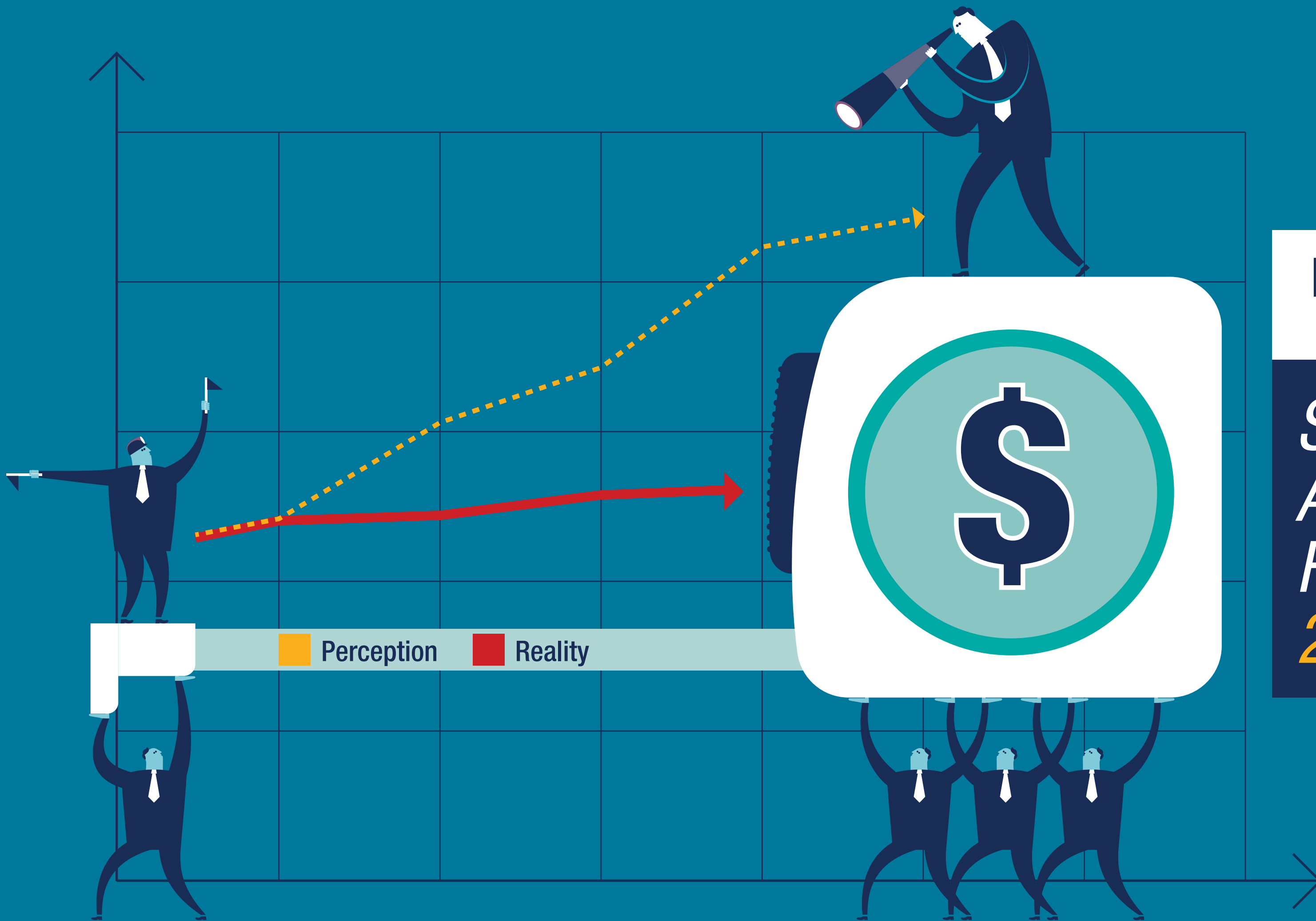
REVENUE PERFORMANCE GROWTH INDEX



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SECOND ANNUAL FINDINGS: 2015

Research Approach

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

BUILD REVENUE and
INCREASE EARNINGS.

These two goals are of highest importance to a company because they are each a measure of a business' health.

Purpose:

The purpose of this research was to investigate whether CONSISTENT REVENUE GROWTH within companies serves as an indicator of how companies are performing in the market. The annual update includes a review of data for the 500 largest companies in the United States, as well as a representative sample of 50 mid-market companies and 50 of the 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 their revenue performance is not meeting expectations.

Access the previous annual report >

Methodology:

By accessing the revenue performance metrics of the Fortune 500 from the years 2009-2014 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 gauge whether companies had consistent revenue and earnings growth, and to ascertain if any trends were common across US and international markets, as well as large and mid-size enterprises.

FORTUNE 500

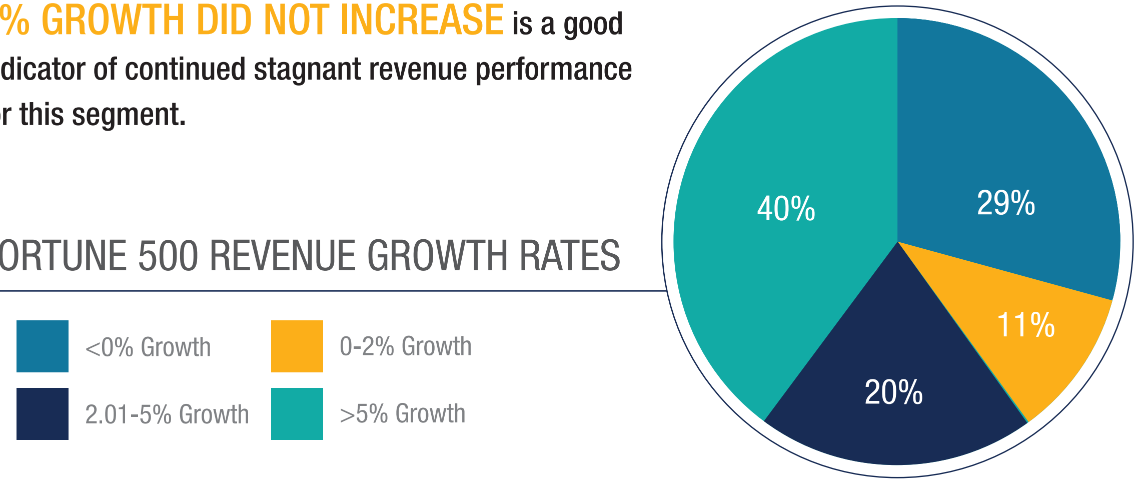
The Fortune 500 is a list of the 500 largest companies in the United States as measured by total annual revenues. These companies provide a good view of the current market condition as they represent market leaders across core economic segments. Further, the methodology employed by Fortune is consistent year-over-year enhancing multi-year comparisons critical to this researchThe focus in this analysis was to identify trends in revenue growth in the last year and over a multi-year period to discern if companies are successful in driving sustainable revenue performance.

2013 to 2014 Findings

As in the first revenue performance index released last year, the most recent year's company performance data (2013-2014) was reviewed. The analysis revealed that **29% OF THE 500 COMPANIES HAD ACTUALLY SHRUNK** (declining revenue). Another 11% had between 0% and 2% growth, and 20% had between 2% and 5% growth.

Based on a comparison between the data gathered for this year and last year, it is safe to say that the state of large US corporate performance has not improved since last year. Though the numbers changed, the saturation of companies under 5% revenue growth remained the same. The biggest difference in the numbers is found in the fluctuation of the less than 0% growth group, which improved by 4%, and the 2.01%-5% growth group, which gained 5%. **The fact that the number of COMPANIES OVER 5% GROWTH DID NOT INCREASE is a good indicator of continued stagnant revenue performance for this segment.**

FORTUNE 500 REVENUE GROWTH RATES



FORTUNE 500: *6-year span*

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2009 to 2014 Findings

The data for the 6-year post-recession period was reviewed to determine if there was evidence of a trend spanning a larger period of time. This time period is relevant because it addresses the 6 years since the 2007/2008 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 6-year CAGR (Compound Annual Growth Rate) it was possible to determine if companies were continuing the trend discovered in the last year, or if it was not a trend at all, and was just a single-year phenomenon.*

After compiling the larger set of data covering the past 6 years, a declining trend surfaced that further validates a lack of overall corporate revenue performance.

19% OF THE FORTUNE 500 COMPANIES HAD DECLINING REVENUES OVER A 6-YEAR PERIOD.

Though the number of companies in the 1-year data with under 5% growth were generally higher, the 6-year CAGR is equally compelling as it shows **1 out of 5 (19%) companies shrinking in the face of a 6-year economic expansion.** Another 1 out of 10 (11%) had between 0% and 2% growth, while 22% of organizations realized a meager 2.01% to 5% growth. IN TOTAL **1 OUT OF 2 (52%) OF THE UNITED STATES LARGEST COMPANIES HAD LESS THAN 5% AVERAGE REVENUE GROWTH** in the 6 years coming out of the bottom of the recession, a time when high revenue growth should be expected. These numbers are worse than the numbers found from last year, which showed 1 out of 7 companies had declining revenue. **The fact that almost half of the nation's largest companies have little to no revenue growth over 6 years may be indicative of a broader issue in the general approaches being employed in their go-to-market plans.** Comparing the 5-year and 6-year CAGR showed a significantly negative trend in large company revenue performance since the recession. Based on the data from both years, there has been a 5% increase in the number of companies with declining revenues.

Continuing Research

After examining this data and identifying the similarities in the revenue data, it seemed prudent to examine other parts of the market to explore consistencies across a number of segments. Therefore, a sample of 50 companies from the Russell 2000 was examined to see if mid-range companies were experiencing the same revenue growth issues as their larger counterparts.

RUSSELL 2000

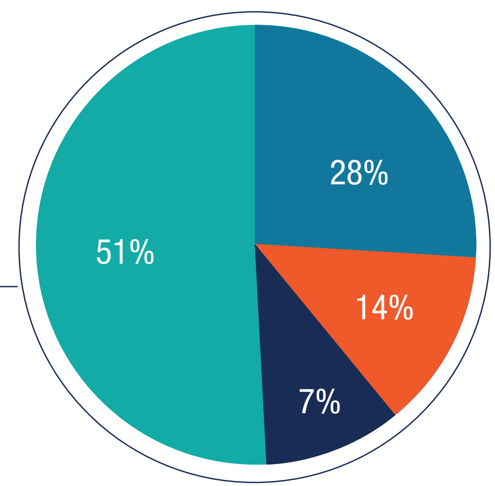
The Russell 2000 is an index of 2000 mid-range companies in the United States; companies that are not big enough to be considered Fortune 500, but still command a large portion of the market. The goal was to discern if these companies showed the same trend that the larger companies had, which would provide evidence that a broader cross-section of the market was also experiencing stagnant revenue growth. For the Russell 2000, instead of using the entire 2000 companies, a sample of 50 companies was selected at random as a representation of the whole group, as the Russell 2000 does not rank these companies by revenue size.

2013 to 2014 Findings

The same methods were used for extracting the data for the Russell 2000 for 2013 and 2014, as these were the methods used in the initial Fortune 500 data analysis. The evaluation showed that the poor revenue performance trend did indeed occur in these mid-range companies as well. Of the 50 companies, **28% HAD DECLINING REVENUE,** while 14% had between 0% and 2% growth (a substantial increase from last year), which now mirrors the Fortune 500 numbers from this year. Only 7% had between 2.01% and 5% growth, meaning a total of **51% HAD LESS THAN 5% GROWTH IN A YEAR,** which is an increase from last year. This data was consistent with the trend found in the Fortune 500 — **revenue growth is not where one would expect it to be 6 years after a recession.**

RUSSELL 2000
REVENUE GROWTH RATES

- <0% Growth
- 0-2% Growth
- 2.01-5% Growth
- >5% Growth



FORTUNE GLOBAL 500

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

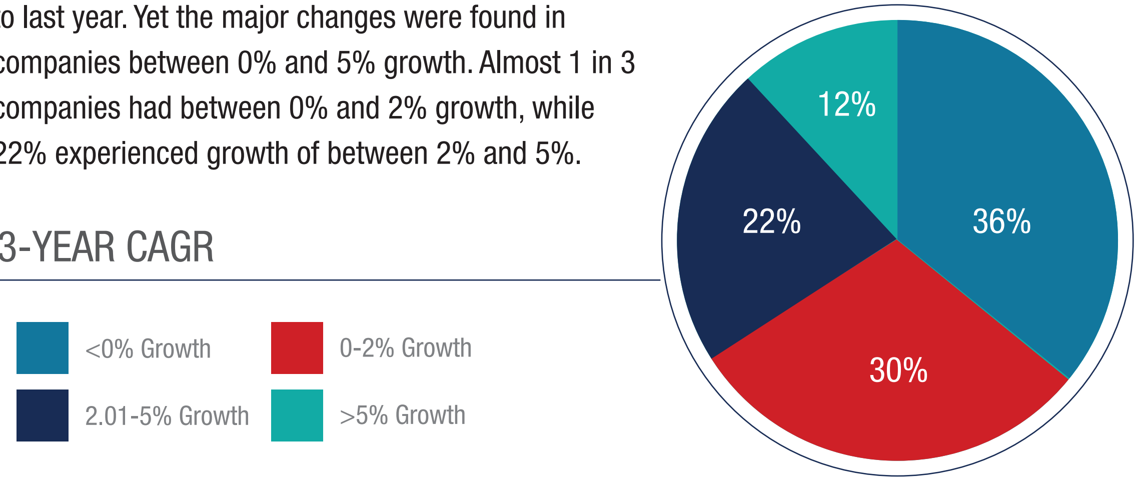
Continuing Research

Finally, to continue confirmation of the trend, we examined the data in a different way. Instead of simply examining the 2-year data, we were able to use a 3-year CAGR to see a longer period of changes for the Fortune Global 500.

3-year CAGR Findings

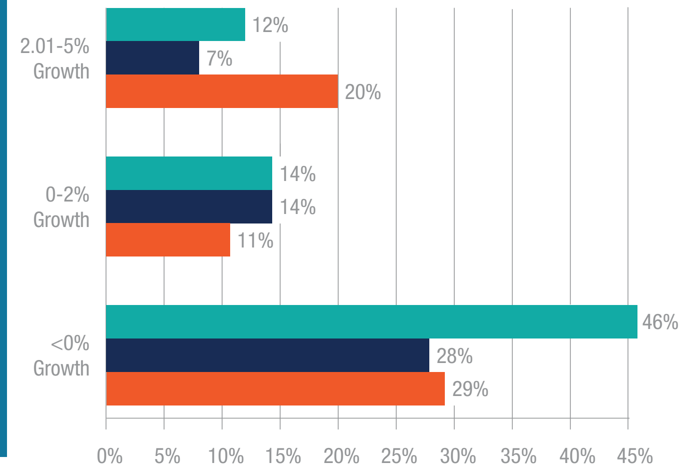
After examining the data for the 3-year CAGR of the top 50 companies of the Global 500, it is very evident that the lackluster revenue trend is also continuing through the global market. Compared to last year, the amount of companies demonstrating minimal to no growth has increased drastically. **AN ALARMING 88% OF THE TOP 50 COMPANIES OF THE GLOBAL 500 HAD BELOW A 5% GROWTH RATE.** Breaking that down further, **36% OF THE GLOBAL 500 HAD NEGATIVE GROWTH,** very similar to last year. Yet the major changes were found in companies between 0% and 5% growth. Almost 1 in 3 companies had between 0% and 2% growth, while 22% experienced growth of between 2% and 5%.

3-YEAR CAGR



Summary

Based on the aforementioned data, it is safe to say there is strong evidence 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 6 years following the recession, which is surprising in its own respect.



Revenue Growth Rate Data

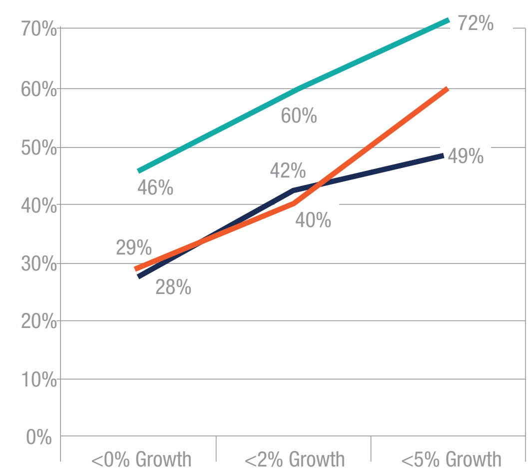
Global 500 Revenue Growth: 2013-2014

Russell 2000 Revenue Growth: 2013-2014

Fortune 500 Revenue Growth: 2013-2014

IT WOULD BE EXPECTED THAT AFTER THE RECENT RECESSION, ESPECIALLY A RECESSION AS SIGNIFICANT AS WHAT WAS EXPERIENCED, THE GENERAL REVENUE GROWTH TRENDS WOULD BE CONSISTENTLY IMPROVING OVER A 6-YEAR PERIOD. HOWEVER, OUR RESEARCH PROVES THE TREND REFLECTS A DETERIORATING SITUATION IN CORPORATE REVENUE PERFORMANCE.

Though companies are focusing on improving their revenue and earnings performance, it seems their efforts are not working. **We believe this suggests a need to reinvigorate their efforts with new approaches to selling and marketing to their customers,** as the current methods employed are clearly not effective.



Cumulative Revenue Growth Rates

Conclusion

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Historically, the primary measure of success for companies is increased revenues and earnings. As found in Mereo's 1st Revenue Performance Growth Index report, it seems this goal is not being met, and actually, most organizations are underperforming when it comes to these two fundamental objectives. 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 transactional go-to-market approach does not create a platform for continued revenue expansion based on customer value delivered during and after the sales engagement. **The impersonal sales techniques associated with transactional processes do not develop long-term relationships founded on sales professionals providing insight and information to the customer, and identifying solutions that provide true value related to solving a customer's pain or pains.** **THESE COMPANIES NEED TO SHIFT TO A FOCUS OF SEEKING TO SERVE THEIR CUSTOMERS, NOT TO SELL TO THEIR CUSTOMERS.**

This shift runs counter to current direction of many go-to-market organizations where monitoring pipeline and sales transactions has consumed sales and sales management resources. In fact, many companies refuse to remove sales personnel from the field to invest in enhancing techniques and skills, but do not hesitate to remove them from customer interactions to endlessly update data for oversight purposes. Sales management is also caught-up in this repetitive transactional cycle in many corporations. Instead of coaching and mentoring their teams, sales management is now in an endless cycle of pipeline and performance monitoring in a system that is, ironically, destined to result in the declining performance of their teams (as validated by this year's revenue performance study).

In comparison, **successful companies focus on building value-based relationships with each of their customers. This approach creates 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 provided solutions.** By focusing on a more value-based sales cycle, sales professionals build credibility with their customers, which enables new recurring revenue streams for future sales, and also allows the sales team to leverage successes through references. If companies can use these methods and begin to seek to serve and not to sell, they can 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, Harte Hanks, SAP, Ace Hardware, MHI Global, Bazaarvoice, E2open, North Plains, Microsoft, OmniTI, OKI Data, Appirio, 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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