FUELING THE REVENUE ENGINE:

5 Strategies for Building and Feeding a Marketing Machine

ELOQUA

THE POWER TO SUCCEED

INTRODUCTION

Generating predictable revenue requires plans and processes that look beyond lead generation to deal acceleration and targeted marketing throughout the marketing and sales funnels. As most marketing departments are now intimately involved in revenue creation, not only are they driving leads at **the top of the sales funnel** they are also providing content and market intelligence to keep prospects warm as they advance through the middle and later phases of the funnel.

Because of this shifting role, most high growth companies now view their marketing organization as essential to achieving their top line goals. In this white paper we will examine **5 key areas of funnel economics** and provide examples of how marketing departments can fuel the sales funnel and have a pronounced effect on how their organizations grow revenue and establish a strong competitive position.

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>
> ~SiriusDecisions

1) FEEDING THE FRONT END OF THE FUNNEL

Lead generation and lead management have been a growing priority for most B2B marketers, but due to challenging economic conditions over the past few years, the pressure on marketers to feed the funnel and demonstrate their impact on deals and revenue has increased rapidly.

For example, IDC's Tech Marketing Barometer, found that lead generation was ranked as the top marketing priority for tech marketers (4.3 in importance on a scale of 0-5), followed by brand awareness (4.0), online and interactive marketing (4.0), alignment with sales (3.9), marketing performance measurement (3.9), customer knowledge (3.6) and channel/partner marketing (3.4).

An article by Michael Gerard, VP & Research Director for IDC's CMO Advisory service, explained that the emphasis on lead generation is now coming from the top of most organizations. "With aversion to risk by C-level executives, the slight downturn and concern for growth in the next year, folks are shifting more to lead-generation programs," said Gerard.

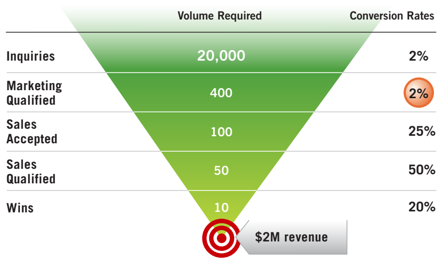
FUNNEL ECONOMICS

Generating a high volume of inquiries or responses is a key goal at the top of the funnel, and those marketing departments that have optimized the top of the funnel have seen the results correlate at the bottom of the funnel in terms of closed business.

By applying advanced marketing techniques such as **segmentation**, **personalization** and **event-triggered automation** to their lead generation efforts, many high growth organizations have shown dramatic improvement in campaign inquiries.

The Business Case:
The elegant economics of the marketing and sales funnel.

Life Beyond the Click



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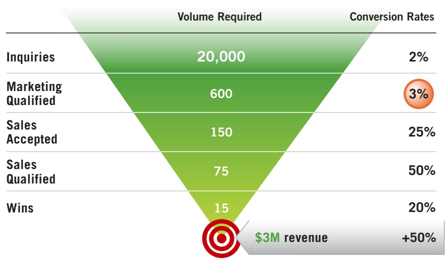


Considering an industry average response rate of 3% for most lead generation campaigns, marketing teams that have improved conversion rates by only 1 or 2 percentage points, have nearly doubled their number of responses at the top of the funnel. For example, with a lead generation campaign targeting an audience of 20,000, improving the response rate from 3% to 5% equates to an increase in responses from 616 to 1,000. When you apply the industry average metrics for converting a response through the the sales funnel to a qualified lead, a sales opportunity and finally a closed deal, that 2% improvement in response will ultimately translate to a significant contribution to the top line.

THE BUSINESS CASE. Marketers at Plum Benefits used website click-stream behavior to target campaigns, improving open rates by 13.3%, clickrates by 15.2% and lowering unsubscribe rates by 12 basis points.

2) TURNING RESPONSES INTO QUALIFIED LEADS

The first key conversion phase in the sales funnel is converting an inquiry into a lead, or a suspect into a prospect. While there is clearly value in driving a high volume of respondents to click on a link for a white paper or check out the content on a microsite, it is often much more difficult to get prospects to provide detailed contact info as well as insights into their business needs, priorities and challenges.

Industry analysts point out that having a process in place to manage and automate lead management is critical to successfully converting suspects into qualified prospects. “It is important to have a strong lead management process in place. Are you tracking from a measurement perspective the conversion of leads? Do you have a feedback loop in place with the sales group and a strong lead nurturing process?” said IDC’s Michael Gerard.

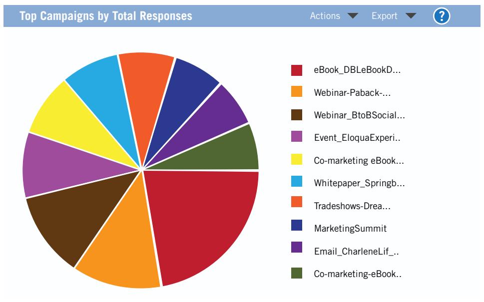
FUNNEL ECONOMICS

By building a process to manage and automate leads, many advanced marketing organizations have seen a significant impact on their sales funnel. For example, by implementing **pre-populated registration forms**, marketers have seen big increases in the number prospects that will complete the process of signing up for an event or downloading a document.

Another tactic that has shown significant results for companies with automated marketing systems is the use of **dynamic content substitution** for email and nurturing campaigns. For example, if a prospect’s profile within the marketing database indicates they are in a specific industry, relevant messaging and assets, like a customer story from a client in that industry can be dynamically swapped out on an email or landing page. In this way, marketers can deploy large scale campaigns that provide the most relevant content and assets to a user when they hit the page, without having to create a million versions.

The industry benchmark for moving a response to a lead is typically between 10% and 15%. Once again, even single digit improvements at this phase of the funnel can have a big impact on close rates and top line revenue for any business. For example, by moving the needle from 13% to 15% at this phase of the funnel on that same campaign which now generated 1,000 responses, the improvement would equate to 150 leads rather than 130. An increase of 20 leads may not seem that significant but when you consider that similar conversion metrics are applied to corresponding phases of the funnel, the domino effect on revenue becomes more apparent.

THE BUSINESS CASE. One of the strongest examples of improving the conversion of responses to leads is **Nokia**. The mobile solutions provider recently saw a 550% spike in leads generated through a multi-channel up-sell campaign by using a combination of direct mail, email and a hypersite, which all combined to drive an impressive conversion rate of 75%.



Integrated sales and marketing platforms enable marketers to quickly understand which campaigns are driving the most responses and having the biggest impact on revenue.

3) MEASURING THE IMPACT OF INVESTMENTS

With increasing pressure from boards of directors and the C-suite to prove the value of marketing activities,most marketing executives have increased their focus on **marketing measurement.** As evidence of this trend, the Association of National Advertisers' Marketing Accountability Study found that 92 percent of companies have created some type of **marketing accountability measures.**

"Those organizations that measure the value of their marketing will be the winners now because they can justify the expenditures," says Rich Eldh, VP and Co-Founder of SiriusDecisions, a leading research consultancy specializing in sales and marketing alignment. "Those companies that can't measure marketing will likely cut budgets just as they did in the past, and ultimately will pay the price for it in lost revenue."

Those executives that have embraced the need for accountability have quickly learned that managing the balance of **art and science in marketing** has tipped heavily in the favor of science. In many companies that have departments experienced in demand creation strategies, the marketing department is now viewed as a **machine that can accurately predict that every $1 put in** to demand generation will produce a pre-defined amount of dollars in return.

FUNNEL ECONOMICS

The added attention to measurement and ROI has led more marketers to shift budget to direct marketing and digital media over the past few years, where they can quickly see the click-thrus, registrations, response rates, etc. that each campaign generates. Recent research shows that the **migration to online marketing** will become even more dramatic as systems for managing and measuring marketing become more mature and widely adopted.

As marketers look to find the optimal mix of email, search and other direct marketing channels, those firms with **advanced tracking capabilities** are expected to have a distinct advantage over their competition. The ability to test and measure the response across multiple channels, not only allows marketers to justify investments to the board room, but also enables them to quickly shift dollars over to a campaign that is driving a higher volume of quality leads.

By developing systems that provide a **single view of multi-channel campaign results**, marketers have refined the ability to track a series of touches a prospect has with their brand and then develop automated processes that trigger a targeted response based on their behavior and specific areas of interest.

THE BUSINESS CASE. Before implementing a marketing automation platform, the marketing team at Pavillion Technologies were unable to track downloads from the website. Over the prior year, they attributed just 42 leads from the website, which jumped to more than 200 in a four month period after implementing marketing automation – an increase of more than 1,400 percent. They can now track email campaign outcomes to a level of detail previously unattained – reporting on not only how many emails were delivered and clicked through, but by whom, how often and where prospects went on the Pavilion website.

4) IDENTIFYING QUALIFIED OPPORTUNITIES

At this phase of the funnel, it is critical that organizations have established an integrated approach throughout their sales and marketing teams. The concept of sales & marketing working together as a team might have seemed far-fetched a few years ago, and maybe even today, in organizations where the two departments operate in silos with disjointed processes and strategies. However, co-ownership of the sales funnel is now viewed as a competitive necessity in most organizations that have adopted a programmatic approach to generating demand and revenue.

As part of its 2008 Report titled "Sales and Marketing in a Down Economy," SiriusDecisions recommended that marketers focus on demand creation and building the pipeline to avoid budget cuts and layoffs. "Many BtoB organizations have begun to track an overall demand funnel from cold to close incorporating both demand creation and sales pipeline metrics," the report stated. "The measurement of demand creation and the sales pipeline begins the process of co-ownership of the funnel by both marketing and sales; clearly identifies the role that both play in the health of an organization's new business pursuits; and systematizes the fact that quality activity at the funnel top will result in a healthier funnel bottom."

Performance Metrics	Average Performance	
	Best-in-Class	All Others
Lead qualification rate	35%	22%
Forecast accuracy	32%	21%
Marketing effectiveness	31%	21%
Sales effectiveness	30%	15%
Lead conversion rate	28%	19%
Response rate	27%	20%
Pipeline thickness	27%	12%

According to Aberdeen Research, companies that get lead scoring right have a 192% higher average lead qualification rate than those that do not.

In most successful organizations, the shift away from silos has been driven by marketing and sales finally establishing common goals and measurements for success. For example, most leading B2B companies now bring together their chief sales & marketing officers together to **set the volume of leads needed** to drive the sales pipeline. Further steps include both department heads agreeing on the **definition of a qualified lead** that is ready to be handed over to sales, as well as the metrics for how and when the sales team will **respond to those qualified leads**.

This kind of collaboration has changed the way many B2B organizations structure sales and marketing, with field marketing and demand generation functions often sitting directly between the two. Some of the more progressive companies are actually setting one common budget for sales and marketing, so that both groups have a voice and role in all investments and/or potential budget cuts.

These fundamental changes in go-to-market approach have all contributed to marketing executives having a more active role in **revenue creation**. In fact, many marketing executives now have at least a portion of their **compensation tied to achieving certain sales and revenue goals**.

In addition to driving leads into the top of the funnel, marketing executives also have significant influence on their company's performance through the use of **lead scoring systems** that qualify the hottest prospects for the sales team. By applying metrics around BANT (budget, authority, need and timing) scores, as well as the activity and engagement of a prospect, marketing departments can now help the sales team prioritize their efforts.

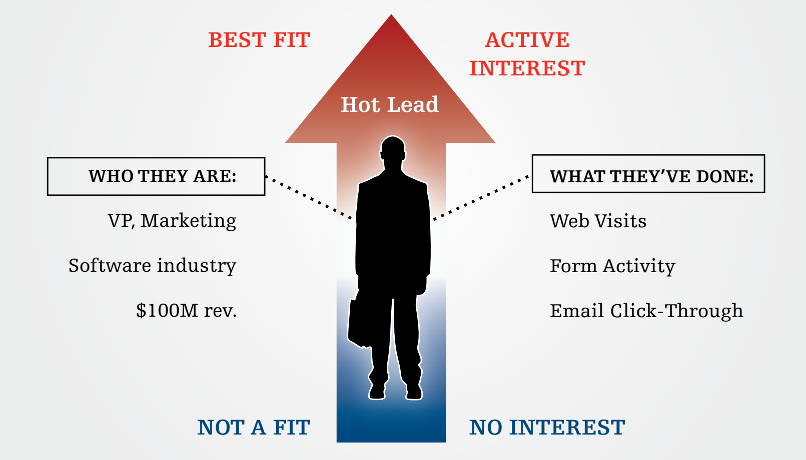
In its Demand Creation Tactics Survey, SiriusDecisions found that 52 percent of B2B companies with sales over $100 million already have some kind of lead scoring system in place, and another 26% had a system in development. Case studies have consistently shown that the use of lead scoring has driven **improved conversion rates**, win rates, increased average **revenue per deal** and shortened sales cycles.

In addition to driving revenue metrics, lead scoring has also helped drive gains around **sales resource management**. With sales typically one of the valuable and costly departments on a P&L, marketing can now play an active role in making sure reps are using their time as efficiently as possible. This efficiency is not only applicable to top sales reps, but also for inside and outside telemarketing resources, which often invest significant hours qualifying prospects after they have responded to lead generation efforts.

FUNNEL ECONOMICS

In addition to adopting a lead scoring process, many advanced B2B organizations have made great strides in their conversion of leads to opportunities by adopting tactics and strategies such as lead profiling, automated lead distribution, offer management and, most importantly, lead nurturing.

Lead scoring prioritizes the best leads for sales based on both prospect fit and engagement levels.

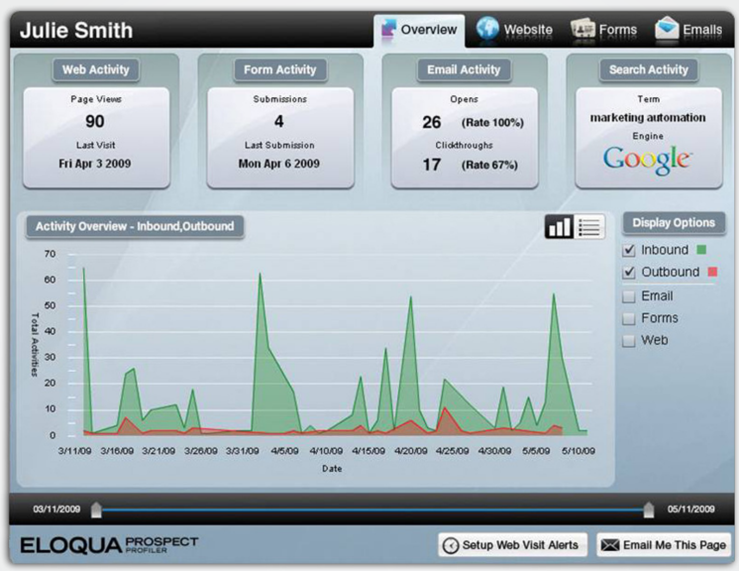


The standard metric for converting a lead to an opportunity is typically under 30%. However, by employing sophisticated lead nurturing programs that utilize offer management applications, some companies have improved their conversion rates at this phase of the funnel to more than double the industry averages.

THE BUSINESS CASE: By employing a lead nurturing program that automated the recycling of leads and keeping those leads warm with a series of targeted content and messaging, Cognos achieved a 70% conversion rate on marketing qualified leads which were ready to be handed over to sales. That program represented a 240% increase over the conversion rates Cognos had seen prior to adopting the lead nurturing program.

5) INVESTING IN INTELLIGENCE

Organizations that can read and respond to the **changing needs** of their prospects are more likely to identify sales opportunities and refine their strategy and messaging to capitalize on emerging markets. "This is a tell-tale time for dashboards and other ROI measurement applications, because the smart marketers are going to adapt quickly if there are major shifts in the buying cycle," said Eldh of SiriusDecisions.



Sales intelligence tools can help sales reps to better understand the interests and intent of their prospects so they can have more productive, informed conversations.

"Following improvements in lead, content and proposal management, close rates could be expected to increase, on average, by approximately 5 percent to 20 percent per salesperson."

~Gartner

The dashboards and tools now used by many B2B marketers not only provide insights for the sales teams into which prospects to prioritize, they also help identify trends based on the geography and types of companies that are driving the pipeline.The SiriusDecisions Report also pointed out increased investments in the pipeline should help to forecast slowdowns by seeing declines in inquiry rates "long before deals stall or turn into losses in the historically sales-dominated portion of the pipeline."

For example, if an organization sees an uptick in the amount of deals and interest from small to midsized firms, the company can alter its strategy and focus to tap into that shift in demand. Alternatively, if a particular product or solution that helps clients realize cost savings starts to see more hits on the corporate website, the marketing department now has the ability to expand its library of sales nurturing tools and steer the sales team to emphasize that area in their presentations.

Leading analysts have suggested that deepening customer knowledge should be one of the top considerations for companies seeking a competitive advantage. With increased competition and buyer's that are more empowered than ever to make purchasing decisions independent of a sales rep, B2B marketers need to invest in customer intelligence gathering in order to pinpoint opportunities and target marketing messages.

FUNNEL ECONOMICS

Over the past several years, sales cycles have stretched as the number of people involved in a buying decision has increased. To avoid already long sales cycles being stretched even further, smart marketing executives are focusing more on providing more sales tools and detailed analytics to the sales team to help close deals at the bottom of the funnel.

Some organizations with smaller marketing departments have focused on **sales enablement,** allowing the sales team to build their own automated campaigns and emails through the use of pre-created templates. Another example of feeding the bottom of the funnel is the use of notifications, where marketing can give sales reps visibility into website activity via email alerts.

THE BUSINESS CASE: CastIron Systems, a leading technology integrator, achieved a 100% improvement in its conversion from opportunities to closed business by focusing on lead management, lead scoring and lead distribution. By concentrating on the bottom of the funnel, CastIron cut its average sales cycle in half and doubled the number of closed deals per quarter.

ABOUT ELOQUA

Eloqua is the category creator and leading provider of demand generation applications and best—practice expertise for business marketers around the world. Thousands of customers rely on the power of Eloqua's products and services to execute, automate and measure programs that generate revenue. Eloqua is headquartered in Vienna, Virginia, with offices in Toronto, London, Singapore and throughout North America.

For more information, visit www.eloqua.com or email demand@eloqua.com.

1921 Gallows Road 500
Vienna, VA 22181-3900
Toll Free 866.327.8764
www.eloqua.com

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