

Planning to Achieve a Revenue Target

By David X Lamont, Marketingsage

Calculating how many customers, prospects and sales leads you need to reach a revenue target starts with answering some baseline questions.

Baseline Questions

Question	Example	Your Answer	Ref
What financial year are you planning for?	2018		A
What is your revenue target by end of the year?	€20,000,000		B
What is the average revenue per customer per year?	€250,000		C
How many current reliable customers with average revenue do you have?	30		D
What percentage of prospects typically become customers?	5%		E
What percentage of leads that typically become prospects?	10%		F
What is your average cost per sales lead?	€50		G
On average, how many calendar days does it take to convert a lead into a prospect?	56		H
On average, how many calendar days does it take to convert a prospect into a customer?	30		I

Question	Ref	Math	Example	Your Answer
Average Revenue Needed per Customer per Month [Average revenue per customer per year divided by 12]	L	C / 12	€20,833	
Customers Needed If your revenue target is €20 million and your average customer contributes €250,000 per year, then you need 80 average customers to reach your revenue target. [Revenue target by end of the year divided by average revenue per customer per year]	M	B / C	80	
New Customers Needed However, you may already have loyal, reliable customers contributing to the revenue target. If you have 30 such customers, you may calculate that you need 50 new customers to reach the revenue target. [Customers Needed minus Reliable Customers]	N	M - D	50	

Question	Ref	Math	Example	Your Answer
<p>Prospects Needed If 5% of prospects typically become customers and you need 50 new customers you need 1,000 prospects to reach your target.</p> <p>[New Customers Needed divided by Percentage of Prospect that Typically Become Customers]</p>	O	N / E	1,000	
<p>Leads Needed If 10% of sales leads typically become prospects and you need 1,000 prospects you need 10,000 leads to reach your target.</p> <p>[Prospects Needed divided by Percentage of Leads that Typically Become Prospects]</p>	P	O / F	10,000	
<p>Deadline Month If you must reach your revenue target by December 31st and it typically takes 30 days to turn a prospect into a customer then you need that prospect on December 1st (or sooner.) Similarly, if it typically takes 56 days to convert a sales lead into a sales prospect then you need the lead by October 6th (month 10.) To be conservative you might declare the deadline month to be September (month 9.)</p> <p>[365 days minus Days it Take to Convert a Prospect into a Customer minus Days it Takes to Convert a Lead into a Prospect]</p>	Q	365 - I - H (see Day to Date Conversion table)	Day 279 or Oct 6 Adjusted from month 10 to month 9	
<p>Per Month Targets: Leads per Month If your deadline for all sales leads is September you have 9 months to win those leads. That means you must generate an average of 1,111 leads per month starting in January.</p> <p>[Leads Needed divided by Deadline Month]</p>	R	P / Q	1,100	
<p>Per Month Targets: Prospects per Month With 10% of leads becoming prospects you could calculate that you need 111 prospects per month.</p> <p>[Leads per Month divided by Percentage of Leads that Typically Become Prospects]</p>	S	R / F	111	
<p>Per Month Targets: Customers per Month Then with 5% of prospects converting to customers you need 5.6 new customers per month.</p> <p>[Prospects per Month divided by Percentage of Prospects that Typically Become Customers]</p>	T	S / E	5.6	

Adjustments

Your calculation would be correct if the average sale was €250,000 and each customer only bought once per year. However, if customers make multiple purchases in the year you need to account for lost time. For example, a customer who purchases every month starting in January is more valuable than a similar customer who starts buying in August.

How you account for lost time depends on your business. If your business is seasonal, the bulk of your revenue may occur during certain months. For example, if 70% of your sales typically occur during the summer you may not want to assume that revenue in February will be equal to revenue in August.

In the following example spreadsheet, we assume:

- Customers on average buy an equal amount every month. Example: €20,833 Your Data (L): _____
- There are reliable customers. Example: 30 Your Data (D): _____
- New customers to be won per month. Example: 5.6 Your Data (T): _____

Initial Calculations

Month	1	2	3	4	5	6	7	8	9	10	11	12	Total
Current Reliable Customers with Average Revenue [D]													
E.g.	30.0	30.0	30.0	30.0	30.0	30.0	30.0	30.0	30.0	30.0	30.0	30.0	
Yours													
New Customers per Month with Average Revenue [T]													
E.g.	5.6	11.1	16.7	22.2	27.8	33.3	38.9	44.4	50.0	50.0	50.0	50.0	
Yours													
Adjustment													
E.g.	0	0	0	0	0	0	0	0	0	0	0	0	
Yours	0	0	0	0	0	0	0	0	0	0	0	0	
Total Customers with Average Revenue [D plus T, rounded]													
E.g.	36	41	47	52	58	63	69	74	80	80	80	80	760
Yours													
Projected Revenue [Total Customers with Average Revenue multiplied by L]													
E.g. (€)	740,741	856,481	972,222	1,087,963	1,203,704	1,319,444	1,435,185	1,550,926	1,666,667	1,666,667	1,666,667	1,666,667	15,833,333
Yours													

Accordingly, the annualised revenue is €15.8 million. That is €4.1 million short of the €20 million target. More leads, prospects and customers are needed so we must adjust the numbers.

Let us adjust the same numbers by doubling the number of customers to learn how it impacts our projected revenue.

- Customers on average buy an equal amount every month. Example: €20,833 Your Data (L): _____
- There are reliable customers. Example: 30 Your Data (D): _____
- New customers to be won per month. Example: 5.6 Your Data (T): _____
- Adjustment (New customers to be won per month.) Example: 5.6 Your Data (T): _____

Adjusted Calculations

Month	1	2	3	4	5	6	7	8	9	10	11	12	Total
Current Reliable Customers with Average Revenue [D]													
E.g.	30.0	30.0	30.0	30.0	30.0	30.0	30.0	30.0	30.0	30.0	30.0	30.0	
Yours													
New Customers per Month with Average Revenue [T]													
E.g.	5.6	11.1	16.7	22.2	27.8	33.3	38.9	44.4	50.0	50.0	50.0	50.0	
Yours													
Adjustment													
E.g.	5.6	11.1	16.7	22.2	27.8	33.3	38.9	44.4	50.0	0.0	0.0	0.0	
Yours													
Total Customers with Average Revenue [D plus T plus Adjustment, rounded]													
E.g.	41	52	63	74	86	97	108	119	130	80	80	80	1010
Yours													
Projected Revenue [Total Customers with Average Revenue multiplied by L]													
E.g. (€)	856,481	1,087,963	1,319,444	1,550,926	1,782,407	2,013,889	2,245,370	2,476,852	2,708,333	1,666,667	1,666,667	1,666,667	21,041,667
Yours													

In this case, doubling the number of customers (adjusting by 100%) projects revenue of €21 million, exceeding our target. Doubling the customers doubles the number of prospects needed to 222, and the number of sales leads needed to 2,200 per month.

Question	Ref	Math	Example	Your Answer
Costs: Leads per Month At an average of €50 per lead you can expect to spend €110,000 per month for 2,200 leads. [Adjusted Leads per Month multiplied by Average Cost per Sales Lead]	U	$2200 \times G$	€110,000 per month	
Costs: Leads Through Deadline Month If you spend €110,000 per month you'll spend just under €1 million through the target month of September. [Cost of Leads per Month multiplied by Deadline Month]	V	$U \times Q$ (rounded)	Approximately €1 million	
Costs: Leads per 12 Months If you spend €110,000 per month you'll spend €1.3 million through 12 months. Cost of Leads per Month multiplied by 12]	W	$U \times 12$ (rounded)	Approximately €1.3 million	

Beyond the lead generation costs you might also want to account for sales costs to make sure the team can handle the projected number of prospects and customers.

How to Increase Revenue

These calculations give you the basis of a plan and budget. However, a wise marketer will attempt to front-load the lead generation process assuming the sales team can convert them to prospects and customers at the average rates. Front-loading makes sense when you consider that most lead generation programs cannot be executed overnight.

These calculations are based on average sales values and conversion rates. Therefore, revenue can be increased if the business:

- Closes sales in less time than average.
- Increases the average value of each sale.
- Wins more customers at the average sale value.

About the Author

David Lamont is an award winning senior sales-focused marketing executive with a record of accelerating revenue growth by generating demand, launching products, building brands and expanding sales channels. He's helped both Fortune 500 firms and start-ups win enterprise, government, educational, OEM, distribution and resale customers in the Americas, Europe and Asia.

About Marketingsage

Founded in 2002, Marketingsage helps clients grow revenue by generating sales leads, building brands, launching new products, and establishing sales channels. Using a unique mix of marketing skills, market knowledge, integrated marketing services, and marketing automation they have achieved that at about half the cost of adding to payroll or using typical agencies.


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Day to Date Conversion 2018

Day 1 is Jan 1	Day 64 is Mar 5	Day 132 is May 12	Day 200 is Jul 19	Day 268 is Sept 25	Day 335 is Dec 1
Day 2 is Jan 2	Day 65 is Mar 6	Day 133 is May 13	Day 201 is Jul 20	Day 269 is Sept 26	Day 336 is Dec 2
Day 3 is Jan 3	Day 66 is Mar 7	Day 134 is May 14	Day 202 is Jul 21	Day 270 is Sept 27	Day 337 is Dec 3
Day 4 is Jan 4	Day 67 is Mar 8	Day 135 is May 15	Day 203 is Jul 22	Day 271 is Sept 28	Day 338 is Dec 4
Day 5 is Jan 5	Day 68 is Mar 9	Day 136 is May 16	Day 204 is Jul 23	Day 272 is Sept 29	Day 339 is Dec 5
Day 6 is Jan 6	Day 69 is Mar 10	Day 137 is May 17	Day 205 is Jul 24	Day 273 is Sept 30	Day 340 is Dec 6
Day 7 is Jan 7	Day 70 is Mar 11	Day 138 is May 18	Day 206 is Jul 25		Day 341 is Dec 7
Day 8 is Jan 8	Day 71 is Mar 12	Day 139 is May 19	Day 207 is Jul 26	Day 274 is Oct 1	Day 342 is Dec 8
Day 9 is Jan 9	Day 72 is Mar 13	Day 140 is May 20	Day 208 is Jul 27	Day 275 is Oct 2	Day 343 is Dec 9
Day 10 is Jan 10	Day 73 is Mar 14	Day 141 is May 21	Day 209 is Jul 28	Day 276 is Oct 3	Day 344 is Dec 10
Day 11 is Jan 11	Day 74 is Mar 15	Day 142 is May 22	Day 210 is Jul 29	Day 277 is Oct 4	Day 345 is Dec 11
Day 12 is Jan 12	Day 75 is Mar 16	Day 143 is May 23	Day 211 is Jul 30	Day 278 is Oct 5	Day 346 is Dec 12
Day 13 is Jan 13	Day 76 is Mar 17	Day 144 is May 24	Day 212 is Jul 31	<u>Day 279 is Oct 6</u>	Day 347 is Dec 13
Day 14 is Jan 14	Day 77 is Mar 18	Day 145 is May 25		Day 280 is Oct 7	Day 348 is Dec 14
Day 15 is Jan 15	Day 78 is Mar 19	Day 146 is May 26	Day 213 is Aug 1	Day 281 is Oct 8	Day 349 is Dec 15
Day 16 is Jan 16	Day 79 is Mar 20	Day 147 is May 27	Day 214 is Aug 2	Day 282 is Oct 9	Day 350 is Dec 16
Day 17 is Jan 17	Day 80 is Mar 21	Day 148 is May 28	Day 215 is Aug 3	Day 283 is Oct 10	Day 351 is Dec 17
Day 18 is Jan 18	Day 81 is Mar 22	Day 149 is May 29	Day 216 is Aug 4	Day 284 is Oct 11	Day 352 is Dec 18
Day 19 is Jan 19	Day 82 is Mar 23	Day 150 is May 30	Day 217 is Aug 5	Day 285 is Oct 12	Day 353 is Dec 19
Day 20 is Jan 20	Day 83 is Mar 24	Day 151 is May 31	Day 218 is Aug 6	Day 286 is Oct 13	Day 354 is Dec 20
Day 21 is Jan 21	Day 84 is Mar 25		Day 219 is Aug 7	Day 287 is Oct 14	Day 355 is Dec 21
Day 22 is Jan 22	Day 85 is Mar 26	Day 152 is Jun 1	Day 220 is Aug 8	Day 288 is Oct 15	Day 356 is Dec 22
Day 23 is Jan 23	Day 86 is Mar 27	Day 153 is Jun 2	Day 221 is Aug 9	Day 289 is Oct 16	Day 357 is Dec 23
Day 24 is Jan 24	Day 87 is Mar 28	Day 154 is Jun 3	Day 222 is Aug 10	Day 290 is Oct 17	Day 358 is Dec 24
Day 25 is Jan 25	Day 88 is Mar 29	Day 155 is Jun 4	Day 223 is Aug 11	Day 291 is Oct 18	Day 359 is Dec 25
Day 26 is Jan 26	Day 89 is Mar 30	Day 156 is Jun 5	Day 224 is Aug 12	Day 292 is Oct 19	Day 360 is Dec 26
Day 27 is Jan 27	Day 90 is Mar 31	Day 157 is Jun 6	Day 225 is Aug 13	Day 293 is Oct 20	Day 361 is Dec 27
Day 28 is Jan 28		Day 158 is Jun 7	Day 226 is Aug 14	Day 294 is Oct 21	Day 362 is Dec 28
Day 29 is Jan 29	Day 91 is Apr 1	Day 159 is Jun 8	Day 227 is Aug 15	Day 295 is Oct 22	Day 363 is Dec 29
Day 30 is Jan 30	Day 92 is Apr 2	Day 160 is Jun 9	Day 228 is Aug 16	Day 296 is Oct 23	Day 364 is Dec 30
Day 31 is Jan 31	Day 93 is Apr 3	Day 161 is Jun 10	Day 229 is Aug 17	Day 297 is Oct 24	Day 365 is Dec 31
	Day 94 is Apr 4	Day 162 is Jun 11	Day 230 is Aug 18	Day 298 is Oct 25	
Day 32 is Feb 1	Day 95 is Apr 5	Day 163 is Jun 12	Day 231 is Aug 19	Day 299 is Oct 26	
Day 33 is Feb 2	Day 96 is Apr 6	Day 164 is Jun 13	Day 232 is Aug 20	Day 300 is Oct 27	
Day 34 is Feb 3	Day 97 is Apr 7	Day 165 is Jun 14	Day 233 is Aug 21	Day 301 is Oct 28	
Day 35 is Feb 4	Day 98 is Apr 8	Day 166 is Jun 15	Day 234 is Aug 22	Day 302 is Oct 29	
Day 36 is Feb 5	Day 99 is Apr 9	Day 167 is Jun 16	Day 235 is Aug 23	Day 303 is Oct 30	
Day 37 is Feb 6	Day 100 is Apr 10	Day 168 is Jun 17	Day 236 is Aug 24	Day 304 is Oct 31	
Day 38 is Feb 7	Day 101 is Apr 11	Day 169 is Jun 18	Day 237 is Aug 25		
Day 39 is Feb 8	Day 102 is Apr 12	Day 170 is Jun 19	Day 238 is Aug 26	Day 305 is Nov 1	
Day 40 is Feb 9	Day 103 is Apr 13	Day 171 is Jun 20	Day 239 is Aug 27	Day 306 is Nov 2	
Day 41 is Feb 10	Day 104 is Apr 14	Day 172 is Jun 21	Day 240 is Aug 28	Day 307 is Nov 3	
Day 42 is Feb 11	Day 105 is Apr 15	Day 173 is Jun 22	Day 241 is Aug 29	Day 308 is Nov 4	
Day 43 is Feb 12	Day 106 is Apr 16	Day 174 is Jun 23	Day 242 is Aug 30	Day 309 is Nov 5	
Day 44 is Feb 13	Day 107 is Apr 17	Day 175 is Jun 24	Day 243 is Aug 31	Day 310 is Nov 6	
Day 45 is Feb 14	Day 108 is Apr 18	Day 176 is Jun 25		Day 311 is Nov 7	
Day 46 is Feb 15	Day 109 is Apr 19	Day 177 is Jun 26	Day 244 is Sept 1	Day 312 is Nov 8	
Day 47 is Feb 16	Day 110 is Apr 20	Day 178 is Jun 27	Day 245 is Sept 2	Day 313 is Nov 9	
Day 48 is Feb 17	Day 111 is Apr 21	Day 179 is Jun 28	Day 246 is Sept 3	Day 314 is Nov 10	
Day 49 is Feb 18	Day 112 is Apr 22	Day 180 is Jun 29	Day 247 is Sept 4	Day 315 is Nov 11	
Day 50 is Feb 19	Day 113 is Apr 23	Day 181 is Jun 30	Day 248 is Sept 5	Day 316 is Nov 12	
Day 51 is Feb 20	Day 114 is Apr 24		Day 249 is Sept 6	Day 317 is Nov 13	
Day 52 is Feb 21	Day 115 is Apr 25	Day 182 is Jul 1	Day 250 is Sept 7	Day 318 is Nov 14	
Day 53 is Feb 22	Day 116 is Apr 26	Day 183 is Jul 2	Day 251 is Sept 8	Day 319 is Nov 15	
Day 54 is Feb 23	Day 117 is Apr 27	Day 184 is Jul 3	Day 252 is Sept 9	Day 320 is Nov 16	
Day 55 is Feb 24	Day 118 is Apr 28	Day 185 is Jul 4	Day 253 is Sept 10	Day 321 is Nov 17	
Day 56 is Feb 25	Day 119 is Apr 29	Day 186 is Jul 5	Day 254 is Sept 11	Day 322 is Nov 18	
Day 57 is Feb 26	Day 120 is Apr 30	Day 187 is Jul 6	Day 255 is Sept 12	Day 323 is Nov 19	
Day 58 is Feb 27		Day 188 is Jul 7	Day 256 is Sept 13	Day 324 is Nov 20	
Day 59 is Feb 28	Day 121 is May 1	Day 189 is Jul 8	Day 257 is Sept 14	Day 325 is Nov 21	
	Day 122 is May 2	Day 190 is Jul 9	Day 258 is Sept 15	Day 326 is Nov 22	
Day 60 is Mar 1	Day 123 is May 3	Day 191 is Jul 10	Day 259 is Sept 16	Day 327 is Nov 23	
Day 61 is Mar 2	Day 124 is May 4	Day 192 is Jul 11	Day 260 is Sept 17	Day 328 is Nov 24	
Day 62 is Mar 3	Day 125 is May 5	Day 193 is Jul 12	Day 261 is Sept 18	Day 329 is Nov 25	
Day 63 is Mar 4	Day 126 is May 6	Day 194 is Jul 13	Day 262 is Sept 19	Day 330 is Nov 26	
	Day 127 is May 7	Day 195 is Jul 14	Day 263 is Sept 20	Day 331 is Nov 27	
	Day 128 is May 8	Day 196 is Jul 15	Day 264 is Sept 21	Day 332 is Nov 28	
	Day 129 is May 9	Day 197 is Jul 16	Day 265 is Sept 22	Day 333 is Nov 29	
	Day 130 is May 10	Day 198 is Jul 17	Day 266 is Sept 23	Day 334 is Nov 30	
	Day 131 is May 11	Day 199 is Jul 18	Day 267 is Sept 24		

Source:
EpochConverter