

4 Levers for Profitable Revenue Growth

How you can make small changes to generate a large impact on sales revenue performance.

Introduction

When it comes to generating increased revenues there are 4 key “levers” that every business owner needs to consider.

Some of these are simple, tactical changes that can have a big impact on your top line growth. Others require more strategic consideration since they can have a significant influence on the direction and development of your business.

Either way, they remain the fundamental ways which you can drive sales growth and improve revenue performance.

The 4 levers for revenue growth are:

- 1) Lead generation
- 2) Sales conversions
- 3) Sales value
- 4) Sales frequency

In this article we’ll look at each in turn and touch on aspects of each which you can apply to your business today.

Lever # 1: Lead Generation

When most people think about lead generation they think about one thing: *volume*.

And, whilst it’s true that putting more in the top of the pipeline can result in more sales, that can be too simplistic.

If you’ve got a commodity product or service in a huge market then simply cranking the lead generation handle harder may be the right answer for you. But for many small businesses, generating increased sales through lead generation isn’t always about volume.

You see, lead generation is really about generating the *right type* of leads.

Generating leads without thinking about their quality will impact on your ability to convert sales, your average sales value and the type of customer that has the scope to become a major account.

Of course, it’s always a balance of quality vs. quantity, which drives the lead generation tactics you deploy to deliver your sales objectives.

Getting the optimal mix for your business is crucial, since generating leads that fail to deliver the right quality of sales opportunity will result in a negative impact on the remaining three levers.

So, when you think about increasing revenue through lead generation don't just think about increasing the volume of leads. In fact, increasing revenue is sometimes best driven by *reducing* the volume and increasing the quality of qualified sales leads. This is particularly true for small business owner who don't have the resources to chase a large volume of leads but where one or two major deals can massively transform revenue.

One indication that you need to think about lower volume can be a high number of leads that fail to progress through the early stages of your sales process.

Another point is that all lead generation tactics are not equal, that is to say they each have their pros and cons. A good example of this would be comparing referrals to telemarketing leads.

Referrals are the best leads you can get. They're often at an advance stage of the buying cycle and your business is effectively pre-sold. Plus they (usually) cost you nothing.

If you get enough referrals to support your revenue growth aspirations then maybe you need to look no further.

However, the downside of referrals is that they are hard to build into a business plan (you never know when you'll get the next one) and they don't always support the strategic direction you want to take the business.

If we think about a more traditional lead generation resource such as telemarketing it's almost the opposite of a referral. The average cost-per-lead for telemarketing can be expensive. However, as a lead generation tactic it enables you to push into strategic accounts that support 2 of the other 3 levers.

If you're looking to transform your business by winning major accounts then telemarketing can enable you to target prospects that would have a larger average sales value and scope for increased sales frequency. Your sales conversion ratio will definitely be lower than with a referral but if it takes your business in the direction you want then it could be the best approach.

These trade-offs between cost-per-lead, sales conversion ratios, average sales value and sales frequency are true of any lead generation tactic. When you come across a marketing agency that's only pedalling one tactic as “the best”, be cautious.

Think about a mix of lead generation tactics rather than a single magic bullet.

Lever # 2: Sales Conversions

If lead generation is your marketing lever, this one's all about sales.

Increasing sales conversions is one of the quickest ways to generate more revenue and, unlike lead generation, it doesn't need anywhere near the same level of investment. Plus, once you've made the improvements they require no more investment, which makes both a significant impact both on your immediate sales performance and *all future revenues*.

Sounds great? Well, here's the rub: whilst, if you had deep enough pockets, you could just throw more money at lead generation, improving your sales conversions means that you need to do some hard thinking and make changes.

Whether you're a business owner who also sells, or you have a dedicated sales team, the finger is now pointing at you.

So how can you improve your sales conversion ratio to impact on revenue generation?

You need to look at two things – *process* and *skills*.

If you listen to sales trainers they'll tell you that it's all about sales skills. Consultants will tell you it's about the process. The reality is it's a bit of both and working on either will have an impact.

From a process point of view you need to break down your current sales process and look at any bottlenecks or leaks.

Now, before you start telling me that you don't have a sales process let me tell you that you do – *you're just not aware of it*.

Start by breaking down all the steps you currently take to get to an order. From receiving a lead, following up, preparing a proposal, presenting to the prospect, all the way through to closing the sale, delivering your product or service and getting paid (yes, it's not revenue until you get paid).

You could then look at all the deals you have over a given timescale and see what happened to them. Do this for those you won, those you lost and those that stalled. Where did they fall out the process? Where did they stall? Did they all follow the same process or did some skip a few steps?

Use this approach to find common themes for lost, won or stalled deals.

Also, this approach will give you an insight into the types of leads that convert with your current process which you can use to adjust your lead generation lever and improve quality – which impacts on your sales conversion ratio without doing anything else.

Looking at your sales process doesn't have to be time-consuming; we facilitate a half-day workshop which will get you there.

The other aspect to improving sales conversions is “sales skills”.

Rather than just go out and buy “sales training”, I've found the best approach is to have an experienced salesperson work with you and your team to find out what you currently do. It's usually the simple things which can be easily changed and have the biggest impact.

Most people think it all comes down to closing and if they could learn the top 10 killer closes they'll immediately increase revenue.

In my experience of over 20 years managing sales teams, canned killer closes don't work. If there is an issue with closing it's usually that the salesperson doesn't close.

But closing isn't everything and I've always believed that a good sale closes itself.

To me, the skills that let salespeople down the most are rapport, questioning, presentation skills and negotiation.

The latter, negotiation, is normally overlooked and often not seen as a sales skill but think about this: if all you did was negotiate better by 10% (or, more realistically, avoid losing 10% of the deal value) you can significantly increase revenue growth.

And, of course, we're not just talking about new business but existing customers.

Lever # 3: Sales Value

In some ways, following on from the previous point about negotiation, increasing the value of each sale is the easiest way of increasing overall revenue growth.

It sounds obvious really, doesn't it?

And of the simple, tactical things that you can do, up-selling is a perfect example of how you can generate more revenue.

If you have different levels of product or service, do you or your salespeople naturally offer the lowest option first? Could some skills development help them more effectively up-sell?

For example, let's say you only have just one level of product or service. What if you added a “premium” level with either a higher specification or additional added value services? You can still sell the current level of product or service but adding the higher level gives you the opportunity to sell more.

Which brings us to probably the most overlooked way to increase revenue - *pricing*.

I've often sat down with business owners and asked how they came about the price they charge for their product or service and it generally boils down to “that's the market rate”. In reality, particularly for products and services in early stage markets, it's usually just a number that you made up.

Pricing should be considered a strategic part of your business development plan¹.

For example, if you predominantly sell to SME's there's usually a ceiling limit in terms of their ability to pay. If you decide that you want to start chasing larger corporate accounts you may find that you need to actually increase your prices (even for the same service level) in order to be considered. This is true in areas such as consulting and training.

And of course, winning major accounts is a proven way of increasing sales value.

It's not easy and carries a large risk since you will commit a lot of resource to open doors, put together a winning proposal and jump through the hoops. But, winning a marquee account can have a transformative effect on your business with significant revenue growth coupled with a jump in resources, credibility and business value.

For many start-ups, winning that first major account means that they're now “in the game”.

Lever # 4: Sales Frequency

Finally, let's look at the fourth lever for revenue growth – increasing the sales frequency or, in other words, getting customers to buy more often.

In the same way that up-selling can facilitate increased sales values, cross-selling is a perfect way to increase sales frequency.

Do you sell a range of products or services? Do all your customers buy the full range? Why not implement a cross-selling programme?

Adding additional products or service lines to your range needs to be considered in terms of your overall business objectives. There can be some wide business implications in terms of inventory costs and additional resource capabilities but it opens up the opportunity to sell more.

In addition to cross-selling you should also look at how your business model can be changed to facilitate increased sales frequency.

For example, many consulting firms, who traditionally have a project based model and are therefore reliant on the classic “feast and famine” of infrequent client

¹ A good resource on this subject is the book “Pricing on Purpose: Creating and Capturing Value” by Ronald J Baker. Publisher: John Wiley & Sons (17 Feb 2006) ISBN-10: 0471729809

revenues, have moved into outsourced or managed service lines. This provides both an additional revenue stream (cross-selling) plus a business model that enables frequent client billing to smooth out the peaks and troughs of project based engagements.

Another example would be a company selling capital equipment adding consumable sales, spares and planned maintenance contracts to its product/service offering.

How much is your business model contributing to the frequency of revenue from each customer? What could you change to make it easier for customers to keep coming back?

Summary

Thinking about these 4 levers for profitable revenue growth will help you put together a business development plan to deliver significant improvement in sales.

It may be that you only need to use one level to hit your targets. Equally, a small tweak of each can have a compound effect which provides a transformative boost to your business.

Investing time on this, whether it's with your management team or an external facilitator, doesn't need to be complicated and I've often found it's the simplest changes that have the biggest impact.

Start today.

About the Author

David Regler runs Maine Associates Ltd, a business development consultancy delivering lead generation and outsourced sales programmes to drive profitable revenue growth.

Office: 0845 652 0697

Mobile: 07981 516304

Email: david.regler@maine-associates.com

Web: www.maine-associates.co.uk

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