accounts. In short, you will be throwing money away.

What should you do? Run the numbers for your company using the downloadable calculator (note that it is the same as the model in this blog but it will calculate based on your input.) *Or* let us do it for you. We would be happy to walk through the numbers with you so that you have the most objective goals possible for the balance of 2016.

I guarantee that you will be surprised by your actual metrics (or lack thereof), how you stack up against best-in-class companies—*and* that you will look at the challenge of making the 2016 number a whole lot differently than before.



Lead to Revenue Calculator

Fill in the information for your company in the shaded rows.

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