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The Revenue Engine

Predictive Targeting: The Next 'Play' in Growing Existing Customer Revenue

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Summary

To achieve 2023 revenue plans given recessionary headwinds and continuing inflation, companies need a new revenue growth 'play' beyond what was already used over the past few years. This new play provides a valuable way to drive revenue growth from existing customers quickly, particularly as winning new logos becomes more difficult in challenging economic climates.

Some companies have begun leveraging 'Predictive Targeting' -- a data-driven, Moneyball®-like approach to focusing selling efforts on specific customers most likely to buy more and the specific products they are most likely to buy next. Our survey data show that executives expect this approach will lead to a 16-20% growth in revenue from existing customers, a figure that is also supported by our experience.

The Survey

In Q4 2022, Blue Ridge Partners surveyed 133 CEOs and CROs to understand the potential revenue growth impact of Predictive Targeting for upsell and cross-sell of existing customers.

95% — 95% of CEOs and CROs believe better targeting would improve results and 60% believe that it would be "highly impactful"

16-20% — Executives estimate this improved targeting would generate 16-20% growth in new revenue from existing customers

While the role of the account management or customer success functions in growing and retaining customers is currently viewed as somewhat effective, CEOs and CROs believe that a predictive targeting approach to identifying which customers to target and which products to cross-sell or upsell would be highly impactful and a significant improvement to the current state.

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How effective is your sales/commercial team at targeting the right customers for cross-selling/upselling (i.e., customers with the highest likelihood of buying more)?

% of respondents that chose each answer

Extremely ineffective	4%
Somewhat ineffective	15%
Somewhat effective	65%
Extremely effective	17%

82%
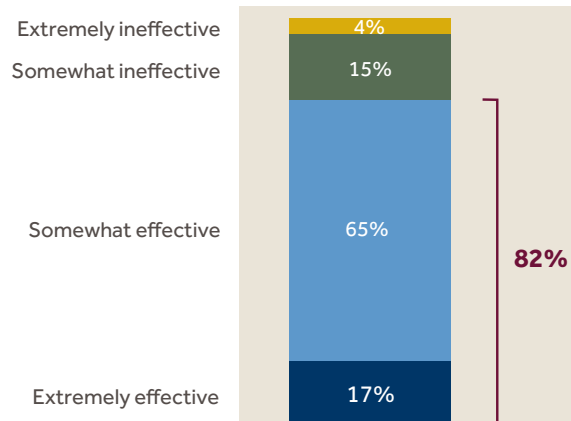
To improve your cross-selling/upselling to existing customers, how impactful would it be to better identify customers to target and have better info on which products to cross-sell/upsell?
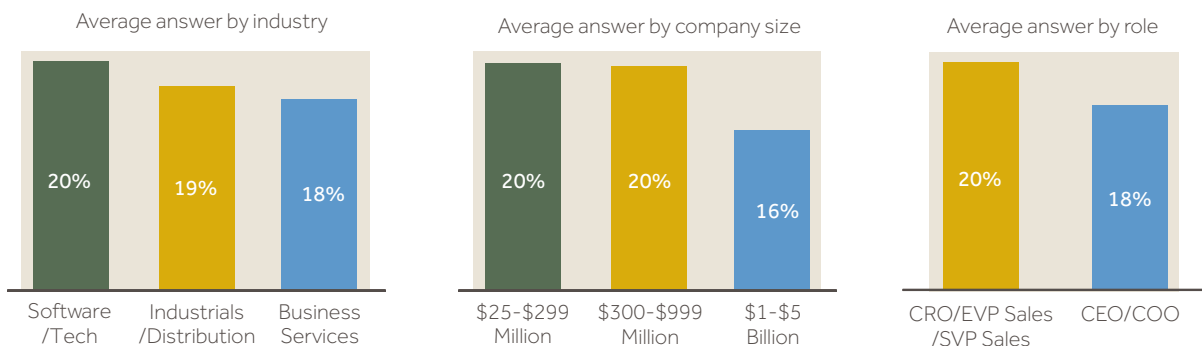
% of respondents that chose each answer

Not Impactful	5%
Marginally Impactful	35%
Highly Impactful	60%

95%
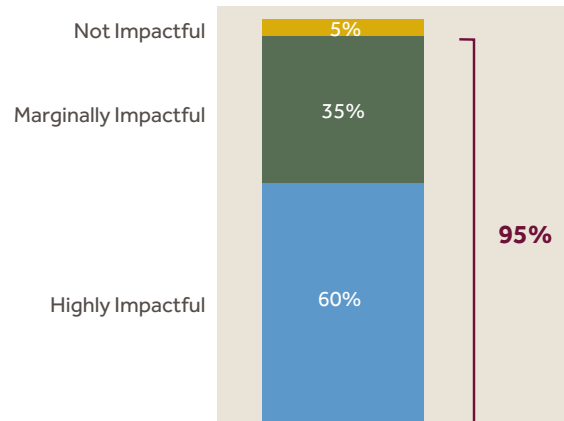
Predictive targeting is a data-driven approach to (1) identify which specific customers are most likely to want to buy more; (2) estimate the growth potential for every customer; (3) specify which products or services each individual customer is most likely to want to buy next; and (4) determine the specific price each customer should pay given their discount level or status. This approach enables commercial teams to focus their selling efforts on just those customers most likely to buy more and on just those specific products and services each customer is most likely to buy next.

Across industry groupings and company size, respondents were consistent in their expectation that improved targeting could improve customer revenue by 16-20% making this a high-impact, no-regrets area of focus.

If your teams knew exactly which current customers to target for cross-selling/upselling and exactly which products and services to present to each specific current customer, by what percent do you estimate your new sales would increase?

Average answer by industry

Software /Tech	Industrials /Distribution	Business Services
20%	19%	18%

Average answer by company size

$25-$299 Million	$300-$999 Million	$1-$5 Billion
20%	20%	16%

Average answer by role

CRO/EVP Sales /SVP Sales	CEO/COO
20%	18%

Suggested Immediate Actions

Sales efforts against existing customer opportunities are different than those for new logos in that the commercial team is coming from a position of already knowing the customer and their potential demand and having their "foot in the door." Leveraging knowledge about the customer as well as the existing relationship can lead to quick wins if the commercial teams are equipped with specific account and product/service targeting information. We recommend that companies take the following actions to generate incremental sales:

1. Enrich existing customer data by adding relevant external data and behavioral elements to support customer segmentation, scoring, and product/service targeting

2. Determine "white space" potential at the customer-level based on their overall profile and usage history to identify highest priority growth accounts and their purchasing patterns

3. Re-evaluate organizational responsibilities – consider assigning cross-sell responsibility to hunters and upsells to farmers

4. Update "playbooks" and training to emphasize account expansion as a key growth channel

5. Revisit 2023 compensation/incentive plans to align strategic objectives with account growth performance

About the Predictive Targeting for Upsell and Cross-Sell Survey

In Q4 of 2022, Blue Ridge Partners surveyed 133 CEOs and CROs in the U.S. in three primary sectors: software and technology; industrials and distribution; and business services.

About Blue Ridge Partners

Blue Ridge Partners is recognized as the most experienced, impactful and respected firm that is exclusively focused on helping companies accelerate profitable revenue growth. We have worked with hundreds of companies on business model transitions, where we are known for rolling up our sleeves, being focused and pragmatic in our analyses and delivering tangible results that focus on the "how" of execution. In our work with over 900 clients worldwide, we have amassed extensive knowledge of the issues that affect revenue performance. For more information visit **www.blueridgepartners.com**.

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