Are You Creating Enough Revenue Impact to Hit Your Q2 Number?

A MultiplyGTM Whitepaper

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With Q1 behind us, we now have less than 90 days before the end of Q2. And so, the cycle begins all over again… A new quarter, new targets to hit.

For me, while Q1 was exciting, recent social media posts with regards to GTM and SaaS honestly felt a tad negative. I don't think a day went by without there being some type of posting on LinkedIn about the terrible state of affairs with regards to sellers hitting (or rather, not hitting) their quotas. If supposedly only 31% of sellers hit their quotas in 2023[1], for example, why on earth would we ever enter the domain of SaaS sales?

Are quotas simply out of whack? If they are out of whack, I'd argue (and have been arguing for many years now) that it's because too many organizations come up with a goal without firstly building a plan to get to that goal – they don't consider the journey required.

However, I don't actually believe that aggressive quotas are the sole root cause of reps missing their targets. I think it's also because reps don't know what level (and area of focus) of activity they should be generating throughout the quarter. Activity being time and energy spent moving a deal or opportunity from stage to stage. Not enough guidance as to that journey is given and instead too much focus on simply closing a deal.

Shouldn't we be ensuring that we are generating sufficient **activity** to support a goal? Yes, our plan may be overly aggressive, but even if it is, wouldn't it be useful to understand how much activity we should be conducting to give us a fighting chance of hitting our number? Again, focus more on the required journey and not the outcome. Successful outcomes occur because of successful journeys and yet when it comes to revenue planning, to date, very little attention has been given to determining optimal paths to revenue success. Instead, focus has fallen back to 'just hit the goal'.

As a rep, being told "*here is your Q2 number, go, go, go…*" isn't at all helpful. Why? Because it doesn't give that rep any form of guidance as to HOW to hit that number. What is needed is some means of determining and then tracking required activity (not revenue) to successfully march to that 90-day Q2 goal.

Some organizations totally get it. For example, Winning by Design's Revenue Architecture Framework is built upon the premise of "***recurring revenue** is the result of **recurring impact***", and I 100% buy into this. If we focus on impact drivers rather than the outcome, then success will inevitably follow. At the end of the day, it boils down to simple math.

[1] Ebsta | Pavilion 2024 B2B Sales Benchmark Report

Recurring revenue comprises three primary sources:

- New sales/acquisition
- Retention
- Expansion

The relationship between these three revenue sources is complex[2] and all three need to be aligned, carrying their respective weight, in order for revenue growth to occur as expected. Focus too much on new sales and you will not experience the magic of revenue growth through retention; wait too late to pivot from new sales to expansion and you'll max out on what you can sell and, who you can sell to. Again, a lot has been written about this but where I think there is opportunity to truly improve is to better understand and actually **quantify** the required amount of activity needed to drive necessary impact for each of these three revenue streams.

To support that thought, I'd like to introduce a concept called the Throughput Index™.

Stating the obvious, but revenue is typically measured in money e.g. $. Therefore, it makes sense to also measure what drives revenue, which is revenue impact, also in money. How much monetary value am I generating in my business? Sounds simple enough right?

It's important to understand, measuring generation of monetary value is more than just looking at how many deals did we win? Generation of monetary value actually occurs well before a deal is closed!

Every time we nurture a deal or opportunity through a stage within the sales pipeline, we are creating value – we are literally breaking the laws of physics by creating energy (well, value in this case) as we progress a deal through to closed-won.

Actually, that is not quite true. we are not CREATING value; we are MOVING value from the total addressable market into our own world of loyal clients. We are identifying value, capturing it and then channeling it through various revenue sources (new sales, expansion, retention) to contribute to our overarching recurring revenue goal.

If we knew how much revenue movement we needed, on a daily basis, to drive not just from stage to stage within our pipeline but, more importantly, between the three revenue sources, then we could determine whether we are doing sufficient activity or whether we need to pivot.

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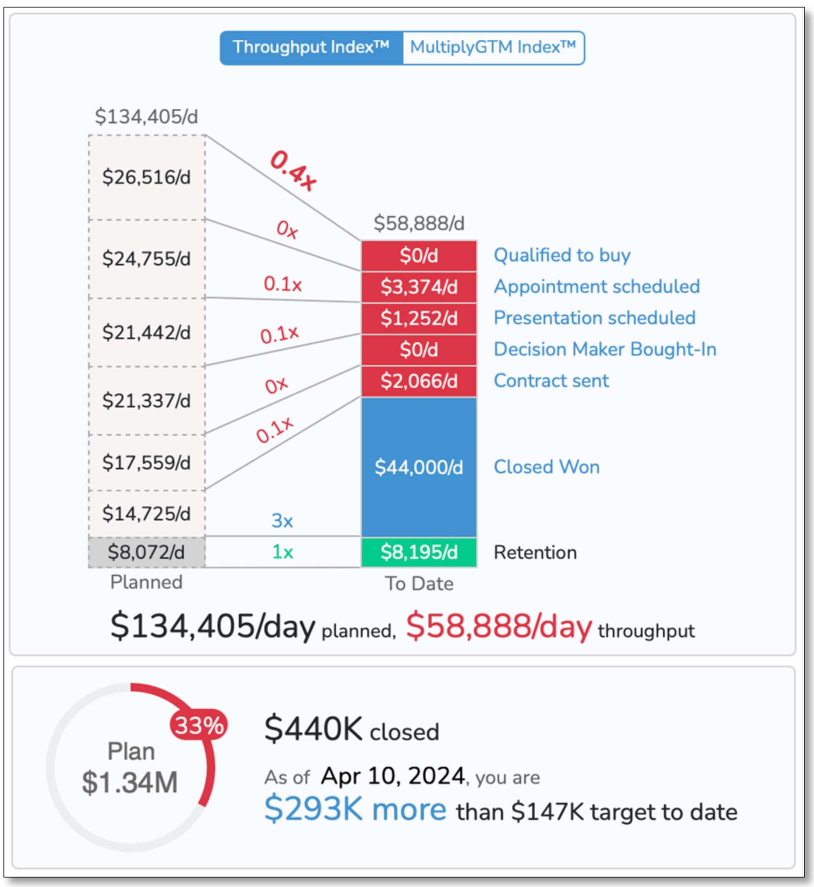
[2] https://multiplygtm.com/blog/recurringrevenuegrowth

Knowing this, we can easily course correct, keeping to our planned trajectory and ultimately hitting our number!

So, the Throughput Index™ is exactly that. It is a measure, not of how much pipeline we have built up (that is simply a state of play at any given time), but instead, a measure of how much movement, in terms of value, we are **driving**. e.g. new sales for North America requires at least $134K throughput per day in order to support the bigger picture path to our Q2 number. Subsequently, within that $134K /day number, how much of that should be top of funnel movement, versus bottom of funnel?

The figure below shows a simple example of reporting the Throughput Index™. Against a Q2 goal, required Throughput Index™ is $134K/day. In this example, we are achieving only $59K/day – we need to up our game if we are to hit our Q2 number!

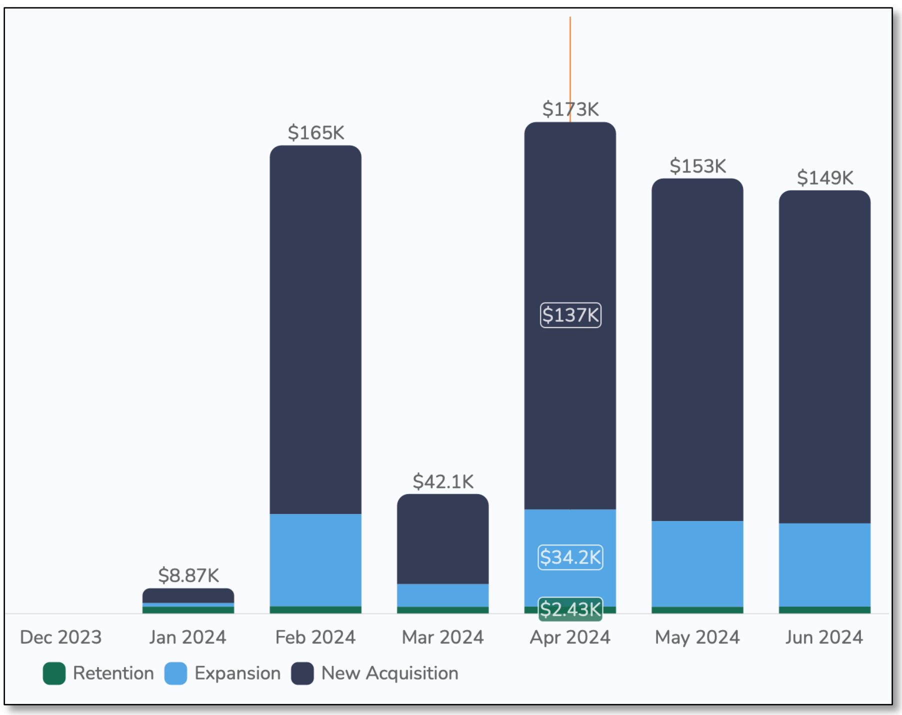


Example of Planned vs. Performance to Date Throughput Index™

We can also see required throughput by stage e.g. we need to send out $18K worth of proposals per day to support our goal, yet right now, we are only generating just over $2K/day – a massive bottleneck in our sales pipeline.

Further, while we have closed 3x what we needed to close as of today (good right?), our upper pipeline activity is going to hurt us as the fiscal quarter further progresses (too much red in the upper pipeline). Our closed won to date number is a red herring! We are causing a problem early in the quarter that wouldn't otherwise get realized until the end of Q2. The good news is, that we can see the issue in sufficient time to adjust our activity.

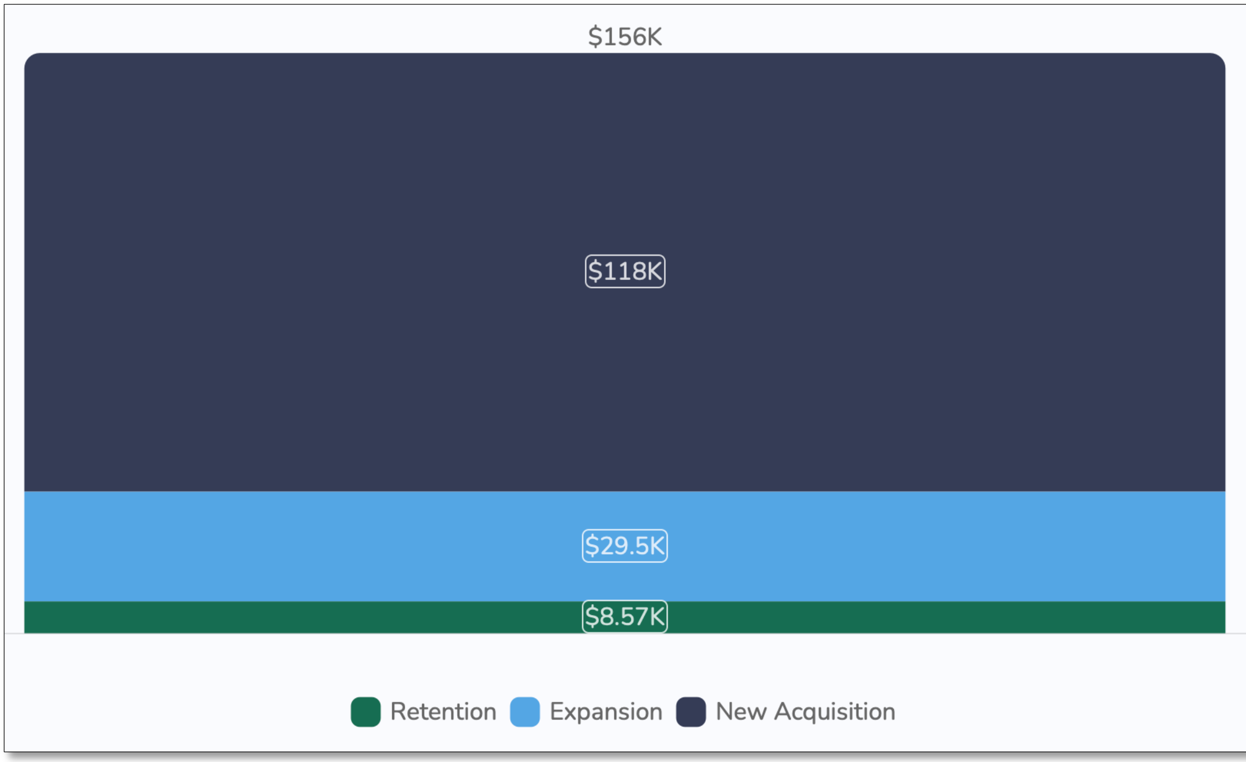
Determining what our Throughput Index™ should be over time helps with understanding projected acceleration. If quarterly targets change, then the required Throughput Index™ is also going to change over time. The key here is that to hit our Q2 number, we will have already needed to achieve a prior Throughput Index™ value in prior quarters. The example below shows how our required Throughput Index™ can vary significantly over time depending on factors including sales cycles, differences in quarterly goals and pipeline state.



Example of Required Throughput Index™ by Month

It's important to note, we simply can't cheat the dimension of time – what has passed, has passed but that historical performance absolutely impacts our future outcome.

The figure below shows how required Throughput Index™ varies by each of the three revenue sources (new acquisition, retention, expansion). Such segmentation helps us ensure that our focus is aligned with what is needed to hit our overarching recurring revenue number.



Required Throughput Index™ by Revenue Source

The beauty of using the Throughput Index™ as part of a revenue plan, is that we can track required activity through different lenses:

- By territory – this tells us which territories are really the most valuable to our business.
- By rep or seller – this tells us how well our contributors are truly impacting our business. A seller that closes a lot of deals but is weak at pipeline build is a short-term hero.
- By revenue source (new sales, retention, expansion). Compare Throughput Index™ values for each of our revenue sources against the requirements that the Mathematical model is telling us in terms of new sales, retention, expansion focus.
- By pipeline stage – this tells us where we have bottlenecks in the sales cycle.

In all cases, we have a direct line of sight into required activity which in turn results in revenue impact which then of course drives revenue outcome!

So, tying this all back to hitting our Q2 number: yes, quotas may be overly aggressive but at least having a known daily number to march against, gives us complete visibility as to what we are being asked to achieve.

Conversely, simply looking at the state of our pipeline (e.g. “we have a 2x pipeline right now”) gives us zero insight into how fast we should be moving.

We are already seeing incredible results from using the Throughput Index™ to measure revenue impact. At MultiplyGTM, we track our own index score daily, across not just sellers, but channels and revenue sources. While not always the score we are hoping for, the index is a very powerful means of us being pro-active in our continuous course correction towards not just our Q2 goal but our longer term strategic revenue growth plan as well.

If you’d like to experience the Throughput Index ™ for yourself, click here for a free trial of MultiplyGTM where within 15 minutes, you will be able to see your required index and how you are currently tracking against it.