



# THE REVENUE FORMULA

*Find Your Fastest Path to More Money*

A diagnostic tool to identify which revenue lever will have the biggest impact on your business right now.

$$\text{REVENUE} = \text{Leads} \times \text{Conversion} \times \text{Value} \times \text{Frequency}$$

Improve any one of these by 10%, and your revenue increases by 10%.

**Improve ALL FOUR by 10%, and your revenue increases by 46%.**

## Why This Matters

Most business owners think revenue growth means one thing: get more leads. But leads are just ONE of four levers you can pull. Often, the fastest path to more money is NOT more leads - it is improving one of the other three factors.

The Revenue Formula gives you a diagnostic tool to identify which lever will have the biggest impact on YOUR business right now.

Think about it this way: if you're converting only 15% of your leads, doubling your ad spend won't double your revenue - it will just double your cost of acquiring the same low percentage of customers. But if you improve your conversion rate to 25%, suddenly every lead becomes more valuable, and your existing marketing works harder for you.

The same principle applies to transaction value and repeat purchases. A business with loyal customers who buy multiple times per year can afford to spend more acquiring each customer, because each customer is worth more over time.

# The Four Revenue Levers

## 1. Number of Leads

**Definition:** The number of potential customers who enquire about your services or products in a given period.

### How to increase leads:

- Increase advertising spend (with profitable campaigns)
- Improve SEO to rank higher in search results
- Launch referral programs for existing customers
- Build strategic partnerships with complementary businesses
- Create content that attracts your ideal customer

## 2. Conversion Rate

**Definition:** The percentage of leads who become paying customers.

Industry benchmark: A healthy conversion rate for service businesses is 20-30%. If you are below 20%, this is likely your biggest opportunity.

### How to increase conversion:

- Respond to enquiries faster (aim for under 5 minutes)
- Implement a structured sales process
- Use professional proposals (try PandaDoc)
- Follow up systematically (most sales happen after the 5th contact)
- Better qualify leads to focus on high-probability prospects

### 3. Average Transaction Value (ATV)

**Definition:** The average dollar amount per sale or transaction.

Key insight: It costs the same effort to sell a \$2,000 job as a \$3,000 job. Increasing your average transaction value is often the easiest win.

#### How to increase ATV:

- Raise your prices (10% increase = 10% more revenue)
- Bundle services into premium packages
- Offer add-ons and upsells during the sales process
- Target higher-value customer segments
- Eliminate low-value services that drag down your average

### 4. Repeat Purchase Rate / Frequency

**Definition:** How often customers buy from you again, or buy additional services.

Critical fact: Acquiring a new customer costs 5-7 times more than getting an existing customer to buy again. This is often the most profitable lever to pull.

#### How to increase repeat purchases:

- Send regular email campaigns to past customers
- Create maintenance or subscription offerings
- Implement a customer loyalty program
- Follow up after service to identify additional needs
- Deliver exceptional service that creates word-of-mouth

## Calculate Your Numbers

Fill in your current numbers to identify your biggest opportunity:

Leads per month	
Conversion rate (%)	
Average transaction value (\$)	
Repeat purchase rate (transactions per customer per year)	
<b>CURRENT MONTHLY REVENUE</b>	$= \text{Leads} \times \text{Conv\%} \times \text{ATV} \times \text{Freq}$

## The Power of 10% Improvements

Here is a real example showing the compound effect:

Metric	BEFORE	AFTER (+10%)
Leads/month	100	110
Conversion rate	20%	22%
Avg transaction value	\$2,000	\$2,200
Repeat purchases/year	1.5	1.65
<b>ANNUAL REVENUE</b>	<b>\$720,000</b>	<b>\$1,052,040</b>

**Result: \$332,040 MORE per year**

That is a 46% increase - from just 10% improvements in each area.

## Which Lever Should You Pull First?

Use this decision guide to identify your priority:

If this is true...	Focus on this lever
Conversion rate is below 20%	<b>CONVERSION - fix sales process first</b>
You have not raised prices in 12+ months	<b>ATV - increase prices by 10%</b>
You rarely contact past customers	<b>FREQUENCY - start email campaigns</b>
Other levers are optimised (25%+ conv, premium pricing, loyal customers)	<b>LEADS - now invest in more marketing</b>

### The 80/20 Rule Applies Here

One of these four levers will give you 80% of your results. Find it, focus on it, and fix it before moving to the next.

From *Better Business That Works* by Alexei Kouleshov