

PRECURSIVE REVENUE MANAGEMENT FIELD GUIDE

PRECURSIVE

PLAN. TRACK. FORECAST.



WHAT IS REVENUE MANAGEMENT?

- Revenue management is a strategic approach to optimize the pricing and availability of a business' product or service in order to maximize revenue and profitability
- Central aim is to sell the right service to the right customer at the right time for the right price
- Helps businesses make decisions about how to allocate limited resources in a way that maximizes their utilization

	Jan	Feb	Mar
Revenue			
Subscription Software Revenue	\$ 350,000	\$ 360,000	\$ 385,000
Professional Services	\$ 40,000	\$ 35,000	\$ 20,000
Total Revenue	\$ 390,000	\$ 395,000	\$ 405,000
Cost of Goods			
Third Party and/or Transaction Fees	\$ 3,500	\$ 3,600	\$ 3,850
Hosting Expenses	\$ 8,750	\$ 9,000	\$ 9,625
Customer Support	\$ 12,300	\$ 14,000	\$ 14,500
Internal Engineering Support	\$ 4,100	\$ 4,300	\$ 4,000
Professional Services	\$ 32,000	\$ 30,000	\$ 35,000
Total CoGS	\$ 60,650	\$ 60,900	\$ 66,975
Gross Profit	\$ 329,350	\$ 334,100	\$ 338,025
Gross Margin	84%	85%	83%
Operating Expenses			
Sales	\$ 145,000	\$ 125,000	\$ 122,000
Marketing	\$ 87,000	\$ 62,000	\$ 89,000
Product Development	\$ 135,000	\$ 130,000	\$ 128,000
General and Administrative	\$ 56,000	\$ 71,000	\$ 73,000
Total Operating Expenses	\$ 423,000	\$ 388,000	\$ 412,000
Net Income	\$ (93,650)	\$ (53,900)	\$ (73,975)

Source: [Stripe: ASC 606 and IFRS 15: What you need to know about revenue recognition](#)

4 STEPS OF REVENUE MANAGEMENT

1. DATA COLLECTION

Gather relevant information on sales, customer behavior, market trends, and competitor pricing. Utilize various sources such as transaction records, customer feedback, and industry reports.

2. ANALYSIS

Apply statistical and analytical techniques to examine the collected data. Identify patterns, trends, and correlations that provide insights into customer preferences and market dynamics.

3. DECISION MAKING

Formulate pricing strategies based on the analysis results. Adjust pricing, inventory allocation, and marketing efforts to maximize revenue while considering factors like demand fluctuations.

4. EVALUATION

Monitor the performance of implemented strategies over time. Compare actual results with projected outcomes to assess the effectiveness of revenue management efforts.

REVENUE MANAGEMENT BENEFITS

1. SINGLE VIEW OF SERVICES REVENUE

Gain greater understanding of performance across Fixed Price, T&M and Managed Services. See your total revenue by project, project manager, team, department or across the entire org.

2. COMPARE FORECAST VS BASELINE

Constantly compare your forecast plan to complete with key point-in-time snapshots. See how Revenue, Cost and Margin has moved between Kick-off, UAT and Project Close.

3. ACCOUNTABLE FOR REVENUE

Real-time revenue forecasts and the view into the variance between key snapshots will empower your Project Managers to take more accountability for Revenue and Margin of their projects.

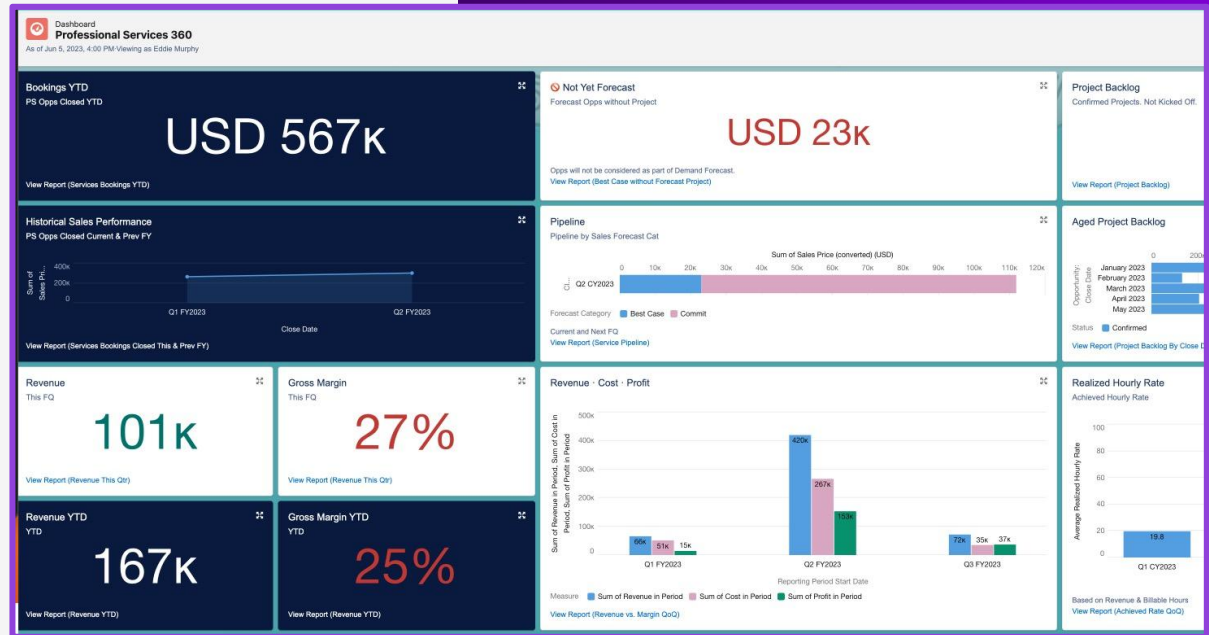
4. CONTROLLED PERIOD MANAGEMENT

Guided process to ensure accurate revenue reporting through a controlled and disciplined process for closing and locking weekly and monthly reporting periods.

1. SINGLE VIEW OF SERVICES REVENUE.

Project Revenue is automatically forecasted and calculated based on each Projects Revenue Recognition Method.

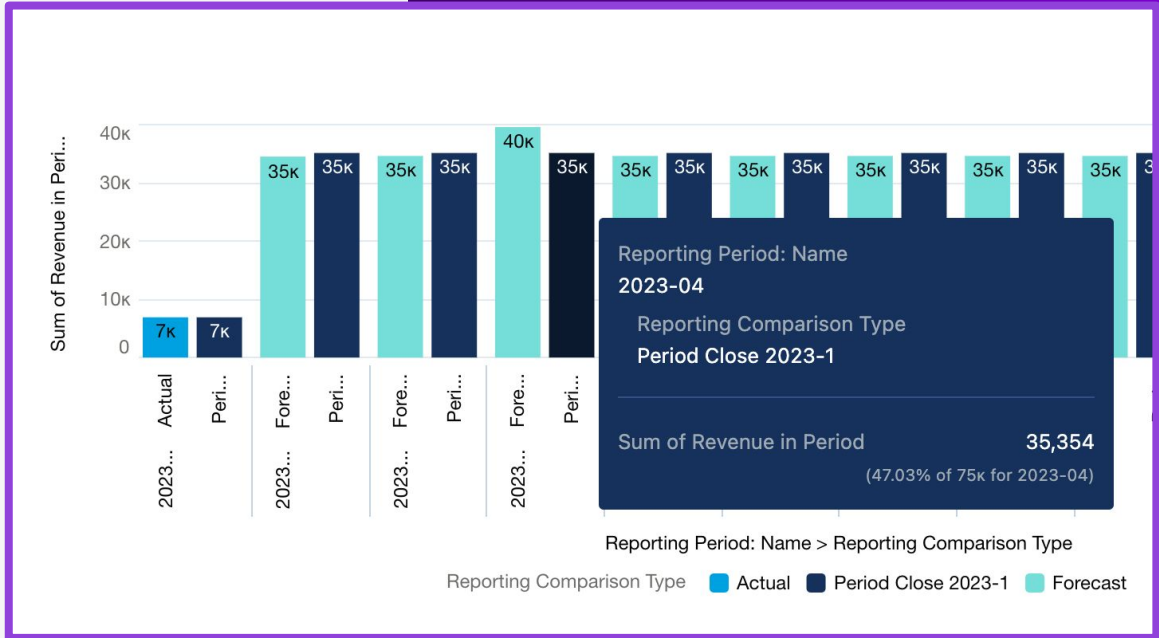
Accurate reports on Projects Revenue, Profit and Margin can be run across multiple Revenue streams.



2. AUTOMATED REVENUE FORECASTS.

Precursive automates the calculation of Revenue Recognition per period.

Now that revenue is calculated automatically it can be refreshed as your project changes to provide a real-time view of your current Revenue Forecast, considering Actual to Date and Plan to Complete.









3. FULL VISIBILITY.

Snapshot Revenue at key points in the Project and compare your Snapshots against each other or against your current Revenue Forecast.

Example Snapshots:

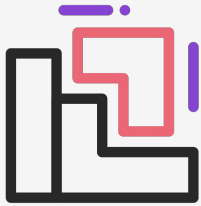
- Closed Won: Capture the original Cost and Margin.
- Project Kick-off: As the plan is adjusted to meet customer availability identify the impact to revenue.
- Stage Gates: As the Project progress through stage gates snapshot the Revenue and Margin.

		Compare	With
		Baseline	Forecast
		For the period of	
		2023-04	
Comparing 2023-04 - Snapshot - Baseline with Forecast for the period of April			
	% Complete	22%	33% ↑12
IN PERIOD			
	Revenue	\$3,600	\$6,480 ↑2,880 (80%)
	Cost	\$2,240.0	\$4,032.0 ↑1,792.0 (80%)
	Profit	\$1,400	\$2,400 ↑1,100 (100%)
	Margin	38%	38%
	Hours	20 hours	36 hours ↑16 (80%)

REVENUE MANAGEMENT IMPACT

1. Real-time forecasts boosts confidence to achieve revenue targets.
2. Insight into revenue, cost and margin variance between key stages of the project.
3. Immediately identify revenue impact to project re-planning.
3. Empower Project Managers to be accountable for Project Revenue and Margin.
4. Accurate revenue reporting through a controlled and disciplined process for closing periods.
5. Finance and services reporting on revenue consistency.

REVENUE MANAGEMENT CHALLENGES



MARKET VOLATILITY

- Rapid and unpredictable changes in supply and demand
- Impact of external factors, such as economic shifts or natural disasters, on consumer behavior and purchasing power



COMPETITIVE PRESSURE

- Intense competition leading to pricing wars and aggressive strategies
- Balancing the need for competitiveness with maintaining profitability margins



CUSTOMER BEHAVIOR

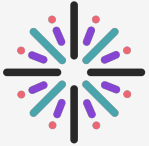
- Evolving preferences, buying patterns, and decision-making processes
- Shifting customer loyalty and increased price sensitivity

REVENUE MANAGEMENT FEATURES.



REVENUE RECOGNITION

Calculating Forecast and Actual Revenue Recognised in a Month for each project based upon the most common Revenue Recognition Methods.



REVENUE SNAPSHOTS

Snapshot Revenue Forecast at specific periods in time. Snapshots can be captured manually or through an automation (e.g. when Opp Closed-Won) or at Month-end.



PERIOD MANAGEMENT

Ensure that Timesheet Periods are Closed and Monthly Reporting periods are Closed. Provides controls by blocking amendments to Actuals on Closed Periods.



It looks really good. It'll definitely allow us to start doing **a lot less manually** and definitely have a lot of value to, for me and reporting up into the board

Mike Wilson-Phillips,
HEAD OF DELIVERY, CTS

FUTURE TRENDS IN REVENUE MANAGEMENT

1. AI & MACHINE LEARNING

Utilizing advanced algorithms to analyze vast amounts of data
Predicting customer behavior, optimizing pricing, and automating decision-making processes

2. PERSONALIZATION IN PRICING

Tailoring prices and offers to individual customer segments
Leveraging customer data to create targeted and relevant pricing strategies

3. SUBSCRIPTION-BASED MODELS

Shifting towards subscription services for recurring revenue streams
Offering tiered pricing options with added value for loyal customers

WHAT IS REVENUE RECOGNITION?

- Revenue recognition is a generally accepted accounting principle (GAAP).
- Defines when and how revenue should be recorded in its financial statements and which accounting period revenue should be attributed to.
- Correctly recognising and deferring revenue is important for understanding the profitability and financial health of a business

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Source: [Stripe: ASC 606 and IFRS 15: What you need to know about revenue recognition](#)

WHY REVENUE RECOGNITION IS IMPORTANT.



MEASURE PERFORMANCE

Revenue is the ultimate measure of performance . Correctly recognising and deferring revenue is important for understanding the profitability of a business.



ACCOUNTING COMPLIANCE

Companies are required to follow regulatory standards (ASC 606 and IFRS 15) which define when and how revenue should be recorded in its financial statements.



BOARD & INVESTOR TRUST

Accurate and timely revenue recognition will help maintain stakeholder trust and ensure the long-term success of the company.

BOOKINGS VS. BILLINGS VS. REVENUE

To understand Revenue Management understanding the differences between Bookings, Billings, and Revenue is essential. These terms are often used interchangeably by any one who is not an accountant and most of the time you can get away with that. But when it comes to forecasting and recognising revenue getting this wrong can have a significant implications for your business's financial health and reporting accuracy.

BOOKINGS



Bookings refers to the total value of confirmed customer orders or contracts for your professional services.

When a client signs an agreement or issues a purchase order. These bookings showcase the potential revenue that you can expect to earn from the project.

We can usually think of this as a Closed-Won Opportunity.

BILLINGS



Billings means an invoice has been sent but does not mean any cash has been received. It does indicate you would soon expect to collect cash.

Billings may be up-front, based upon milestones specified in a contract, based on work completed within payment schedules (e.g. Monthly). Each of these may differ from the Revenue due to methods used to recognise the Revenue (which will be covered later).

REVENUE



Revenue is determined by accounting as the value of the sales that a company can recognise by a company in a period.

REVENUE RECOGNITION STANDARDS

ASC 606 and IFRS 15 are frameworks for recognising revenue. They have similar underlying principles and objectives, and they both have the goal of ensuring consistency and comparability in financial reporting across different industries and geographic regions.

ASC 606

- Accounting Standards Codification (ASC) 606 is a universal **framework for recognising revenue in a consistent way across different industries**, replacing older industry-specific revenue-recognition standards.
- Conversion to a standardised set of guidelines has resulted in better transparency, more accountability, and easier comparison of financial statements between companies and industries.
- The Financial Accounting Standards Board (FASB) and International Accounting Standards Board (IASB) released ASC 606 in May 2014.

IFRS 15

- IFRS 15 is a **revenue-recognition standard for the purchase of goods or services**.
- Applies to public, private, and nonprofit entities.
- Like ASC 606, the purpose of IFRS 15 is to eliminate inconsistencies in the way that entities across different industries approach accounting for similar financial transactions.

Source: [Stripe: ASC 606 and IFRS 15: What you need to know about revenue recognition](#)

HOW PRECURSIVE HELPS

Professional services, project management and implementation teams improve delivery times to pull forward revenue and accelerate time-to-value for customers.

Precursive helps to:

- **Improve revenue management:** Get more visibility and control over financial performance with better forecasting and recognition of services revenue.
- **Optimize services delivery:** Build repeatable delivery playbooks with templated project plans that include tasks, timelines, roles and effort estimations.
- **Make better decisions:** With reporting on key operational metrics including delivery times, team utilization, project margins, time recording, and revenue.

PRECURSIVE

THE SERVICES DELIVERY CLOUD FOR SALESFORCE

PLAN. TRACK. FORECAST.

www.precursive.com