MARKETING & SALES PERFORMANCE: THE ROADMAP TO REVENUE & ITS TOLLGATES

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Report Highlights

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There's a big disconnect between the perceived value of tracking lead stages and ability to do so.

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A framework for lead stages you can implement.

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Aberdeen's benchmarks of lead stage conversion rates.

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How marketing and sales technology systems integrate with the Roadmap to Revenue.

This report presents a framework and benchmarks for measuring lead stages between sales and marketing; a process that still eludes many companies.

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The disconnect between value and effectiveness can significantly hamper a company's strategy for marketing and sales, which is built on the ability to model revenue outcome.

How Are Companies Doing with Managing Performance?

Marketing and sales are in a committed relationship and, like any relationship, there has to be rules in place to keep harmony. Like rules related to the toilet seat and dirty clothes on the floor, the rules between sales and marketing need to be mutually agreed upon in order to set the right expectations and sustain a productive relationship. Countless Aberdeen studies demonstrate the parallel between good *sales* and *marketing* collaboration and good performance.

Today's world of the *hidden sales cycle* creates a need for increased accountability between sales and marketing. The buyer spends more time with marketing now than ever before, placing the burden on marketing to do a good job qualifying them for their engagement with sales. Sales, in turn, has to make good on marketing's work to engage the prospect by creating an opportunity with the prospect. And ultimately, they close the deal which proves a return on the company's investment in both organizations.

Lead stages are defined as the steps used to track the progress of a lead from marketing to sales.

Conversion is defined as the percent of contacts that move from one lead stage to the next.

It is not uncommon for a company to want to track the results of their sales and marketing activity and look at the progress that leads make. While there are many models that exist, most hinge on tracking the progress of a lead via "lead stages" and look at the throughput from stage-to-stage as a "conversion."

Aberdeen Group's recent Demand Generation study of 199 marketing and sales professionals, conducted in March 2014, offers interesting data relative to the implementation of systems to track lead stages and conversions, as shown in Figure 1. While 77% of respondents in our study rate visibility into lead performance across marketing lead stages as very valuable, only 43% indicate they can do this effectively. Similar results are seen when rating lead performance visibility across sales lead stages;

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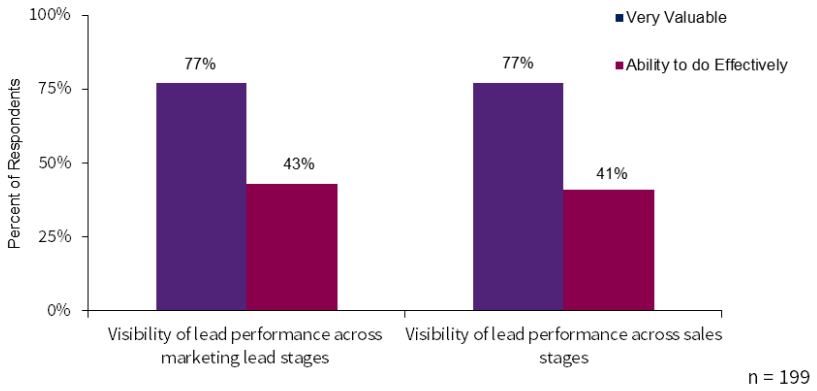
77% say this is very valuable, but only 41% indicate they do it effectively.

This apparent disconnect between value and effectiveness can significantly hamper a company's strategy for marketing and sales, which is built on the ability to model revenue outcome. Those that have tackled it have formalized the lead definitions and implemented a mix of automated and manual processes for lead management. A total of 58% of respondents have well-defined, common lead definitions between sales and marketing, yet only 9% of these folks have fully-automated their lead management processes. An additional 32% have lead definitions established, but have only partially automated their lead process. These implementations are skewed toward the Best-in Class (see definition on page four), particularly as it relates to process automation.

Figure 1: Companies Value Tracking Lead Stages but Aren't Effective at It



n = 199

Source: Aberdeen Group, April 2014

Marketers are having difficulty finding the time to implement complex approaches to lead management along with pressures to "keep the fires burning."

So what about the remaining 59% who have yet to establish common lead definitions and conversion tracking? When we look at the pressures our respondents face, there is a mix of

The Best-in-Class Defined

In February and March of 2014, Aberdeen surveyed 199 marketing and sales professionals to understand their demand generation practices. We used two key performance metrics to define Best-in-Class (top 20%), Industry Average (middle 50%), and Laggards (bottom 30%) among these companies. The top 20% of companies in the Demand Gen Survey achieved:

- A 39% marketing contribution to sales pipeline versus 27.6% for Industry Average and 6.9% for Laggard firms.
- 56.3% conversion of sales actioned leads to sales opportunity compared with 32.8% for Industry Average and 9.8% for Laggards.

pressures impacting them, many of which are focused on content creation and lead generation. One can only surmise that, in managing these pressures, marketers are having difficulty finding the time to implement complex approaches to lead management along with pressures to "keep the fires burning."

A Framework for Success

To aid in the implementation of common definitions and reporting of lead stages across sales and marketing, Aberdeen offers the following framework, entitled the **"Roadmap to Revenue"** as a starting point for the discussion within your own organization.

As a company considers the buying journey of their prospects and customers, they should be cognizant that there are natural checkpoints along the Roadmap to Revenue to ensure that all the gears in the machine are running as they should. Aberdeen Group calls these **"tollgates."** Tollgates are the points of accountability in the marketing through sales process. Not every buyer will complete the journey on the Roadmap to Revenue, so the tollgates provide helpful points of measurement for marketing and sales effectiveness in terms of conversion from tollgate to tollgate. These metrics, when measured over time, are useful in predicting revenue, as they indicate typical drop off and conversion inflection points.

Aberdeen has chosen the name "tollgates" because we think of these as points of equitable exchange occurring between the buyer and a vendor's marketing and sales teams. And, like the proverbial tollgate on your favorite interstate highway, the exchange of value is bi-directional (in theory, we pay the toll in exchange for the value of using the roadway). For example, a buyer does not become a marketing qualified lead until their

behavior has indicated a suitable level of engagement and they have exchanged enough contact and demographic or firmographic information with the marketer to warrant them being passed onto sales. In exchange for paying this toll (providing this information), the buyer receives the information necessary to answer their critical buying question at that stage of their journey, generally delivered through content, and thus they continue along the Roadmap to Revenue.

The following outlines Aberdeen's tollgates on the Roadmap to Revenue, as well as information gleaned from Aberdeen research about the conversion results today's marketers are achieving at these points.

- **Starting line: Marketing database.** The size of the marketing database can be used as an input to an equation, using the conversions of other tollgates, to predict the amount of revenue marketing can help create. Be aware that data quality has a profound impact on the Roadmap to Revenue. Reducing the number of buyers at the starting line due to bad or incomplete data can significantly impact how many make it to the finish line. Aberdeen estimates that the average marketing database has 70% good data. Accommodating for this by inflating your database size may help your output, but it will not take care of the additional risks that exist related to bad data. This accounts for why 66% of Best-in-Class companies employ cleansing and de-duping methods, versus 36% of All Others.

- **Tollgate One: Marketing-Engaged Contact.** Often known as a response, our first tollgate deals with the conversion of a contact to a known prospect. At this stage, the contact is not yet sales-ready, but they have demonstrated some level of interest through their

➔ Related Research "Consider the Audience: Marketing Effectiveness Metrics for Everyone."

actions, such as completion of a registration form. Often joining the Roadmap to Revenue through inbound marketing activities (a very popular on-ramp these days), a marketing-engaged contact has moved from being an unknown website visitor to a known prospect. This evolution is an important one, as it often triggers nurture campaigns intended to move the prospect along in their journey. Widely adopted as a strategy, nurture programs are used by 58% of Best-in-Class, compared to 38% of All Others.

Respondents to our survey indicated an average conversion from website visitor to marketing-engaged contact of 5.5%, with Best-in-Class achieving 6.7% and Laggards considerably less, at 3.1%.

Lead scoring is a methodology used within marketing automation and email platforms to rank prospects on a scale that indicates their sales-readiness. The score is used to determine when a lead is routed to sales and, in some cases, sets the order of priority for sales follow up.

Often, lead scores are based on both a combination of demographic information and behavioral, or engagement, data gleaned when the lead engages with the marketing programs.

➔ **Tollgate Two: Marketing-Qualified Lead.** One of marketing's most important outputs are qualified leads. These leads, whether qualified by marketing automation or by a dedicated telemarketing resource, are the product of marketing's demand generation work, and are an essential input to the pending sales conversation. The definition of a qualified lead should be agreed upon by both sales and marketing, and incorporate the correct demographic and firmographic profile, contact information, and amount of engagement with marketing. It is from this definition that the marketing team develops its lead scoring model (see sidebar at left) in order to automate the recognition of qualified leads by their marketing automation platform. Average conversion from marketing-engaged to marketing-qualified lead in our survey was reported at 22.3%, while Best-in Class experienced 35.6% conversion, and Laggards reported a 9.7% equivalent, as shown in Table 1, below.

- **Tollgate Three: Sales-Actioned Leads.** While the number of leads generated for sales is important, so too is the quality of those leads. The third tollgate in the Roadmap to Revenue measures the quality of the qualified leads sent by marketing by allowing sales to determine whether or not the lead meets the standards for sales action. The definition of a sales-actioned lead should be agreed upon by both sales and marketing, and should be a confirmation of the qualified lead status (the correct demographic and firmographic profile, complete contact information and amount of engagement with marketing).

  Some companies choose to make this determination through a sales development rep that places the initial call to secure an appointment for field sales or an external channel partner. Whether this is conducted by either of these or by the sales rep themselves, there should be agreed upon reasons for disqualifying a lead at this stage. Contacts that are not yet ready to speak with a sales rep should be returned to be nurtured by marketing, rather than simply discarded as "bad leads."

  The conversion from marketing-qualified leads to sales-actioned leads is an important measure of marketing lead quality. Table 1 (located on page nine) shows that an average conversion of qualified leads to actioned leads of 36.2%, with Best-in-Class achieving 53.4%, and Laggards considerably less, at 10.6%.

- **Tollgate Four: Sales Opportunity**. The creation of an opportunity by sales signifies the addition of the associated dollars to the sales pipeline. This is a serious commitment to the company that is important enough to have a definition associated with it. Requirements for

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opportunities often include confirmation of budget, authority, need and timing (referred to as BANT criteria), but companies should work to establish opportunity requirements that work for their own sales process and environment. This definition should be published, and all opportunities should be expected to meet the defined criteria.

The conversion from sales-actioned lead to sales opportunity begins to tell the story about sales' ability to convert qualified leads into pipeline for the company. Respondents to our survey indicated an average conversion of sales-actioned leads to sales opportunity of 32.8%, with Best-in-Class achieving 56.8% and Laggards considerably less at 9.8%.

Tip to Remember: A closed deal should also capture the disposition; closed-won, closed-lost, or return to nurture.

➔ **Tollgate Five: Closed Deal**. Signifying an important point in the Roadmap to Revenue, tollgate five is the decision point. While a closed deal can signify success or failure, it can also indicate a buyer's choice to take a longer journey. As such, a closed deal should also capture the disposition; closed-won, closed-lost, or return to nurture.

A closed-won deal signifies success for both sales and marketing. Like sales opportunities, a closed-won deal should have a definition of what's considered "closed-won." In some organizations, a deal can be marked as closed-won when a purchase order is received. In other organizations, an opportunity can only be considered closed when a countersigned contract has been executed. As such, it is important to establish a clear definition and a tracking process for closed deals.

Conversion from opportunity to close-won was measured in a recent Aberdeen survey, conducted in March 2013

with 169 sales professionals. Details on this study can be found in Peter Ostrow's recent report, *Breaking the Laws of Physics: Shortening the Last Sales Mile through Workflow Automation*.

Average sales teams achieve a 29% conversion from opportunity to close-won, while Best-in-Class leads with 45%, and Laggards come in at 21%.

Table I: Benchmarks of Conversion Rates at Tollgates

Conversion Metric	Best-in-Class	Average	Laggard
Unknown visitor to Marketing Engaged Contact	6.7%	5.5%	3.1%
Marketing Engaged Contact to Marketing Qualified Lead	35.6%	22.3%	9.7%
Marketing Qualified Lead to Sales Actioned Lead	53.4%	36.2%	10.6%
Sales Actioned Lead to Sales Opportunity	56.8%	32.8%	9.8%
Sales Opportunity to Closed Deal	45%	29%	21%

Source: Aberdeen Group, April 2014

Systematizing the Roadmap to Revenue

Once definitions have been established for these shared lead stages, companies should implement them within their marketing automation (MAP) and sales force automation systems (SFA) or customer relationship management (CRM) systems to measure these tollgate metrics in an automated fashion. Integration of these systems enables closed-loop reporting, (often out of the SFA or CRM) that ties closed deals back to their origin.

Proper implementation identifies the stage each lead is in and captures date stamps for when all lead stages are achieved (prior and current). Doing this identifies the time it takes for leads to move from stage to stage, which is helpful in determining sales cycle length and bottlenecks in the process, subsets of a revenue performance management initiative.

Once these are in place, conversions from stage to stage can be easily calculated and compared to benchmarks and goals, providing a solid foundation of metrics by which to measure your sales and marketing machine.

Companies will want to be thoughtful about the data they capture and take definitive steps to establish shared definitions around lead stages is the first step toward marketing and sales excellence.

For more information on this or other research topics, please visit www.aberdeen.com.

Related Research

Consider the Audience: Marketing Effectiveness Metrics for Everyone; January 2014

Breaking the Laws of Physics: Shortening the Last Sales Mile through Workflow Automation; April 2014

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About Aberdeen Group

Aberdeen Group conducts research focused on helping business leaders across sixteen different B2B technology disciplines improve their performance.

Our process is simple – we conduct thousands of surveys every year to identify top performing organizations and uncover what makes them different. We share these insights back with the market in the form of in-depth research reports and content assets to help our readers build business plans capable of driving better results with the right set of tools to help them get there.

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