SellingPower®

A Cool DUO

How to combine the best of both worlds – sales and marketing

By Henry Canaday

Illustrations by Belle Mellor

They go together like franks and beans, like Abbot and Costello, like – well, like sales and marketing. Yeah, like that. Or they should. But then again, sometimes they lock horns. Or veer off in different directions. Or just fail to sync. Then it's, ooops, did we just give ourselves a huge black eye?

Realigning sales and marketing to better support each other may have become a hot topic, but it doesn't always work like the textbook says it should. It appeals to all parties – at least in principle. But then there's the reality of the field. Ah, yes! the real world.

According to two ex-Gartner Group researchers, the best companies have been realigning for profitable growth for years. What the researchers call "managing demand through field marketing 2.0," shows dramatic gains in 1) true opportunities per response to marketing campaigns, 2) increased sales productivity of reps, and 3) more control over the timing and volume of sales.

But true change comes with pain. Sales may have to shed budget to marketing, marketing needs to become more accountable and cede status to sales management, and reps may get higher quotas.

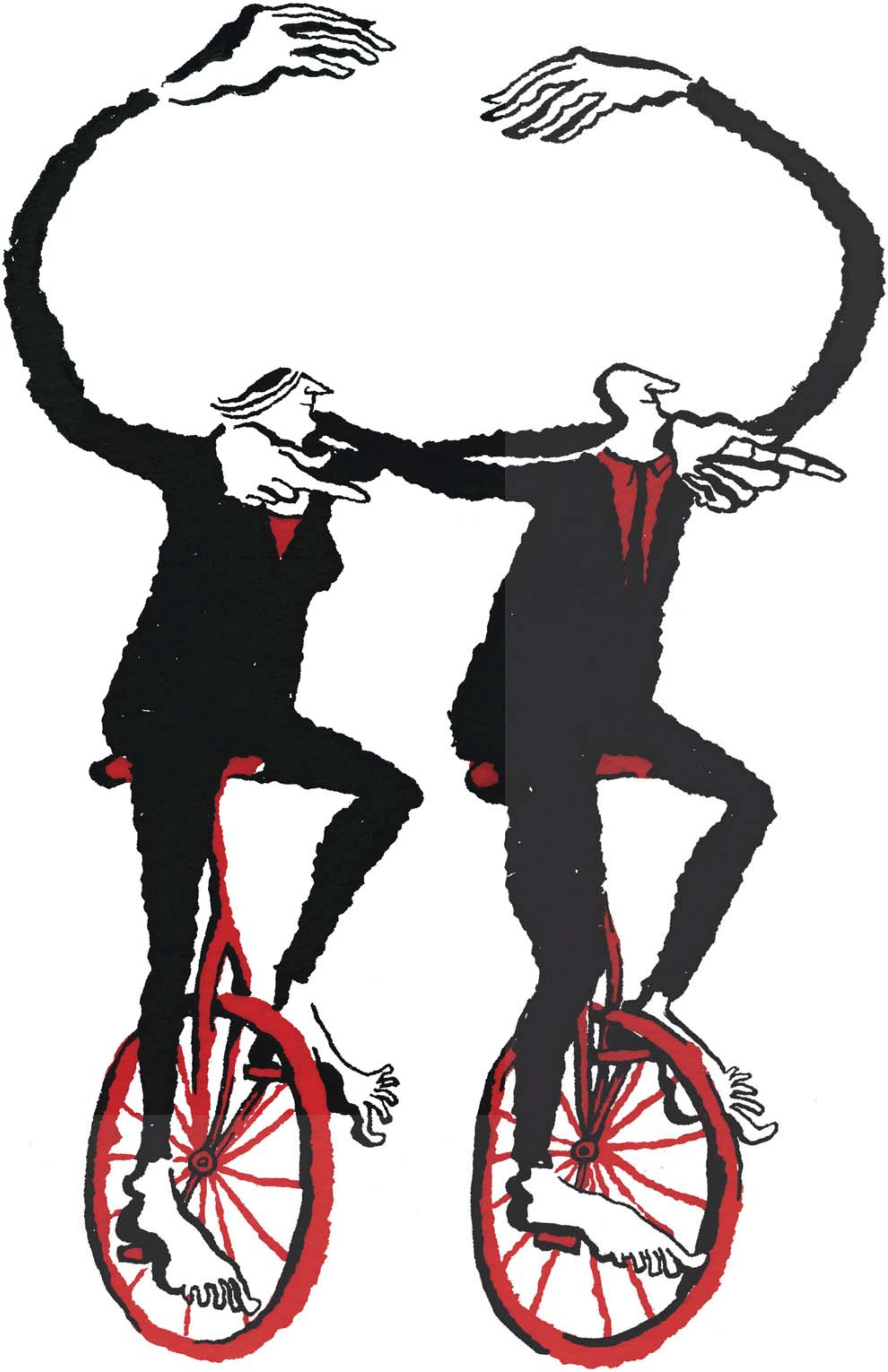
Rich Eldh comes from a sales background, while his partner John Neeson worked chiefly in marketing. The two cofounders of SiriusDecisions studied the revenue growth of more than 200 companies that sell in business-to-business markets. "The big difference is that organizations that had good top-line growth had very good collaboration between sales and marketing," Eldh summarizes. "They had a significant advantage over organizations without formal collaboration."

Market changes require tighter collaboration. Sales cycles have grown about a fifth longer, according to Neeson. Buyers have become more pragmatic, and more managers are involved in major purchasing decisions. Purchases of information technology now involve business managers, not just CIOs.

Selling effectively in this new market cannot be done under the old sales-marketing model, which Neeson depicts this way: "Marketing did strategy and branding, and sales developed leads into opportunities." Now marketing must develop leads into true opportunities before turning them over to sales.

Trade-offs and sacrifices are involved. "Sales may have to give up some budget to marketing," Neeson acknowledges. "Lead generation is no longer tactical, but part of strategy." Marketing managers become accountable for the quantity and quality of leads.

The sales pipeline is no longer a simple pipeline, but a "waterfall," as marketing campaigns attract responses, which turn into qualified opportunities and are passed to sales, which turns them into closed business. SiriusDecisions found that best-practice companies average four-and-a-half times more opportunities given to salespeople, per initial response. "That is a huge



SAP'S 75 PERCENT SOLUTION

Heather Loisel spent ten years in sales and sales management before moving to marketing. She now leads marketing at SAP, the global provider of enterprise solutions for planning and managing employees, customer relationships, supply chains, and other resources.

Loisel headed North American field marketing in 2006 when SAP confronted its challenge. "We had a hard time figuring out the connection between sales and marketing," Loisel explains. "How does marketing measure the leads it generates? Where do they go? What is their value?"

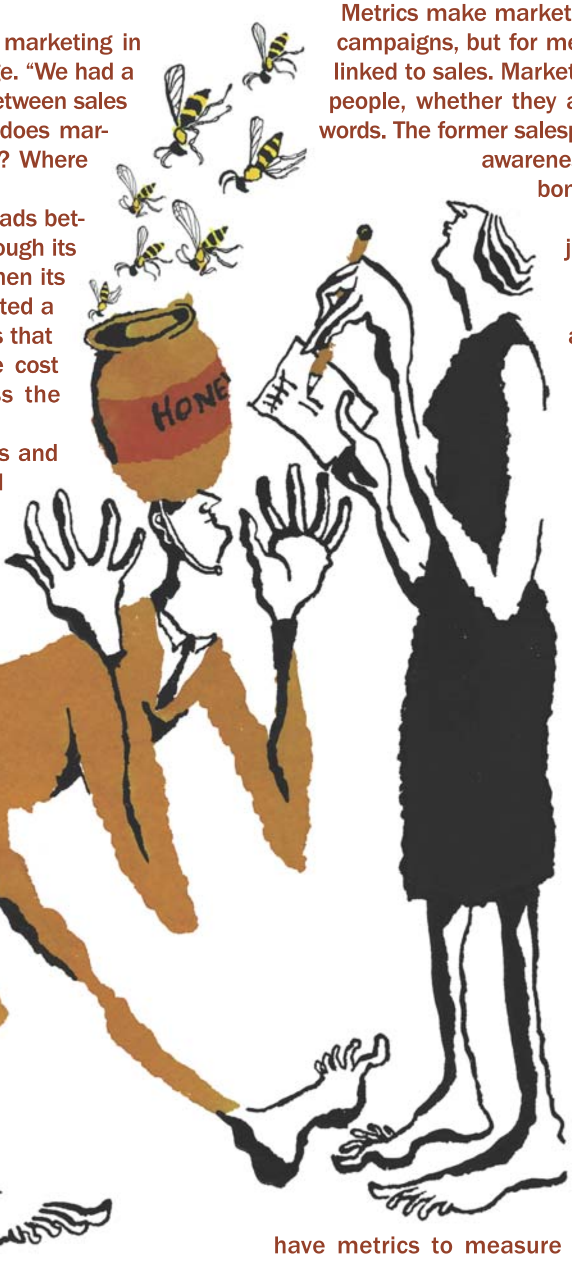
SAP decided it needed to manage leads better from the point the lead came in through its nourishing and hand-off to sales and then its use of the lead by sales reps. SAP wanted a system that would predict the revenues that would come from leads, measure the cost of generating them, and help assess the value of marketing investment.

Discussions were held between sales and marketing about the definition of a lead suitable for passing to sales. They agreed on a definition involving the standard BANT criteria: budget, authority, need, and time frame. Significantly, the SAP executives also agreed on a numerical target: 75 percent of the leads that marketing offered to sales would have to be acceptable to account executives, who could reject, within a limited time period, unsuitable ones.

One part of the transition was relatively easy. SAP used its own CRM system to track leads all the way from first acquisition down the sales pipeline. The entire transition was accomplished in about one quarter.

The new system does all that SAP wants. SAP can measure the effectiveness of marketing spending in a variety of ways at each step. Leads come in as "responses" through a variety of channels, such as direct campaigns, online advertising, and events. SAP can estimate the portions of the target market that never respond, respond only once, or respond more than once.

Some portion of the responses is turned into Marketing Qualified Leads (MQLs), the next step in measurement. Then a fraction of MQLs becomes Sales Qualified Leads (SQL). The target for this fraction is 75 percent, a target SAP has so far been beating with a 77 percent rate. The rest of the system tracks SQLs by age within the sales force and, using average deal size, estimates revenue flow. The new system contributes significantly to managing SAP's business, according to Loisel.



These and other metrics become Key Performance Indicators (KPIs) that give objectivity to weekly meetings of regional sales and marketing managers and monthly reports to each region's general manager and to marketing's own quarterly review.

Metrics make marketing accountable, not for events or campaigns, but for measurable results that are directly linked to sales. Marketers can now know, just like salespeople, whether they are "a hero or a bum," in Loisel's words. The former salesperson thinks this is a very healthy awareness. SAP marketers now have their bonuses tied to quantifiable results.

And marketing itself can be judged and compared with other firms based on objective measures of the results its spending achieves. SiriusDecisions data indicate that SAP compares favorably with other large companies and is, on certain measures, best in its class.

Saving reps time in obtaining or qualifying leads was one clear goal of the new alignment between sales and marketing at SAP. There has not yet been any shift in resources from sales to marketing, and Loisel declines to predict one. But she says the question is under consideration.

SAP's satisfaction with the new model is clear. Loisel was recently promoted to her current position, vice president global marketing operations. Although precise methods may differ, she says other SAP regions outside North America are also working toward streamlining their processes of passing leads from marketing to sales.

One overall trend is clear, in Loisel's view. "Traditionally, there has been no focus on the ROI in marketing, and there has been no way of optimizing this investment. Now, we have metrics to measure ROI, to evaluate how much we should spend, and to optimize it." The most important metric, or KPI, is the rate of accepted leads. "There has got to be an outcome," says Loisel.

Measuring outcomes is especially important in the new era of what Loisel calls "fragmented markets." "Customers want you to provide something that is specific to them. It is no longer enough to just read their annual reports. Now the customer expects you to know their company, know their industry, know their competitors, and understand their problems." That means both sales and marketing must target markets and prospects very specifically, and then be able to quantify both spending and results in detail.

So far, the bottom line is robust. "SAP America had its biggest year ever," Loisel says. "We are a growth engine for the company."

The sales pipeline is no longer a simple pipeline, but a "waterfall."

► CONTINUED FROM PAGE 76
potential for improvement," Eldh stresses.

Under the old model, marketing was accountable for activities, such as conducting campaigns or executing trade shows. Under field marketing 2.0, marketing is measured by numbers of opportunities and its ability to fill the downstream waterfall and increase revenue.

Marketing and sales must first agree on the definition of a qualified opportunity, on the processes for handing opportunities to sales, and on systems that hand them off quickly and inexpensively.

Then each department must restructure its activities. "Marketing must identify where leads are in the buying cycle through quick questions and analyzing behavior," Eldh explains. Web visitors are analyzed by white papers downloaded, Webinars taken, or Webpages viewed. Similar checks are made for offline contacts. Marketing needs a database to aggregate these activities, plus rules to interpret them.

Reps must be able to exploit opportunities quickly. They must be more competent at their specialty, professional sales, and know customers and communication tools better. They must build and manage consistent presentations, using the best new tools.

The potential gains are enormous. Eldh estimates that as much as 80 percent of responses to expensive marketing campaigns are ignored by both sales and marketing. "The money spent and wasted is ludicrous."

Eldh says marketing should usually fill from 20 to 40 percent of the pipeline. The rest should come from current customers. Marketing should forecast these opportunities and help forecast sales. Marketing should know that X opportunities in one quarter will turn into Y sales in that quarter and succeeding ones. Top management can then smooth out peaks and troughs in sales efforts and revenue. The company can manipulate controllable opportunities to balance uncontrollable factors, such as seasonality.

One best-practice firm is Pragmatech Software. The company sells a Web-based application that helps reps assemble just the right information in large, complex sales. "Our clients typically have five to seven steps in the sales process, and they need the best information at each step from presentations, white papers, and proposals," explains CEO Brian Zanghi. So Pragmatech is helping with one part of the new model, more professional sales. But the firm also implemented the other part by transforming the relationship between its own sales and marketing departments.

Two years ago, Pragmatech faced a familiar problem. Reps wanted opportunities, not leads, and said marketing was not even providing enough leads. Marketing complained about the lack of follow-up and feedback from reps.

For six weeks starting in December 2005, SiriusDecisions audited Pragmatech's sales process, interviewing 30 people in sales and marketing and talking to customers. Eldh recommended that Pragmatech focus on defining opportunities, strengthening its database, improving marketing messages, and upgrading technology. Zanghi took six months to implement the recommendations.

Two weeks of discussion resulted in agreement on the definition of an opportunity. It must be in the target market, there must be executive sponsorship, there must be a performance problem Pragmatech can solve, and budget and timing must be right.

Pragmatech asks Web visitors five qualifying questions. Marketing then nourishes leads into opportunities. These, along with the history of the relationship, are passed to reps on salesforce.com. Reps accept or reject the opportunity in 48 hours, but they must justify rejection. Marketing re-nourishes any rejected leads.

Pragmatech expanded its marketing database, both in quantity and quality of information. Zanghi's target market includes 2,300 firms which have more than $100 million in annual revenue in one of three industry verticals. To reach them all, he bought lists and built partnerships to do joint marketing.

Next, Zanghi beefed up technology. Salesforce.com had been effective but lacked the marketing information system Zanghi wanted. He chose Eloqua for analytics and visibility into the marketing activities that prepare opportunities. Efficiency gains were impressive. "We went from doing a couple of marketing campaigns per month to doing as many as we want each week."

Pragmatech continues to refine its marketing messages. "We need to understand who the buyers are and why they buy, as efficiently as possible, then zero in on business problems and help them," Zanghi explains. "We could not do it without technology." Fortunately, Pragmatech's own software helps engage customers and assemble content tailored for each one.

Finally, Pragmatech hired a senior person to be specifically responsible for sales effectiveness. What had been a managerial role devoted to administration, automation, and forecasting was elevated to a mandate to make salespeople more effective at their jobs.

Zanghi is happy with the new model, starting with its control. "I can reach out for five minutes every two weeks and ask a rep what

MORE OPPORTUNITIES PER INQUIRY

Best-practice companies focus on the "middle mile" of demand creation to improve lead development, save rep time, and get 4.5 more sales-qualified leads per initial inquiry.

	Average $1 Billion Company	Best-Practice Companies
Marketing Qualified Leads/Inquiry	5.1%	8.3%
Opportunities/ Marketing Qualified Lead	34%	92%
Opportunities/Inquiry	1.7%	7.6%

Source: SiriusDecisions study of 200+ companies.

is up with a lead he has had for two days. That changes the mind-set." Technology has made Pragmatech much more efficient. One marketing person handles all logistics of Pragmatech's more frequent marketing campaigns. And lead volume is up.

Eloqua lets Pragmatech see all contacts from the first time a lead enters the "waterfall." "Before, we did not know much about a lead other than maybe the date it came," says Zanghi. The old system did not even measure conversions from leads to opportunities. Now Zanghi tracks conversion rates, and they are rising. "The ultimate measure is revenue growth, and we have seen a good trend there as well.

"Start with the right people, get alignment between sales and marketing, and have a well-thought-out business process," Zanghi advises. "You also need to exploit technology and have dedicated executives." Zanghi believes the new model can work in any business-to-business market.

Autodesk had a much different challenge in sales and marketing. With nearly $2 billion in annual revenue, the company is the world's largest provider of design software. Autodesk is now transitioning its customers from two- to three-dimensional software in order to "experience ideas before they are real," in the phrase of Mike Colombo, senior director of worldwide sales execution.

But the company had its own transition to make: keeping two very different forms of organizations aligned. Most of the Autodesk's 5,200 employees are organized in divisions that serve customer segments such as manufacturing, architecture, construction, infrastructure, media, and entertainment. But customers are global, with sites in about 160 countries. So the 1,200 sales and marketing staff are organized geographically into four major regions: North America, Europe and the Middle East, emerging Asia, and developed Asia. These critical employees, including both Americans and citizens of local markets, reside in the regions and markets they serve.

Three years ago, Autodesk established four sales-execution teams, totaling 60 people, located in the four sales regions. "Their job is to tie the strengths of marketing and field sales together to generate demand," Colombo explains. These specialists are not salespeople, but have a background in, or thorough familiarity with, sales.

Sales-execution teams represent field marketers and reps to Autodesk's operating divisions. Their purpose is to help build strategies that are executable in the field. They keep field reps and divisions synchronized on four key elements of marketing: analyzing where to go, planning how to get there, executing the plan as efficiently as possible, and measuring results to improve the plan. Furthermore, "they connect people with common vocabularies," Colombo stresses. That is no small task, as the field teams speak many different languages.

No new systems or software were necessary for this alignment. Colombo and his execution specialists use the Web, Blackberrys, and PCs to communicate, and reps use Salesforce.com. Colombo calls it "a high-level, value-added interface. We need to be proactive beyond the next quarter to see opportunities for each division, to capture these opportunities, and to drive demand."

Colombo says the system is scalable for growth and can adapt for changing requirements. For example, "we started out with 'countrification' of our products and now we are moving one step further to making products industry-specific." And it will be far easier to reorganize the small sales-execution teams than to reorganize the huge operating divisions or geographical teams they link together.

Results appear solid so far. In the past three years, Autodesk revenues have averaged nearly 25 percent annual growth. Colombo attributes this success to many factors besides sales. He will keep his execution teams focused on consistency of message, identifying key issues on the horizon, and keeping lines of communication open. •

SCHOOLS AND COMPANIES BEHIND THE CURVE

Most universities still do not teach the latest models for aligning sales and marketing, according to Follett Carter, formerly head of both sales and marketing for The Gartner Group and now a lecturer at the University of Michigan's Stephen Ross School of Business. Carter notes that only a few top graduate schools, including Harvard, Northwestern, Stanford, and Michigan, even teach professional sales today. And most marketing courses continue to focus on the brand management, pricing, and strategic positioning crucial in consumer, not B-to-B, markets.

That needs to change, Carter argues, as the best B-to-B firms require marketing to play a tactical as well as strategic role in boosting sales. "Strategic thinking is about where you want to position yourself in the marketplace three years from now." Carter explains. "Tactical thinking is about how you can get the most productivity out of your reps by increasing their selling time." He is starting to see a shift in courses as B-to-B firms recruit more actively from campuses.

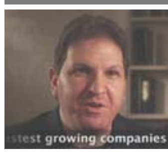
Smaller firms, with $50 to $200 million in annual revenue, are leading the charge to more tactical marketing, according to Carter. These companies are young, nimble, and just trying to survive. They have to be more productive. But like colleges, giant firms often lag behind. Carter believes they too will have to catch up. "CEOs are much more focused on the bottom line today, but the hurdle has been politics. Someone with responsibility must give up power."

Culture change is required as well. "You get entirely different behavior if marketing is concentrating on getting market share, rather than on the productivity of sales reps." Carter says technology can help, but is not the critical element. "Organizations could have done this before through manual methods. I do not think that has been the stumbling block," he says. Some companies will need better software to track the history of opportunities, but others will not.

Carter does not see Marketing 2.0 as requiring big changes in compensation of marketing leaders, who will continue to receive salary plus bonuses. Sales reps will continue to be paid for performance, but their quotas may increase. "If you invest $5 million so that marketing can give tactical leads to reps and save them two days a week, this increases their selling time. I think it would affect quotas."

Hierarchies should also reflect the change. No longer will B-to-B sales chiefs report to heads of marketing. The two positions will become more equal, as they are already starting to become. B-to-B sales are much different than selling in consumer markets. Carter thinks both companies and educational institutions will have to recognize that best-practice B-to-B sales are changing rapidly.

MORE ON THIS TOPIC



Watch a short video on the keys to effective marketing with Jeff Grill, VP marketing, Mimeo.com.
www.sellingpower.com/video
Search: Grill