

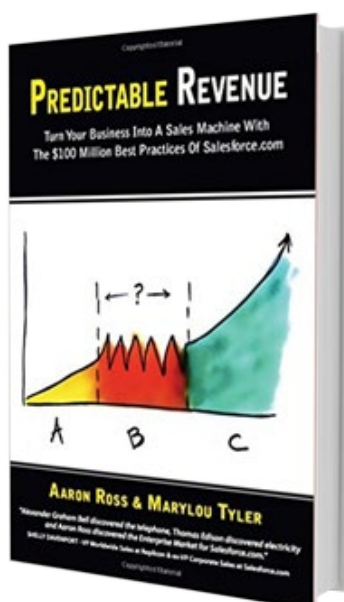


THE PREDICTABLE REVENUE

# METHOD DOLLOLOGY

# The Predictable Revenue Methodology


**19** years ago, a young entrepreneur and Stanford Graduate School of Business dropout liquidated his first startup and took a role as Director of Corporate Sales at trailblazing software company, Salesforce.com. Within 3 years he had built a new tele-prospecting inside sales team and process (Cold Calling 2.0), from scratch, that sourced \$100m in recurring revenue for the company. This brand new methodology became the topic of his 208 page sales guide, Predictable Revenue, published in 2011, and with its release, Aaron Ross became a household name in the business world. The book inspired a new model of sales adopted by many of the world's fastest growing companies, and generated billions of dollars in new revenue for its followers. It went on to sell hundreds of thousands of copies, landed at #1 on Amazon's list of bestselling books on business, and was lauded as *"the Sales Bible of Silicon Valley"*<sup>1</sup>. 3 years after the book's release, Aaron Ross joined forces with a fellow young entrepreneur, Vancouver-based Collin Stewart, to form the company Predictable Revenue as we know it today.



Since the Predictable Revenue methodology's introduction to the sales world ten years ago, a lot has changed. The Predictable Revenue team has had the privilege of working with over 1k companies and as we've failed, succeeded, experimented, and evolved with them, our methodology has grown.

Here are a few of the common bottlenecks we've seen companies experience in trying to create repeatable, scalable revenue through outbound:

- The Predictable Revenue methodology, or any demand generating channel, is an amplifier of product-market fit. Strong product-market fit, we have discovered, is the common thread that connects our most successful clients and companies who achieve the best results with the Predictable Revenue methodology.
- Before adopting the Predictable Revenue methodology, the revenue bottleneck for a company is a lack of consistent top of funnel. After adopting the methodology, that bottleneck can move downstream. If your team isn't closing the opportunities created through this methodology, there are undiagnosed bottleneck(s) somewhere lower in your funnel.
  - One of the biggest value-killing behaviours we see in outbound sales teams are AEs (closers) that will only work opportunities if there's a potential sale within 90 days. Outbound opportunities aren't like inbound opportunities. 95% of the value from outbound comes from consistently adding great fit accounts to your nurture pipeline and working them relentlessly. Only 5% are likely to buy in the near future.
- People are impatient. They tend to feel that if something doesn't produce ROI within 3 months then it never will. But building a new channel requires a large investment of time and resources in the form of both money and people. It often takes 12-18 months to get an effective team and repeatable process off the ground and then scale them.



In writing this, we are standing on the shoulders of all the great sales leaders, practitioners, and authors from the last 50 years. Nothing you are about to read below is new or unique. It's the assembly of all the different ideas and how they intersect that is unique to us. We've battled through these bottlenecks with hundreds of companies in different industries, targeting different industries. We've run countless experiments from subject line A/B tests to sending out burner phones with personalized videos set to auto-play for the receiver. We've made every mistake you can make when it comes to growing a company through outbound. We've even interviewed and hosted the best and the brightest in the world of B2B business in an effort to learn from those around us tackling the same challenges. And, along the way, we've made some connections.

We're publishing this updated Predictable Revenue methodology to help you identify and solve your bottlenecks, and in the hope that these new connections will provide you with the clarity and roadmap you need to create your Predictable Revenue machine.

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<sup>1</sup> *Inc.com*

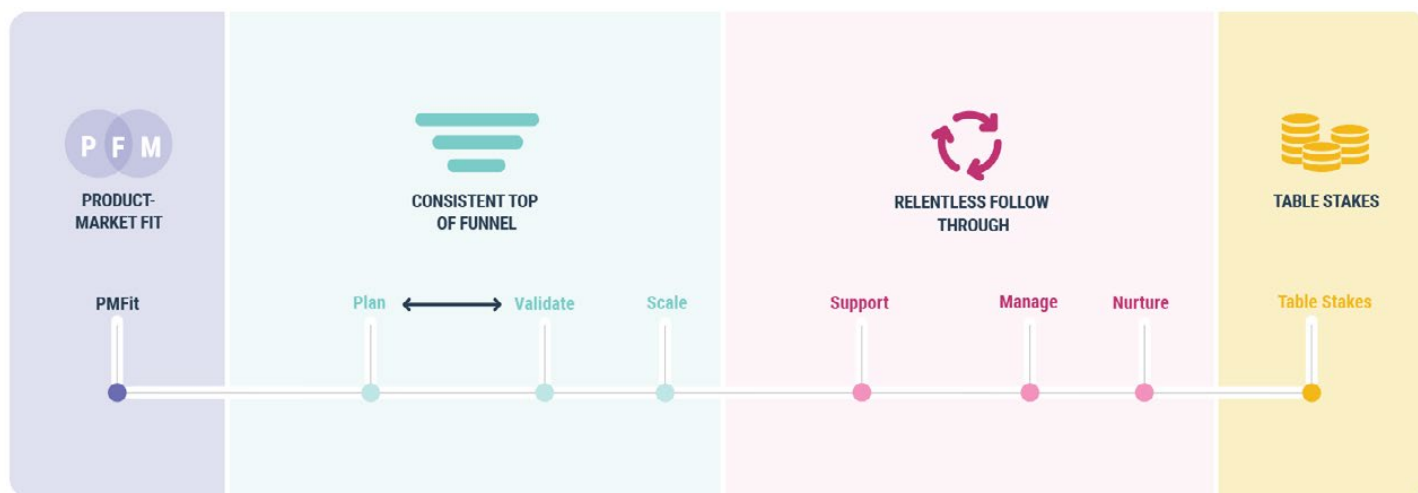
[5 Rules from the Silicon Valley Sales Bible](#)

# The Formula

This formula is a way of measuring sales efficiency. It is designed as a method for understanding all the components required to scale a revenue team and how they can impact results. The hope is that it will help companies see the big picture and how everything fits together so that they have the confidence to push through when they inevitably run into roadblocks. The higher the score, the more predictable and consistent revenue generation efforts will be.

The formula to Predictable Revenue is as follows:

$$fX = \text{product-market fit}((\text{consistent top of funnel})(\text{relentless follow through})(\text{table stakes}))$$



# Product - Market Fit

$$fX = \text{product-market fit}((\text{consistent top of funnel})(\text{relentless follow through})(\text{table stakes}))$$

Strong product-market fit is a categorical prerequisite to predictable revenue. While it is not in our wheelhouse to advise on how to achieve it, any formula predicting revenue generation would be incomplete without recognizing the impact of product-market fit.

In 2013, the Startup Genome project surveyed 3200 high growth technology startups and found that the leading cause of failure was attempting to scale prematurely. *"It's widely believed amongst startup thought leaders that successful startups succeed because they are good searchers and failed startups achieve failure by efficiently executing the irrelevant."*<sup>2</sup> One of the ways to make sure you aren't trying to scale something irrelevant is by nailing product-market fit.

Product-market fit, a term coined by American entrepreneur, investor, and software engineer Marc Andreessen, is a mental model for the interplay between a business, its products, and its customers.

*"Product- Market fit means being in a good market with a product that can satisfy that market... You can always feel when product- market fit isn't happening. The customers aren't quite getting value out of the product, word of mouth isn't spreading, usage isn't growing that fast... the sales cycle takes too long, and lots of deals never close.*

*And you can always feel product-market fit when it's happening. The customers are buying the product just as fast as you can make it -- or usage is growing just as fast as you can add more servers. Money from customers is piling up in your company checking ac-*

*count. You're hiring sales and customer support staff as fast as you can... Lots of startups fail before product-market fit ever happens. My contention, in fact, is that they fail because they never get to product-market fit."*<sup>3</sup>

Predictable Revenue has helped over 1k companies build and scale outbound sales teams. There are no secret formulas, silver bullet messaging, or hidden channel patterns. The strongest indicator of a customer's success or failure when working with us was the strength of their product market/fit.

<sup>2</sup> Startup Genome

[A Deep Dive Into The Anatomy Of Premature Scaling](#)

<sup>3</sup> Marc Andreessen, *The Pmarca Guide to Startups*  
[Part 4: The only thing that matters](#)

# Consistent top of funnel

***fx*** = *product-market fit*((**consistent top of funnel**)(*relentless follow through*)(*table stakes*))

***consistent top of funnel*** = (*plan*)(*validate*)(*scale*)

*plan* = *market fit* + *funnel math*

Consistent top of funnel means regularly starting conversations with cold prospects at cold target companies, or, consistently adding cold, great fit prospects, to the top of the funnel.

The first phase of achieving consistent top of funnel is planning. This phase itself is split into two stages: market fit and funnel math.

Market fit is a detailed definition of the slice of the market you're targeting and why. To confirm market fit, ask yourself the following questions:

- For each segment, do you have evidence to support your Targeting hypothesis?
- For each segment, do you have evidence to support your Need hypothesis?
- For each segment, do you have evidence to support your Solution hypothesis?
- Do you have evidence to support which channels will be most effective to reach your prospects?
- How strong are you positioned in the market?
- How strong is the market?

Funnel math is the basic assumptions and KPIs that drive your investment strategy. To develop your funnel math, ask yourself the following questions:

- Have you done a bottoms up GTM plan?
- Do you know how much you can spend to profitably acquire a customer?
- Do you have evidence to support your Outbound Style?
- Do we know what KPIs we need to hit for each channel to be profitable?

The next phase of consistent top of funnel is validation: your process for determining if your plan was correct by completing outbound campaigns. Your assumptions can be validated with the following benchmarks:

- Is your open rate > 40%
- Do your SDRs have 120% of the prospect data they need to hit their activity goals?
- Do you have prospect lists ready for your SDRs 5 business days before they add them to sequence?
- Are your SDRs executing > 90% of their tasks on time?
- Is your meeting acceptance rate > 80%?
- Are your SDRs following your meeting handoff process?
- Are your AEs following your meeting acceptance process?
- Are your SDRs/AEs following your meeting no-show process?
- Are 20% of opportunities created “go deep” in your pipeline?
- Do your AEs incorporate SDR notes into their discovery calls?

Once your plan has been validated, it's time to scale. The following items need to be confirmed in order to replicate your results across a larger team:

- Does your revenue team have shared goals?
- Do your Marketing, Demand Generation, Sales Development, Closing, and Account Management teams have shared goals?
- Do you have a routing system to ensure all reps are getting similar quantity and quality leads/opps?
- Do your AEs provide feedback on rejected / accepted opps?



# Relentless follow through

***fx*** = *product-market fit*((*consistent top of funnel*)(**relentless follow through**)(*table stakes*))

***relentless follow through*** = (*nurture*)(*support*)(*manage*)

Relentless follow through is the continued effort that goes into working an opportunity generated through consistent top of funnel. It is a function of 3 elements: nurture, support, and manage.

Nurture is your strategy for nurturing accounts. It ensures that every prospect is followed up with appropriately and none slip through the cracks. If 5% of your market is in a buying mode, assuming a standard distribution, 1 in 20 opportunities you create will be ready to buy in the next 90 days. This means that 19 in 20 opportunities you create will need to be nurtured. Brian Wilson, Growth Advisor at private equity firm Bregal Sagemount says “*any rep can grab that 5% and do something with it, the top tier reps take the 95% and turn it into gold.*” Of the 95% of the opportunities that enter your nurture cadence, some will flip into buying mode when you demonstrate value, some will flip to buying mode in a few quarters, and some will never buy from you. You need to have a core nurture process in place for each of these cases. To solidify nurture, ask yourself the following questions:

- Do you have a core process for nurturing prospects in the short and long-term?
- Do you have a core process for nurturing prospects? (moved below to this link)
- Are you seeing 20% of your meetings from your SDR or AE nurture programs?  
Do you have supporting collateral to help your reps continuously re-engage their “Nurture” accounts list?
- Are your CRM/Sales Enablement tools set up to support your reps Nurture programs?

Support is a combination of operations and enablement. It streamlines and simplifies the relentless follow through process and ensures that no technical or operational mishaps cause a loss of viable prospects. Ask yourself the following questions to establish operations:

- Do you have 'the right' tools in place?
- Are all relevant revenue related tools integrated into your CRM?
- Do all active leads/opps have next steps and dates?
- Are you tracking the minimum viable CRM fields?
- Do you have a process for adding new data into your CRM?

Ask yourself the following questions to establish enablement:

- Do you have a core process and training for your reps on how to run effective calls?
- Are your lead/opp stages documented, followed by all, and integrated into your CRM?
- Is your qualification methodology documented, followed by all, and built into your CRM?
- Are all your revenue related core processes documented, have training, and are followed by all?

The last element is manage. These are the core elements required of a manager to facilitate relentless follow through. Manage ensures all reps working opportunities generated through consistent top of funnel are performing optimally, and are constantly improving their skills and strategies. You can ask yourself the following questions to verify manage:

- Are you doing regular call scoring?
- Are you doing regular deal reviews?
- Does every opportunity have documented next steps and a date?
- Do your reps have a compensation plan that aligns them with the overall revenue goals?

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<sup>4</sup> Chet Holmes, [The Ultimate Sales Machine](#)

# Table stakes

$$fx = \text{product-market fit}((\text{consistent top of funnel})(\text{relentless follow through})(\text{table stakes}))$$

Table stakes are the final categorical requirement for predictable revenue. Table stakes are the basics you need to have in place before you can begin to build an outbound machine. Table stakes and product-market fit are arguably interchangeable when it comes to their position in this formula, and are equally vital when it comes to predicting outbound success - predictable revenue is impossible without either. Ask yourself the following questions to validate your table stakes and complete the formula:

- Is your website 'good enough'?
- Do you have sales collateral for the market segment you're targeting?
- Do you have three case studies for the market segment you're targeting?
- Do you have full time resources dedicated to the program/channel?
- Do you understand the math / realistic timelines for each channel?
- Do you have the support of your executive team?
- Do you have enough financial runway to get each channel off the ground?
- Do you have the team structure to support your goals?
  - Right seats
  - Right people in the seats
  - Realistic expectations and clear responsibilities for each role

# PREDICTABLE REVENUE **METHODOLOGY**

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