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Budgeting – Revenue Growth Power tool

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Budget time is here again. Rarely has the task been more challenging or presented greater opportunity. As difficult as it may be, the budgeting process presents an extraordinary opportunity for a much needed reality check of the return on your Sales and Marketing investment.

Our clients have been tightening operations budgets for the last several quarters. It is inevitable...even desirable that the same rigor, discipline and accountability be applied to the Sales and Marketing environment. Given the pace of economic change and uncertainty in the marketplace, it is almost impossible that a simple update using last year's budgeting process will accomplish what is required. Now is the time to question everything.

Before Allocating a Single Dollar

Before allocating even a single dollar to a Sales or Marketing budget, a few critical steps will make the budgeting process easier and the results more effective.

- **Realistic Sales Forecast**

A realistic revenue forecasts is absolutely essential. Sales and Marketing budgets should be scaled to optimize every opportunity to achieve or exceed the "realistic" forecast. Effective forecasting requires a consistent method of controlling cost of sales by exact targeting, not merely percentages. It is vital to establish a method to prioritize sales pursuits that identifies which opportunities are too costly to pursue and which should given high priority and support.

- **Sales Force Effectiveness**

How buyers make purchase decisions has changed dramatically and the rate of change is likely to accelerate. Most company's sales structures, skills and capabilities have not kept up.

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The result is increasing cost per sale, lowered prospect conversion rates and increased pressure on margins. To reverse this mismatch the forward looking sales organization must learn which skills and competencies are required to realize the forecast. Avoid standardized sales training and expansive top-down consulting. Invest instead in ongoing opportunity based coaching, sales support and aligning tactical marketing with clearly defined sales objectives. The rewards are quick, measurable and pay for themselves.

- **Marketing Effectiveness**

As buyers rapidly evolved, Sales and Marketing teams became increasingly misaligned with each other. Marketing strategies are often not properly executed at the customer level and sales pre-conditioning campaigns produced by Marketing often miss the mark. Sales teams are working harder and achieving diminished results. Marketing strategies are poorly executed by Sales and do not deliver their full potential. A big part of the sales and marketing budget is wasted. Realigning Marketing with Sales reinstates the Revenue Value Chain back to a single efficient, effective revenue generation process, focused on creating measurable sales opportunities. Among our clients, the trend is to hold Marketing and Sales mutually responsible for lead generation to fill the sales pipeline and sales execution at the customer level. The result is increased performance and dramatically reduced finger-pointing.

Core Strengths and Competitive Vulnerability

With a clear picture of Sales and Marketing effectiveness, it is easier to assess core strengths and competitive vulnerabilities. Sales and Marketing strengths can be blunted by misalignment or inappropriate funding just as weakness can be masked by a strong market or insufficient reporting. Strategies that balance your strengths against competitive weakness should be set for every major competitor and proactively implemented. Protecting competitive vulnerability must be given equal time and attention. The greater your competitive intelligence and foresight, the lower your competitive vulnerability.

- **Take Action / Avoid Reaction**

Become a trend spotter. Focus on the emerging and accelerating trends that will impact your clients. Think in terms of what you need to alert and educate your clients about and how you can demonstrate thought leadership. Carefully assess what the external changes are likely mean in financial terms to your company, clients and competitors. Actively discuss alternative scenarios with your management team. Use the exercise as a basis to establish priorities, allocate resources and, position the competition. Consider contingencies to guide decisions when the inevitable surprises occur. Do not wait for demand to come to you. You must be able to create demand by knowing what your clients need before they do.

Allocating Budget Resources

With the new perspective gained from a critical review of Sales and Marketing effectiveness, the decisions on how to allocate funds for the greatest return become much clearer and easier. The principal idea is to create a clear line-of-sight from every investment dollar to the expected return. If you can't see the result you want to achieve...then rethink the allocation.

- **Budgeting for Desired Result**

Budgets have a tendency to be driven by expense categories having little relationship with the desired result. Revenue-side budgeting must be driven by desired results first and only then divided into the expense categories that will achieve those specific results. Results-driven line items will vary, but these are some examples:

- Keeping Sales team and management informed of results
- Cost saving Sales support mechanisms
- Competency based Sales effectiveness coaching
- Strengthening brand
- Positioning in new or competitive markets
- Market conditioning to fill sales pipeline
- Creating new demand
- New product, service or market introduction

- **Sales / Marketing Priorities**

Back-to-basics is the current trend. Invest resources more heavily in strengthening core capabilities that provide competitive advantage in the market directly ahead. Maintain necessary investments in key initiatives that drive mid and long-term growth. Closely scrutinize investment in projects outside core capabilities or business model. With priorities becoming more dynamic due to market and competitive changes, it is important to have a clear picture of mid-range Sales and Marketing objectives to serve as bench-marks to realign shifting priorities. (not clear)

- **Scale to Objective**

Organizations or operations that are either too large or too small to achieve the desired objective are wasteful. In today's uncertain economy, scaling Sales and Marketing initiatives to optimize near-term revenue forecasts and mid-range market expectations provides a sound base for growth.

- **Revisit the Sales Forecast**

With a fresh perspective on the capabilities of your Sales and Marketing organization and a well-crafted budget in place revisiting your recent sales forecast will allow appropriate adjustments in either direction.

Why Budgeting?

Budgeting in it's simplest form, is a written plan for allocating expenses for a specified purpose over a given time period. In these difficult times, budgeting becomes a powerful tool to prioritize allocation of limited Sales and Marketing resources to insure tasks with the greatest impact on revenues and growth are completed and lower priorities are throttled back.

For all the extraordinary uncertainty in the marketplace, there are still customers to serve, products and services to deliver and sales goals to meet. Regardless of what is happening on the outside, on the inside, it is still possible to take decisive action to improve revenue performance and strengthen your competitive position. An effective Sales and Marketing budget is perhaps the best place to start.
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