REVENUE PERFORMANCE GROWTH INDEX

MEREO™
Marketing Powered Sales Performance

FIRST ANNUAL FINDINGS: 2014

Research Approach

Successful companies and management teams are built to accomplish **two primary goals:**

TO BUILD REVENUE, and

TO INCREASE EARNINGS.

These two goals are of the highest importance to a company because they are each a measure of a business's health. **Revenue growth represents the ability to compete in a dynamic market while earnings represent the ability to re-invest in future products and services.**

Purpose:

The purpose of this research was to investigate whether **CONSISTENT REVENUE GROWTH** within companies was an indicator of how companies are performing in the market. The research included a review of data for the 500 largest companies in the United States, as well as 50 mid-market companies and the 50 largest companies in the world. By analyzing this information it is possible to determine if companies are successful in focusing on revenue growth, and infer what they are doing wrong if they are not.

Methodology:

By accessing the information of the Fortune 500 from the years 2009-2013 it is possible to extract a large amount of meaningful data. Along with this information, a select group of 50 companies from the Russell 2000 was used as a comparison for mid-range companies, as well as the top 50 companies of the Global 500. These samples were used to test whether companies had consistent revenue and earnings growth, and to identify if any trends were common across US and international markets as well as large and mid-size enterprises.

FORTUNE 500

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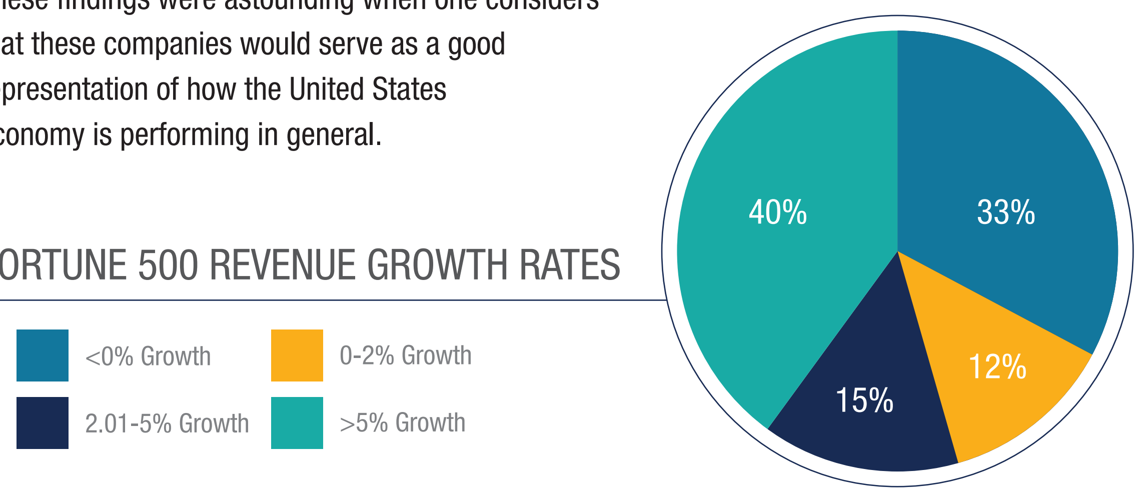
The Fortune 500 is a list of the 500 largest companies in the United States as measured by total annual revenue. These companies provide a good view of the current market condition as they represent market leaders and the methodology employed by Fortune is consistent year-over-year. The focus in this analysis was on identifying trends in revenue growth in the last year and over a multi-year period to discern if companies are being successful in driving sustainable revenue performance.

2012 to 2013 Findings

The first data examined was the revenue of the Fortune 500 for the years 2012 and 2013. This 1-year time frame is important as it represents the most recent market conditions, and provides a common view of the company's performance. When analyzing the data compiled for the Fortune 500, considering only the 2012 and 2013 revenue information, the findings were surprising. The analysis revealed that OVER 30% OF THE 500 COMPANIES HAD ACTUALLY SHRUNK (declining revenue). Another 12% had between 0% and 2% growth, and 15% had between 2.0% and 5% growth.

In total, over 45% of companies had a growth rate at or below 2% and 60% of the Fortune 500 companies had less than 5% revenue growth in the last year. These findings were astounding when one considers that these companies would serve as a good representation of how the United States economy is performing in general.

FORTUNE 500 REVENUE GROWTH RATES



FORTUNE 500: *5-year span*

2009 to 2013 Findings

After compiling the larger set of data covering the 5-year span, a trend was found that is consistent with the most recent year findings. Though some of the numbers differed, as would be expected, the total percentage of companies was very similar.

14.8% OF THE FORTUNE 500 COMPANIES HAD DECLINING REVENUE OVER A 5-YEAR PERIOD.

After seeing the data from the 2012-2013 fiscal years, it became important to determine if this was evidence of a trend spanning a larger period of time, so the 5-year time period of 2009-2013 was chosen. This was used as it focused on the 5 years since the recession, the worst event in recent economic history, and should represent a **period of relatively robust revenue growth**. *The question to be answered with this analysis was,* **"is there evidence of an underlying issue in the growth of companies, even in a period where the economy was improving after the recession?"** *By using a 5-year CAGR (Compound Annual Growth Rate) it was easy to determine if companies were continuing the trend discovered in the last year, or if it wasn't a trend at all, and was just a single-year phenomenon.*

Though the one year number was generally higher, the 5-year CAGR is equally compelling as it shows **1 OUT OF 7 COMPANIES SHRINKING IN THE FACE OF A 5-YEAR ECONOMIC EXPANSION.** Another 1 out of 10 had between 0% and 2% growth, while 1 out of 4 realized a meager 2.01% to 5% growth. In total 1 out of 2 (48%) of the United States largest companies had less than 5% average revenue growth in 5 years, and this was while the market was coming out of a recession, a time when revenue growth should be expected. These numbers are very similar to the numbers found from last year. **The fact that almost half of the nation's largest companies have almost no revenue growth over 5 years may be indicative of a broader issue on the general approaches being employed in their go-to-market plans.**

Continuing Research

After examining this data and identifying the similarities in the revenue data, it seemed prudent to take a look at other parts of the market, to see if it was consistent across all of them. Therefore, a sample of 50 companies of the Russell 2000 was examined to see if mid-range companies were experiencing the same revenue growth issues as their larger counterparts.

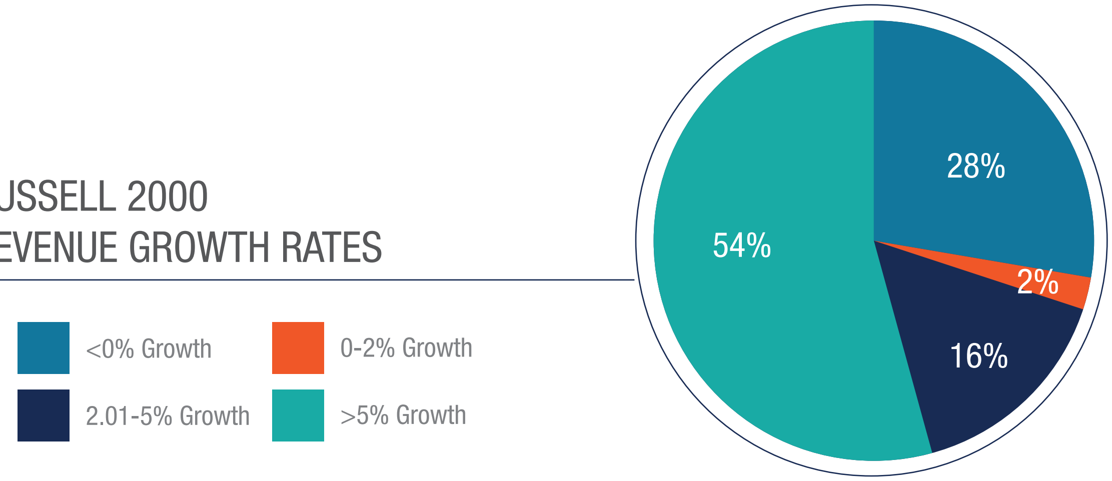
RUSSELL 2000

The Russell 2000 is an index of 2000 of the United States mid-range companies; companies that are not big enough to be considered for the Fortune 500, but still command a large portion of the market. The goal was to see if these companies showed the same trend that the larger companies had, which would provide evidence towards knowing if companies are experiencing stagnant revenue growth. For the Russell 2000, instead of using the entire 2000 companies, a sample of 50 companies picked at random was used, as a representation of the whole group as the Russell 2000 doesn't rank these companies by revenue size.

2012 to 2013 Findings

The same methods were used for extracting the data for these companies, by listing the 50 random companies and their revenues for 2012 and 2013, as these were the methods used in the initial Fortune 500 data analysis. The analysis showed that the trend did indeed occur in these mid-range companies as well. Of the 50 companies **28% HAD DECLINING REVENUE.** This was consistent with the Fortune 500 for the same two years. Only 2% had growth between 0% and 2% growth, but it is possible with a larger sample this may change to fit more with the Fortune 500 data. 16% had between 2.01% and 5% growth, meaning that a total of **46% HAD LESS THAN 5% GROWTH IN A YEAR.** This data was consistent with the trend found in the Fortune 500—**revenue growth is not where one would expect it to be after a recession.**

RUSSELL 2000
REVENUE GROWTH RATES



FORTUNE GLOBAL 500

The Fortune Global 500 is Fortune Magazine's list of the largest 500 companies in the world based on revenue. If the trend did continue through this group of companies, it would then be possible to infer that not only U.S. companies but global companies need to improve their sales and go-to-market approaches to increase revenue production and growth. By using a similarly sized sample to the Russell 2000, a group of the top 50 companies of the Global 500 it is possible to see the trend as well.

Continuing Research Further

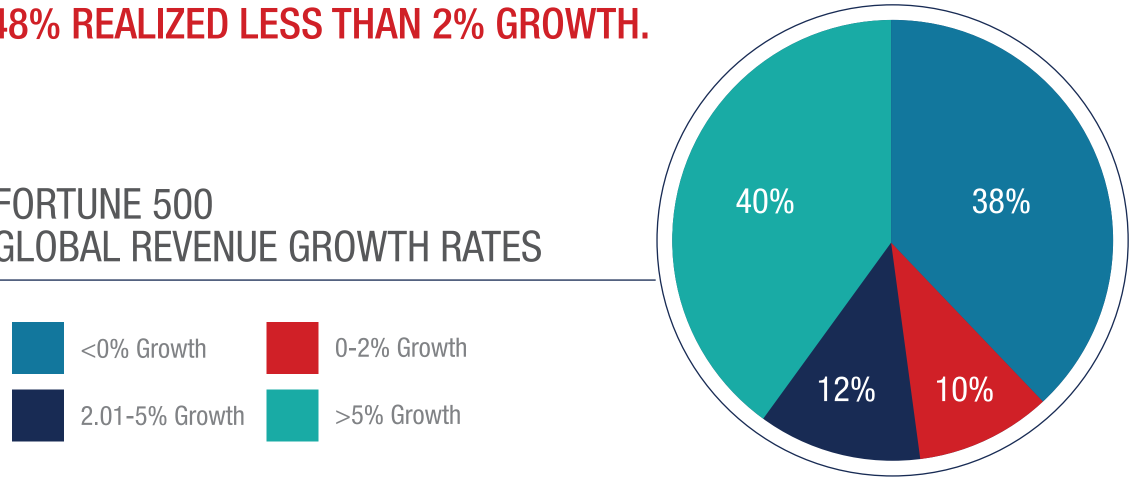
Finally, to continue to confirm this trend, the next logical step was to examine a representative sample of global companies. And, for this purpose, the revenue performance of the global 500 largest companies were analyzed by using the Fortune Global 500.

2012 to 2013 Findings

After examining the data collected for the 2012 and 2013 revenues of the top 50 companies of the Global 500, it was evident that the revenue performance trend continued, and was the same as the trend found in the Fortune 500 and Russell 2000. Of the 50 companies, **38% OF THEM HAD DECLINING REVENUE,** which is in-line with the Fortune 500 trend. Another 10% had between 0% and 2% growth, and 12% had between 2.01% and 5% growth. Overall, a whopping

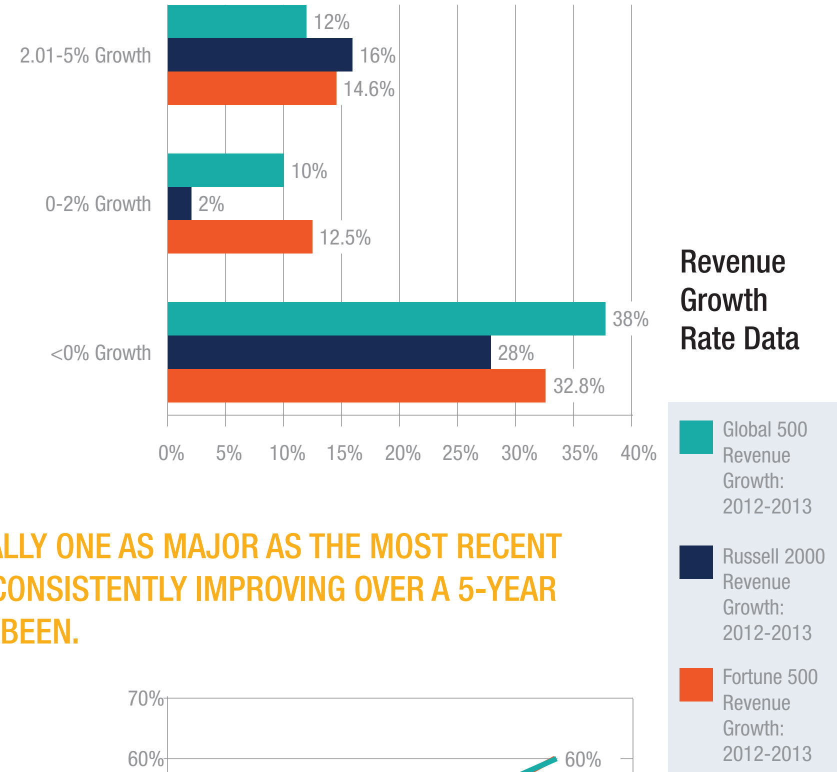
48% REALIZED LESS THAN 2% GROWTH.

FORTUNE 500
GLOBAL REVENUE GROWTH RATES



Summary

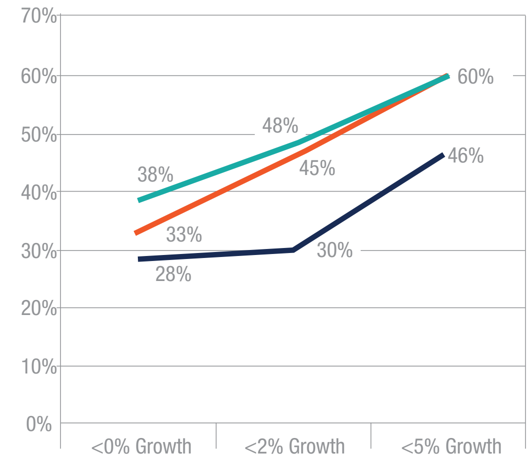
Based on the aforementioned data, it is safe to say that there is strong evidence that companies are experiencing stagnation in revenue growth both recently and since the bottom of the last recession. **Many companies, ranging from mid-sized to the 50 largest in the world, have had very low revenue growth rates in the past year.**
It was also evident that the trend is consistent in the past 5 years following the recession, which is surprising in its own respect.



Revenue Growth Rate Data

IT WOULD BE EXPECTED THAT AFTER A RECESSION, ESPECIALLY ONE AS MAJOR AS THE MOST RECENT ONE, THE GENERAL REVENUE GROWTH TRENDS WOULD BE CONSISTENTLY IMPROVING OVER A 5-YEAR PERIOD, NOT DECREASING OR STAGNATING LIKE THEY HAVE BEEN.

Obviously, though companies are focusing on improving their revenue and earnings performance, it would seem that their efforts are not working. **This means that they need to reinvigorate their efforts with some new approaches to selling and marketing to their customers,** as the current methods employed are clearly not effective.



Cumulative Revenue Growth Rates

Conclusion

Historically, companies are very successful in their goal of focusing on increasing revenue and earnings. Recently though, it seems that this goal is not being met, which is obvious by looking at the consistency of the revenue trends across the various market sizes and geographies. Given the lack of current revenue growth success, **COMPANIES MAY NEED TO RE-INVENT THEIR APPROACH TO SALES AND THEIR GO-TO-MARKET APPROACH IN TOTAL.** Often companies experiencing stagnating or declining revenues are focused on selling to customers as opposed to serving them. That approach which is typically transactional in nature does not create a platform for continued revenue expansion. **The impersonal sales techniques associated with transactional processes do not develop long term relationships founded on sales providing insight and information to the customer and identifying solutions that provide true value related to solving a customer pain or pains.** **THESE COMPANIES NEED TO SHIFT TO A FOCUS OF SEEKING TO SERVE THEIR CUSTOMERS, NOT TO SELL TO THEM.** Successful companies focus on building a relationship with each of their customers, creating the desire for the customer to return to the same company and purchase more of their products because of the value they receive from the sales person and solutions. **By focusing on a more relationship-based sales cycle, the sales representatives build credibility with their customers, which enables new recurring revenue streams for future sales, and also allowing the representative to leverage successes through references.** If companies can use these methods and avoid seeking to sell, not serve, they may be able to deviate from the current poor revenue performance trends.

About Mereo:

For organizations seeking to instill the go-to-market tenets paramount to winning an unfair share™ of sales cycles, Mereo powers sustainable revenue performance. Market leaders such as Ariba, Pitney Bowes, Accel-KKR, SAP, Bazaarvoice, E2open, Ace Hardware, North Plains, Microsoft, OmniTI, Harte Hanks, OKI Data, CenturyLink, Oracle, Symphony Technology Group, The Vintage Racing League and dozens more employ Mereo's revenue performance programs to unleash repeatable revenue growth.

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