SP SALES PRIMER

SETTING a REVENUE TARGET

Choosing a precise Revenue Target can be difficult. It should be a number that's realistic, achievable, and easy to communicate. But your goal should also be tied to a specific and sensible, time-bound milestone in the growth of your company. In what stage of development are you at as a venture? What should be your next logical revenue goal for overall growth?

AVERAGE DEAL VALUE

Choosing an "average" deal value can also be challenging in some situations. What's most important is to think of "deal values" not in terms of "price points," but in terms of the total cash amount that the customer is expected to spend during a specified timeframe. If you have limited historic data, then use a more conservative number for a starting point. The Sales Primer tool enables you to change these assumptions with ease over time.

TARGET DEAL VOLUME

Regardless of your revenue goal or deal value assumptions, what's essential for any sales team is to understand the total number of "Deals" you need to achieve by the end of a specified timeframe. It's the "Deal Count" that drives the total "Effort," and all other metrics, behind with your Sales Program. Understanding the number of "Deals" or "Transactions" you need to close is the logistical linchpin of your model.

Consider some of the following developmental stages as examples. Then choose a Revenue Target, Average Deal Value, and Target Deal Volume that makes the most sense for you at this time.

Market Validation —> Your goal may simply be to secure a small number of pilot clients to test your minimum viable product (MVP) and value proposition assumptions. In this example, Cool Co has a Target Deal Volume of 10 pilot clients at an Average Deal Value of $25k each. That translates into a $250K Revenue Target They want to achieve this goal over the next 12 months.

1 Goal

Revenue Target ❓		Average Deal Value ❓		Target Deal Volume ❓
$ 250,000	÷	$ 25,000	=	10

Scenario Timeframe (in months) ❓   12

User Adoption - You may be informed that new rounds of investment will become available when you've achieved a minimum user count or # of customers. In this example, Super Cool Co. has learned that wining 25 clients can trigger a further funding round. That equates to a Revenue Target of $625K over the next 12 months, if we continue to assume an Average Deal Value of $25K.

1 Goal

Revenue Target ❓		Average Deal Value ❓		Target Deal Volume ❓
$ 625000	÷	$ 25,000	=	25

Scenario Timeframe (in months) ❓ 12

Recurring Revenue Milestone —> Similarly, you may be informed that new rounds of investment will become available when you've achieved a recurring revenue metric for the company. In this example, Super Cool Co. has learned that, by reaching $1.0M in annual recurring revenues (the "Revenue Target"), they'll trigger VC-level investor interest. With an Average Deal Value of $25K per client, their Target Deal Volume is a sustained book of 40 clients.

1 Goal

Revenue Target ❓		Average Deal Value ❓		Target Deal Volume ❓
$ 1000000	÷	$ 25,000	=	40

Scenario Timeframe (in months) ❓ 12

Break-Even —> You may be commercially active for some time, now, and your next objective is to achieve "self-sustaining" operations in the form of cash-flow positive revenues and break-even performance. What we refer to as "survival state." That goal could dictate your next revenue target. In this example, Super Cool Co.' CFO has determined that they need $1.50M in total recurring revenues (the "Revenue Target") to break even. With an Average Deal Value of $25K per client, their Targe Deal Volume for this year is a sustained book of 60 clients.

1 Goal

Revenue Target ❓		Average Deal Value ❓		Target Deal Volume ❓
$ 1500000	÷	$ 25,000	=	60

Scenario Timeframe (in months) ❓ 12

Scalable Growth —> You may be well past self-sustaining and are now attempting to achieve a significant year-over-year growth multiple. Perhaps a doubling of revenues over the year prior. Rapid growth multiples, in turn, could trigger an investment round or an acquisition for exit. In this example, Super Cool Co. has set a Revenue Target of $3M, which is double their revenue from the previous year. Using the $25K Average Deal Value, their Target Deal Volume will be 120 new clients.

1 Goal

Revenue Target ❓		Average Deal Value ❓		Target Deal Volume ❓
$ 3000000	÷	$ 25,000	=	120

Scenario Timeframe (in months) ❓   12

Now It's Your Turn…

Using one of these scenarios, or creating one that is customized to your situation, calculate your Revenue Target, Average Deal Value, and Target Deal Volume. Once you're satisfied, transfer this onto your online Sales Primer tool. And don't forget, you can run as many different scenarios as you like with "Sales Primer Live."

1 Goal

Revenue Target ❓		Average Deal Value ❓		Target Deal Volume ❓
$	÷	$	=	0

Scenario Timeframe (in months) ❓