



# Concerned about missing the revenue target in 2025? Think Expansion



As we begin 2025, I'm sure you know EXACTLY how much revenue you need from your team to hit your revenue targets for the year. If you're like me, you've run and re-run the best- and worst-case scenarios as you put your 2025 strategy in place.

Often under-leveraged, existing customers can provide a legitimate and sustainable place to find and expand revenue.

Expansion revenue is additional revenue that's generated because of increasing the value of an existing contract with a current customer. This could mean selling more of what the customer has already purchased or selling into a different division, location, or sister company.

There are several reasons why having a formal expansion plan this time of year is beneficial:

- The close rate is higher than net new close rates
- The sales cycle is shorter than net new cycles
- The opportunity to do an early renewal and secure the relationship for another 12 months or longer is likely to present itself.
- A larger contract increases the "sticky" factor of your customer.

- The number of champions you have within an organization will increase.

Let's discuss who is best equipped to go after expansion revenue?

When I was leading both net new and CSM teams I put the following structure in place regarding expansion:

- Any net new sales rep (hunter) has up to 6 months after they close a deal to continue to bring in additional revenue. I call it "momentum" from the existing sale.

Here's my logic:

- Many new clients just want to tip their toe in the water. In reality, they are paying for a pilot. Therefore, it should be easy to upsell them if they see value early in the process.

- Your net new sales rep probably still has the strongest relationship with the client at this point due to the amount of time spent during the sales cycle. I always say the person with the best chance to close a deal should close it.
- During the next 3 months (months 7-9) any expansion revenue generated will be split 50/50 between the net new rep and the CSM as the transition and trust is being shifted to the CSM.
- From month 10 and beyond, the CSM is fully responsible for any expansion revenue and will get full credit.

The number of months you continue to give credit to your net new rep is up to you and will be dependent on how long your original sales cycle is.

Now let's discuss how to determine which of your existing clients might be ripe for the picking.

### **Here are some indicators that it's time to have an expansion conversation:**

- They are an NPS promoter (8 or higher NPS score).
- They are at a high utilization rate of your product/service.
- There are features/functionality that they didn't originally purchase which could benefit their organization.
- Your research indicates that they are meeting or exceeding their financial projections, in the process of an M&A deal, opening new offices, getting ready to launch a new product, or actively hiring.
- Data from your client's usage patterns indicate they need more or a larger X.

Now that you've identified your expansion targets it's time for proactive outreach. The easiest time to have this conversation is during QBRs/EBRs (you're doing these, right?) with your customer.

Another great time is right after onboarding or implementation has concluded. Sales reps should reach out after onboarding to get feedback on how

that process went. If your onboarding team have been doing their jobs as consultants and advisors, they have probably been able to identify upsell opportunities, and they should be passing that information onto the sales/CSM team throughout the onboarding process.

Lastly, let's discuss accountability and compensation. Someone needs to have an expansion target. This needs to be separate from the net new quota or renewal quota for which they are responsible. If sales reps are going to be getting quota credit and commission for anything that they sell after the original sale, then there should be a separate quota for expansion. Same applies for the CSM.

Compensation in general is a tricky topic, so I'll offer up a few things to consider.

**Sales Reps:** We don't want to discourage reps from trying to get as much up-front revenue as possible by relying on the potential of expansion revenue after the initial sale. I recommend you reduce the commission percentage a couple of points for anything that happens after the initial sale.

**CSMs:** I take the opposite approach with the CSM team. I will pay them an incentive/bonus/increased commission percentage if they expand a client any time before the renewal discussion begins. I want to encourage them to always be looking for opportunities to increase the size of the contract.

We're less than 90 days into the new year so it's not too late to put a formal expansion strategy in place and roll it out to the teams that are best equipped to help drive additional revenue from existing clients.

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