hook

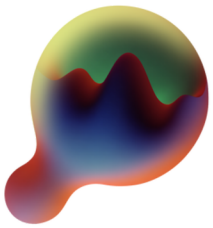
How to Plug Your Revenue Gap

How to *identify* and *address* revenue shortfalls

Does your forecast fall short of your financial target, leaving questions about how to close the gap? Many Customer Success leaders face the challenge of aligning projections with goals in a way that feels achievable and data-driven. The first step is to know exactly how big your gap is, so you can create a a clear path to bridge the divide and achieve your targets. Here's how to get started.

Revenue Gap = Forecast - Financial Plan

The reason why your gap is hard to find – Retention %



Retention percentage is one of the most important metrics in business for revenue, however if you view your gap in terms of % alone, it will be more difficult to understand the detail of the shortfall in revenue. For example:

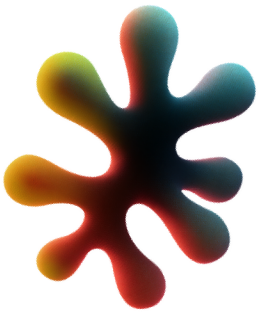
- Your target this year is 83% retention and you have 2000 renewals to close.
- You've got a rolled up forecast from your team of 79% retention
- How do you find the 4% across 2000 renewals?

There's got to be an easier way...

Percentages give you a ballpark, but they're not easy to chase down across multiple accounts. For example:

- Your target this year is 83% retention. You have 2000 renewals to close.
- 83% retention = $510k of churn
- Your rolled-up forecast from your team of 79% retention = $630k churn.
- You have to find $120k to save in your book of business. That's the gap.
- Isn't $120k across 2000 renewals easier to find that 4% across 2000 renewals?

When you identify your gap you uncover a whole new world



Once you know your gap, the next step is to figure out which accounts you can improve the retention rate of in your current forecast, to be able to hit your financial plan. You can:

- Analyze your biggest bucket of risk (whether by segment, renewal quarter, geography or cohort) to see what you could move to green
- Review which of your highest ARR accounts are in red that you could improve the renewal rate on
- Review which healthy accounts you could renew at a higher rate