

Your Introductory Guide to Good Revenue Operations

Getting your Sales-Led B2B Software
Company to Grow Profitably



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Introduction

For growing B2B software companies, establishing a good revenue operations process will result in improved key metrics like:

- Opportunity Creation
- Win Rates
- Sales Bookings
- Average Deal Size
- Net Retention
- Annual Recurring Revenue
- Revenue Collection
- Sales Efficiency (Magic Number)

As capital becomes tighter and more expensive, B2B software companies need to shift focus to profitable growth versus growth at all costs. A conscious approach to RevOps will be beneficial to achieving profitable growth. This guide will explain what revenue operations is, the key processes to establish, tools you need, and the metrics you should track.

Note: This guide only focuses on sales lead B2B Software companies of up to \$30M in Annual Recurring Revenue. B2B Software has a unique customer journey from DTC. Product led B2B Software companies have a different set of processes and metrics. While this guide might provide some value for companies over \$30M in ARR, it is intended for companies growing to this level, establishing good revenue operations processes on the way.

What is Revenue Operations?

Revenue operations (RevOps) aligns the processes, tools, and teams involved in generating revenue within a company. It brings together different functions, such as sales, marketing, customer success, and finance, to work collaboratively towards achieving revenue goals.

Traditionally, these departments have operated independently with their own set of goals, metrics, and tools. However, RevOps breaks down silos and fosters cross-functional collaboration to drive revenue growth, improve operational efficiency, and enhance the customer experience.

The primary focus of revenue operations is to streamline and improve the end-to-end revenue generation process, from lead generation and customer acquisition to retention and expansion. It involves data, technology, and analytics to gain insights into customer behavior, optimize sales and marketing strategies, and maximize revenue potential.

What are the most important elements of RevOps success?

1. **Strategy Alignment:** Ensure that the RevOps strategy aligns with the overall revenue growth, profitability, and customer satisfaction goals of the business.
2. **Cross-Functional Collaboration:** Facilitate collaboration and alignment between sales, marketing, customer success, and finance teams.
3. **Data Management and Analytics:** Implement tools and processes for collecting, storing, and analyzing data related to customers, sales, marketing, and finance. Use data analytics to gain insights into customer behavior, sales performance, and revenue metrics.
4. **Sales Process Optimization:** Streamline and optimize the sales process to improve efficiency and effectiveness. Define clear sales stages, establish standardized sales methodologies, and provide sales teams with the necessary tools and resources to drive revenue.
5. **Marketing and Demand Generation:** Collaborate with marketing teams to align marketing efforts with revenue goals. Develop lead generation strategies, establish effective marketing campaigns, and measure the impact of marketing initiatives on revenue generation.

6. **Customer Success and Retention:** Focus on customer success and retention to maximize recurring revenue. Develop strategies for onboarding, customer support, and upselling/cross-selling opportunities. Align customer success metrics with revenue goals.
7. **Technology Stack Integration:** Assess and integrate appropriate technology platforms and tools to support the RevOps process. This may include CRM, marketing automation tools, analytics platforms, billing platforms, subscription tracking, customer onboarding, ticketing, and customer success management software. Ensure proper data integration and seamless workflows across systems.
8. **Performance Metrics and Reporting:** Establish key performance indicators (KPIs) and metrics to measure and track revenue performance across various departments. Regularly review and report on revenue-related metrics to identify areas for improvement and make data-driven decisions.
9. **Continuous Improvement:** Foster a culture of continuous improvement encouraging feedback from teams, regularly assess the effectiveness of processes, and iterate on strategies to drive revenue growth.
10. **Executive Support:** Gain support from executive leadership to secure necessary resources, define clear roles and responsibilities, and establish a governance structure to drive alignment and accountability.

By focusing on these aspects, a B2B software company can establish a strong RevOps process that aligns all revenue-related functions and drives sustainable growth.

Why is Good Revenue Operations so important today?

A major challenge now for tech companies is how to weather a potential economic slowdown by trimming costs, increasing efficiency, and growing revenues. At the same time, many are likely looking for ways to remain innovative and build a strong competitive position for the future.

Deloitte's 2023 Technology Industry Outlook

The pressure is on for B2B software companies to reduce operating expenses and to see a positive return on their sales and marketing investment. A recent RBC Capital Markets analysis estimates the median sales efficiency as 0.8X. This is often referred to as the Sales Magic Number, answering the question, “How far does a dollar of sales and marketing spend get you?” While the median is 0.8X, this is quite a low ratio and indicative of a ‘growth at all cost’ mentality. TekStack believes the target should be closer to \$2 in ARR booked for every \$1 in sales and marketing investment.

Becoming more efficient in sales and marketing is a combination of five things:

Market Insights. Capturing key segment data like service obtainable market size, win rate, and deal size so that you can make responsible and timely decisions on which markets to focus.

Market Focus. Ditching underperforming market segments and ditching low conversion high-cost lead sources in favor of high performing segments and sources.

Process Definition. Ensuring smooth integration between marketing and sales teams, everyone needs to be aligned to the same goals, including compensation related metrics. Ensuring sellers have playbooks to for every step of the customer journey so they know what is expected of them.

Coaching. Providing lower performing sellers with better guidance.

Tools. Giving sellers the right tools to increase productivity. Giving managers the tools they need to coach and track seller progression.

Establishing Strategic Alignment

Revenue Operations is cross functional by nature. To ensure your company has unity, clarity, and focus, it is important to establish strategic alignment. It sets up goal prioritization, and resource allocation. Strategic alignment ensures that individuals, and departments are focusing efforts to common objectives to drive whatever success is defined to be.

Key Metrics

Each department will have departmental metrics. Some of those metrics will be leading indicators that are important to the departments analysis, but too detailed for the rest of the company.

It's important to agree on which metrics are important to be shared across the organization. And which should be drivers for compensation. Sales and Marketing teams should be aligned to the same metrics. As a starting point, here are our recommendations to getting started:

Funnel Conversion	The number of accounts that show interest, become qualified, and how many of those move to pipeline. We are focused on early funnel conversion ratios, as well as how long it takes at each stage. We want to compare the first and last touch conversion sources as well as month over month trends. With this information you'll be able to align marketing spend and efforts and have predictable funnel growth.
Funnel Creation	Here you want to separate New Customer Opportunities being created from Existing Customer opportunities, and renewal opportunities. Measure the count, not the value as many new opportunities do not have accurate opportunity values until much later in the cycle.
Win Rates	Again, it's important to analyze New Customer Opportunities separately from Existing Customer or Renewal Opportunities.

	Ideally your systems can analyze win rate over time, by industry, by product, by geography, and by seller.
Sales Bookings	This is the number of dollars that buyers have contractually committed to spend with you. It's different than revenue, but over time sales bookings become revenue. In B2B SaaS you need to differentiate recurring revenue from one-time revenue like services or hardware. You'll also want to split out multi-year deals correctly so as not to inflate your bookings number. You want to have a clean view of ARR (or MRR) that is being booked on a deal, regardless of when or how its collected.
Sales Velocity	This metric will tell you the pace at which you are booking deals. If your goal is to book \$2M in ARR, your sales velocity should be \$5,480. In other words, you are booking \$5,480 per day. Sales velocity considers four variables to calculate.
Sales Magic Number	This is a sales efficiency metric. Essentially for every dollar you spend on sales and marketing, how many ARR dollars did you book. While the quote from RBC above stated the median was 0.8x, this ratio will guarantee you eventually run out of cash, you want this number to be closer to 2.0x. Anything over that, you are under invested in sales and marketing.
Contracted ARR	You can express Annual Recurring Revenue a few different ways. If you do it from what is on the income statement, you are under reporting your run rate, assuming you grow each quarter. As such, you can express ARR as 'ARR run rate' or 'Contracted ARR' because recognized revenue is always a month or quarter behind the contracted number.

Live ARR	Of your contracted ARR, how much of it is with customers that are live on your product? Customers that are not yet live will represent ARR at risk if approaching the point of renewal.
Gross Retention	This represents how much recurring revenue you maintain. In other words, how much of your existing recurring revenue renews.
Net Retention	Like gross retention, but this includes the amount of recurring revenue that existing customers are increasing. It includes new investments from existing customers.
Lost Customers	A simple count of lost customers. It's also handy to keep a tally of Active Customers too.
Customer Sentiment	Sometimes out of fashion, but many companies want to track happy customers through a score like CSAT or Net Promoter Score.

If you are a company that drives meaningful services revenue, there is an entire conversation to be had related to service metrics like Project Backlog, Resource Utilization, Services Revenue, and more. Services revenue can be an important source of income for companies, but for the purpose of this document, we'll skip over it.

Collecting Key Metrics

Just as critical as defining the key metrics, the collection of these metrics should not be onerous or open to interpretation. Ideally, they are collected in tools like CRM and do not require manipulation in external tools like Excel or PowerPoint before being consumed. These metrics should be available on demand, and not presented at period end. Otherwise, the timeliness of their value is limited. The goal is to make decisions quickly.

Defining Processes and Playbooks

An average B2B Software company will have 100s of business processes. These will be aligned to the customer's journey and defined by each department. Many of these may go undocumented, and many would be supported by point solutions or departmental tools that are not accessible to other people in the organization. To drive greater RevOps efficiency, we would recommend focusing on the following processes and playbooks, and making sure the tools are available to anyone across the organization.

Inbound Marketing with Attribution	Capturing and creating inbound demand at all points in the funnel. Building automated nurture programs, running events, defining targeted email marketing campaigns, integrating all sources that drive traffic to the website.
Outbound Prospecting	Providing sellers an ability to speed up and organize their own outbound efforts which includes a combination of email, calling, and other touches like LinkedIn engagement.
Partner Deal Registration	A formalized way for referral or reseller partners to access critical digital assets, pricing, and other product information. Provide partners a mechanism to register deals and be updated on opportunity progress.
Marketing to Sales Handoff	A clean process to notify sellers of new interest either formally expressed, or a result of recent activity. Marketing should be able to capture conversion ratios by first and last touch source.
Sales First Contact	Probably the defining moment with a buyer, and one that is typically failed. Setting clear expectations for internal "SLA" for follow-up, number of attempts, as well as follow-up commitments and communications.
Opportunity Process	A standardized opportunity process that defines steps and stages, with expectations of data that is collected as well as an

	understanding when process stages are moved forward or backward.
Sales Forecasting	Definition of Forecast Categories to define Base and Stretch forecasts that can be used reliably by the finance team.
Deal Desk	A clear quoting and order process, ensuring closed opportunities are supported by signed order forms, are based on actual products with compliant pricing or discounts, terms are set, and transactions can generate an accurate and traceable invoice.
Software Invoicing	Flowing from the deal desk process, invoices can be created and support various invoice terms like In Advance, Annual, Quarterly, or Monthly. Upsell orders can be co-termed to an existing renewal period and calculated pro-rata.
Service Handoff	The process of introducing customers to their onboarding team including customer introductions. Process should include an internal meeting to transfer knowledge to onboarding team.
Customer Onboarding	Consistent approach to onboarding a customer on to your product. Projects should have templated work structures consistent from one to the next, supported by assets, provide a portal or customer collaboration platform, define milestones, expectations, tracking change requests and issues. Ability to track project costs and gross margin.
Services Invoicing	Invoicing for onboarding services (if applicable). Services could be milestone based or based on time entries.
Time Collection	Capturing efforts related to projects and cases, regardless of if time is billed or not. Otherwise, the company will never know

	how much effort it takes to get a customer live, or where effort issues exist.
Support Handoff	Closing out the onboarding project after go-live, handing the customer to support.
Issue Resolution	Tracking questions or problems from the customer centrally, supporting multiple channels. Providing customers with knowledge articles for self-directed service. Escalating problems internally or to the development team. Communicating problem resolution back to customer. Allowing customers to track their own issues.
Customer Segmentation	Grouping customers by segment to apply appropriate customer success models. Tracking ARR by segment.
Telemetry or System Usage	An ability to track new administrators, and levels of usage activity which could spark risk or opportunity.
Customer Health	An ability to mark an account's health temperature based on a number of factors including sentiment scores, engagement, usage, tickets, or other factors.
Renewal Playbook	Standardized process based on customer segment to engage a customer prior to renewal date.
Customer-at-Risk Playbook	An approach to mark a customer at risk, with internal communication, and action plan to address the situation.
Customer Communication Plan	A marketing plan specific to customer communication that includes monthly newsletters, product announcements, and learning webinars.

**Quarterly Business
Reviews**

For top segment customers, a process of quarterly reviews aligned to business goals of the customer.

Integrated vs. Department Specific Tools

Most companies expect leaders in each department to define their set of revenue related processes, and with it, the tools used to support those processes. This is natural. However, the goal of revenue operations is to break down silos of data and information, so often a departmental approach to tools may counter a company's ability to establish a good revenue operation. This is the advantage of having integrated tools that are available to all employees in an organization.

CRM or Customer Relationship Management systems, as the name implies, were intended to provide this function. But, most CRM systems do little in the way of managing customers. Organizations were forced to rely on bolt-on tools to support missing use cases like marketing automation, billing, or ticketing. The reason traditional CRM systems struggle is they often lack the industry specific requirements or prescriptive approach to key processes. How a Fortune 500 pharmaceutical company uses CRM would be very different to that of a 20-person software company.

Conclusion

For growing software companies, investing in a good revenue operations process will ensure you achieve profitable growth. Good RevOps is a combination of process definition, data collection, measurement, and support from tools to achieve this efficiently.

In this guide we explored a dozen key metrics, and 20 processes. But in reality, an organization will need to track multiples more at a departmental level. Hopefully this guide will provide some thoughts or ideas of which to prioritize.

About TekStack

TekStack provides a fully integrated suite of Revenue Operations tools for B2B Software companies. Our customers look to TekStack as a replacement of existing technology stacks based on Salesforce, ConnectWise, Dynamics 365, Zoho, or HubSpot.

Our technology is powered by Microsoft Cloud and integrates to productivity tools like Outlook, Teams, SharePoint. TekStack provides a prescriptive approach to each business process identified in this document. Our reporting package is powered by Power BI and comes ready to use. Some customers turn to TekStack's managed services offerings as an option to build or augment internal revenue operations functions. To learn more about TekStack, please visit: www.tekstack.com

Additional Resources

If you found this guide valuable, you may also be interested in some of TekStack's other free resources:

[Sales Velocity Calculator](#)

[Business Operations Self Assessment](#)

[Maturity Model](#)

[ROI Calculator](#)