Performance Marketing and the B2B Sales Funnel

B2B TechMarketing

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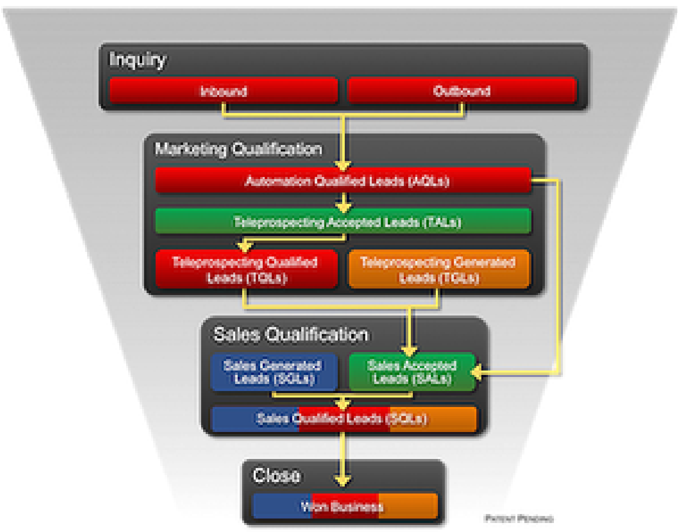
Introduction

Before ABM; before all of the other B2B marketing catchphrases reinvented by technology vendors – ‘customer experience’, ‘content marketing’, ‘sales enablement’ – there was the ‘demand waterfall’. Or as we thought of it at the time: the ‘sales funnel’.

SiriusDecisions (now part of Forrester Research) launched the first version of what, particularly for North American software companies, became ‘marketing as lead generation’ as far back as 2002.



In 2012, when it evolved to better reflect how it was actually working in practice in thought-leading companies, it became the de facto way to look at the roles of Marketing, Field Sales and Teleprospecting/ Inside Sales/ Business Development Reps in the lead acquisition to close process.

One of the reasons, it became so popular in the 2010s, reflected two realities of the tech industry at this time:

1. **The emergence of subscription, rather than license-based pricing** (i.e. SaaS) resulting in greater competition and lower margins, was shifting company focus gradually away from being ‘the best’ technology towards sales-led growth and market dominance to drive market valuations, and

2. **Marketing KPIs were shifting dramatically from ‘soft’ (or ‘vanity’) metrics (e.g. awareness or event attendance) to ‘hard’**, financially-oriented metrics, such as ‘MQLs’ and ‘SALs’ – and sometimes even pipeline value – to tie them closer to target business outcomes.

This process has continued to be accelerated by the dramatic shift in purchasing power to the customer, enabled by the internet’s democratisation of information. As customers continue to self-educate and qualify potential suppliers without engaging directly with them until very late in their decision-making process, the strategic focus on the sales funnel has evolved to become more customer-centric and marketing’s role in filling it has grown. This has resulted in strategic need for Marketing to understand the ‘buyer’s journey’ and the end-to-end ‘customer experience’. In the late 2010s, this culminated in definitions of market segments of very few companies, or markets of one: hence, ABM, or Account-Based Marketing. None of this is new, (see Don Peppers and Martha Rogers, 1998) but it has become significantly more customer-experience focused rather than sales-centric.

So how do buyer journeys, sales funnels and marketing tactics align to drive better outcomes? In a nutshell, what does Marketing need to do differently?

Agility, Velocity and Time to Value

The business challenge of focusing scarce sales and marketing resources on the opportunities most likely to result in a profitable sales has always been there of course. Frameworks like the demand waterfall, along with segmentation and buyer profiling (see my blog here) are useful models for thinking about how business targets, usually expressed as sales revenue targets, turn into operational goals for Sales and Marketing. These in turn drive the right tactics to deliver measurable outcomes.

To manage business performance effectively in a fast-moving, global economy it is more important than ever to understand the dynamics of your marketplace, react quickly to changing market circumstances, as they affect your business and understand the levers to pull to drive a fast and predictable return on sales and marketing investments.

For example, the basic premise of the SiriusDecisions demand waterfall model is that enquiries turn into leads qualified by marketing (MQLs) that are accepted by Sales (SALs) and worked on to create meaningful sales leads (or 'opportunities') – SQLs (or SQOs) – that they eventually close.

So far, so straightforward. It follows then that if a certain number of opportunities are won, at an average order (win) value then we can model how many SQLs are needed to achieve the sales target – and work back to determine how many leads marketing needs to create.

First define the market segment for which you have set a revenue or order intake (bookings) target – the sales goal. Then, using a combination of historic data, forecasting and agreement you can determine how this target will be achieved, by considering the following factors:

- percentage contribution from existing customers versus 'new logos'
- percentage contribution of leads sourced by marketing versus sales
- conversion rate of leads through key funnel stages agreed by sales and marketing – for example, how many MQLs become SALs; or close/ won rate for SQLs
- average order value
- average elapsed time to close/ won for an SQL with an expected order intake target assigned by sales

This is just a model of course, but it provides some targets for leading indicators that help with both planning tactics and with course correction as the financial year unfolds in reality. Without a forward looking model, companies are reliant merely on sales forecasts (commit, upside etc) and, when they inevitably find they are not as accurate as the CFO would like, these lagging indicators of buyer behaviour tend to lead to short term decision-making to course correct: like cutting costs in marketing; or believing the sales demand for 'more leads' - rather than understanding what a quality lead looks like and baking it into an SLA.

As buyers self-educate and begin to start exploring solutions to their business challenges, they begin to engage on and off-line. This is where their buying journey collides with your sales funnel. By understanding what kind of companies and behaviours you are looking for and what content and messaging (see my blog here on content and brand) is appropriate for different stages and different buyers, you can drive the right actions to accelerate the buying journey to successful close. This requires the operational use of the above type of model so that it captures data points in real time and takes real time action.

Driving and scoring engagement with buyers

It may be sacrilege to say so, but most of the touches that B2B buyers have with your company, through whatever channel are irrelevant! Or, to put it another way, the chances of someone buying something from you this week solely because they landed on your website last week, are very low. And yet Marketing often treats something as non-committal as someone signing up to their newsletter via the website as a sales lead. At this point we (may) know their name, job title, company name, work email and willingness to receive communications from us. We certainly have no idea of their **intent**. They are not an MQL!

Right-minded modern marketers taking a strategic approach to managing customer engagement, will generally make two assumptions about this visit that drive follow up action:

1. **The person who completed their form did so because they have some indefinable level of need**/ want for information. This should be respected and their customer experience (and brand experience) should be managed.

2. **If the company/ job function/ job level, that is now known is one that identifies them as being in the company's target universe, their buying status/ influence/ role is of interest** as it may influence an existing or future sales opportunity for their company

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This combination of evaluating an engagement for the customer and for the sales funnel – and, more important, taking action on both of these things in real time - usually leads to automated lead nurturing and lead scoring strategies.

Lead nurturing is a means of continuing the engagement with a contact that has expressed interest (by completing a form and opting in – or not opting out) by pointing them to relevant content that relates to their [specific company], [company type], [job function], [job level], [industry], [peers' interests] etc. We can select any and all of these options, and more, as determined by the data collected and our knowledge of what works (through historical testing). The more personalised this is to the contact's needs, the more effectively it will drive the desired outcome – higher engagement; accelerated interest.

Nurtures are often created as automated emails using a pre-defined workflow, and/or by tagging content in the CMS or marketing automation system and/or using some form of logic presented in an algorithm (often called AI, but usually not).

Lead scoring turns the engagement with this content into numbers, using a rule-based system (e.g. a click on an email hyperlink is worth 5 points) and usually combines the score of this behavioural data with structured data scoring (e.g. 'SVP' job level scores 5) to create a combined score for how good a 'fit' this profile is to the kind of things that historically predict a good sales outcome.

A threshold score (e.g. 75 out of 100, or an 'A1' lead) will then be used to determine when the lead justifies sales engagement. When the focus is on ABM, as I mentioned in my last blog, 2nd and 3rd party data can be used to score at an account level – combining firmographic, demographic, behavioural and intent data to get a more representative view of the buying journey across the whole buying group in multiple locations and functions.

The systems needed to capture all of these data points can be quite sophisticated if action is to be taken in a meaningful way. I will look at this in more detail in a future blog.

Ultimately, a tech business needs to see a return on its investment in sales and marketing. Our strategies for getting the **right message** to the **right person** at the **right time** to take the **right action**, need to be seen in this context. While the right action is contextual, it all needs to add up to a satisfactory return on the overall investment using financial KPIs – cost per lead, cost per customer, customer lifetime value, ARR, net margin and EBITDA. Marketing attribution and ROI practices are therefore worth consideration.

Attribution: lead sourcing, influencing and ROI

Marketing lead attribution in B2B is often used to associate marketing-sourced leads with sales target outcomes. Put simply, it identifies the primary source of a won deal as being a marketing owned activity versus sales-sourced or 'other' usually by use of 'tags' created in/ recognised by search engines, marketing automation systems and CRM systems and stitched together to create marketing 'campaigns'. This raises two important questions, which I will deal with at another time but are key to understanding attribution: what is a lead? what is a campaign? These are usually defined at a company/ system level.

Marketing automation and CRM systems, which are usually using separate databases organised differently from each other, have to have the same definition of a lead and opportunity, which are the entities that are usually used to denote ownership (and therefore source). Attribution models are then based on how this is defined – see this article for a useful overview.

More important in this context is that this is clearly a meaningless way of attributing the value of marketing activity to closing deals, since it clearly does not reflect all of the engagement across all of the buyers journey of all of the buying group involved in the decision. The Marketing ROI (see more on this here) is therefore impossible to measure at this detailed level.

Single touch lead attribution takes one arbitrary lead (contact) – albeit scored, based on a number of data points – and assigns all of the value of the closed deal to that person, either on his/ her **original** action, the **last** action (or *single touch* attribution) taken before the lead was created in the CRM, or linear (or U-shaped) attribution across all of the touch points before the lead is created. What about all of the other **influencing** actions, post lead creation – and all of the other people/ behaviours involved?

In reality there is no perfect way to attribute value across the entire B2B journey, but the concept of influence across many channels, opportunities, organisations and people has led to the emergence of multi-touch attribution models and systems to support them. This is a data-driven approach and normally requires a customer data platform, or at least native cloud integration with the MAP, CRM, Google analytics and all social platforms to execute effectively.

SiriusDecisions has recently updated their 2012 waterfall model once more to begin to move away from a dependence on measuring 'leads' to start talking about 'demand units' and this is heavily driven by concepts such as 'intent marketing', ABM and multi-touch attribution.

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The complexity of the B2B buying cycle challenges marketers to think strategically at how to define and capture all of the data points that show purchasing intent: to determine the **right time** to engage sales and to invest high value resources.

The fundamentals of B2B marketing's role: to fill the sales funnel with well qualified opportunities that will convert to orders at the required rate and produce the right quantifiable outcome has not changed. But the digital age has reduced product differentiation, increased competition and fragmented supply chains.

At the same time, it has provided a wealth of digital data that can cast new light on how to convert more sales at lowest cost, while providing the customer with a superior experience.