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Coordinating Marketing and Sales Across the Entire Revenue Cycle

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As B2B customers become more sophisticated and competition increases, the integration of marketing and sales becomes more critical for meeting and exceeding market demands. And the cost for this integration is only increasing as growth in marketing and sales investment outpaces revenue growth. According to IDC, growth in B2B technology marketing and sales investment is increasing 7% in 2008, yet global IT revenue is increasing at only 5.7%. In addition, IDC estimates that the annual performance cost per B2B sales representative as a result of poor engagement with prospects is $1 million.

The following questions were posed by Marketo to Michael Gerard, research vice president of IDC's Executive Advisory Group, on behalf of Marketo's customers.

Q. Why is it important for marketing and sales to work together across the entire revenue cycle?

A. The expectations for revenue growth in an increasingly competitive environment continue to challenge even the best marketing and sales teams. And with marketing and sales costs to achieve each dollar of revenue increasing, alignment and coordination between these groups are mandatory for success.

In addition, B2B buyers are more sophisticated in terms of how and where they access information and how that information is used to influence and drive the decision-making process. According to a recent IDC study, buyers spend up to 4.8 hours per week, on average, with third-party information to support current or future IT purchase decisions. Of this time, about three hours per week are spent on information related to new purchases or general education that can lead to new purchases. Meanwhile, IT vendors invest over $207 billion in marketing and sales annually to reach and influence technology buyers. This investment creates a lot of competition for those three hours per week per IT buyer.

To deepen relationships with buyers, vendors must strengthen a buyer's "return on time spent" by increasing the value received through each "touchpoint," whether it is online, at events, or during sales visits — and marketing and sales alignment is a key way to increase this value. The first touchpoint, in most cases, is with marketing, which demonstrates the importance of marketing's role in the revenue cycle. Marketing plays a big role in selling to the enterprise: Marketing "owns" the relationship with the broader marketplace (such as influencers, analysts, and other members of the broader buying committee); marketing also owns the initial relationship with all prospects up until sales engages with a limited and specific subset of prospects; and marketing continues to be a supporting player after the sales engagement via the Web site, branding, search, and other campaigns that touch prospects. It is the hand-off process between marketing and sales where many revenue opportunities are lost and prospects' perceptions of the organization are damaged. Marketing leads may not be qualified properly, prospects' information may not be communicated properly as the leads progress through the organization, and well-qualified leads may not receive the needed attention to optimize revenue opportunities.

Q. What does it mean to coordinate marketing and sales across the entire revenue cycle?

A. Coordination and alignment require more than just tacking marketing onto the front of an existing sales process. True alignment requires coordinating marketing and sales activities, starting from the day you first make contact with a prospect as part of the initial education process through the sale and beyond to the customer relationship and ultimately customer advocacy. The old model of linear hand-offs from marketing to sales must give way to an intertwined model where both groups jointly own prospect relationships and coordinate their activities to optimize customer engagement with the individual and company.

Coordinating marketing and sales across this full revenue cycle enables marketing resources to focus on building higher-quality relationships with prospects and ultimately higher-quality leads for sales. In turn, sales will be more efficient and effective because more time will be spent on productive targeting of and selling to those leads that are in the best position to buy. Prospects will receive more relevant communications and assets from marketing, fewer leads will be ignored, and more sales reps will achieve their quota. Ultimately, this can result in a single revenue cycle that effectively shortens sales cycles and increases top-line growth. For customers, there is greater satisfaction because prospects are not annoyed by unwanted or irrelevant sales calls.

In fact, each year IDC evaluates the best-in-class tech marketing and sales organizations to determine excellence in go-to-market execution and effectiveness, plotting these findings in the IDC Marketing Performance Matrix. Companies exhibiting the strongest alignment between marketing and sales continue to appear in the upper right-hand quadrant (i.e., the marketing leadership quadrant) of this matrix, indicating greater market share, financial performance, and Wall Street recognition.

Q. What are the respective strengths of the marketing and sales departments and the impact of these strengths and their differences?

A. Marketing brings a longer-term view while sales brings an action-oriented view to the customer creation process, or revenue cycle. Specifically, marketing is good at one-to-many communications, automated processes, and dealing with lots of data. Marketing's focus remains on awareness building, demand generation, and sales enablement — a combination of long-term and short-term strategies and priorities.

Sales is good at building personal relationships and leveraging the human touch, including understanding customers' needs and ensuring that the organization meets these needs in winning and keeping customers' business. Both marketing and sales capabilities are important at every step of the revenue cycle, so the key is coordinating the activities between the disparate functions. Coordination between marketing and sales will provide greater opportunity to improve sales productivity. For example, marketing leverages customer and sales input to develop relevant marketing assets and tools to help sales best leverage customer interactions. The average company is spending $12,500 per rep per year on sales enablement and $9,100 per rep per year on training. Better teamwork and focus by sales and marketing on enablement, including better preparation of sales for lead follow-up, will improve sales productivity by $260,000 per rep per year.

Q. What are key areas where marketing and sales need to be successfully aligned?

A. Key areas of alignment for these teams include customer segmentation, go-to-market planning, sales enablement, and lead management. In IDC's recent Technology Marketing and Sales Barometer study, both marketing and sales identified lead management as the area offering the greatest potential for improvement of the revenue cycle, with the highest priority for improvement in this area being better alignment of marketing and sales IT infrastructure. Process areas for improvement include lead definition, lead qualification, and scoring and lead nurturing. IDC research indicates that approximately 25% of sales' time is spent on unproductive prospecting, even as 60% to 70% of sales representatives ignore marketing leads. Deploying a lead scoring process will increase lead quality, enabling marketing and sales not only to better qualify and pursue "hot leads," thereby increasing sales' efficiency and effectiveness, but also to better align with customers' needs in the buying process.

Lead nurturing is also a "low-hanging fruit," offering great return for organizations that improve this process. Lead nurturing is defined as the people, processes, and marketing activities that are specifically designed to "keep warm" and convert leads that are not "sales ready." An effective lead nurturing process will ensure consistent and high-value communication with prospects to increase the depth of the relationship, whether the prospect is an existing marketing lead or a recycled lead from sales that was not yet ready for deal closure. And finally, there must be alignment in sales enablement, such as ensuring customers get the right content and assets — things such as collateral, online demos, white papers, case studies, references — at the right time.

Q. What functionality should organizations look for in software designed to facilitate marketing and sales alignment?

A. One of the prevailing challenges facing marketing and sales is the silos that exist among functions and information. So, software designed to facilitate alignment needs to allow for integration across the entire revenue cycle. This integration of information and action will lead to intelligent interaction among marketing and sales staff and with customers.

For example, if a new lead registers on the Web site, marketing can send a personalized email follow-up on behalf of the individual sales rep assigned to the lead. These nurturing emails continue over time, automatically building the relationship and credibility of the organization with the prospect. As prospects open the emails, visit the Web site again, and show key buying behaviors, the rep receives instant notifications and can view the status and recent behaviors of all his or her contacts. If, based on this, the rep decides to send an additional email to the prospect, he or she can choose from a library of best practice templates delivered by marketing — and he or she will be notified when the prospect opens the email and visits the site. Also, since the email is tracked as part of a common lead database with marketing, marketing can automatically ensure that additional marketing emails with the same information are not sent to the prospect again. This kind of information integration is what software can facilitate.

Software should facilitate the tracking of customer interactions across all channels, such as the Web, phone, and sales calls. As information about these interactions is collected, it needs to accompany the contact and company's record to increase the vendor's knowledge of the prospect, thereby enabling greater potential leverage of the respective opportunity as well as ensuring the prospect has a high-value-added interaction with each of the vendor's touchpoints.

Again, software should allow for automated lead management, lead nurturing, and lead scoring capabilities so that marketing and sales can spend their time pursuing the most productive leads and tailor their messages appropriately.

Users should look to consume application technologies that support open standards for integration such as Web services. Application architectures are organic in nature, and the implementation occurs over time and in response to market forces and technical advances. Technology is often applied to very specific business requirements, and only a subset of the data may need to be shared. Selecting products that adhere to open standards will ensure that the data that must be shared, can be shared. And of course, any software that is deployed should be easy to use.

ABOUT THIS ANALYST

Michael Gerard joined IDC in 2003 to help establish IDC's CMO Advisory Practice. As research vice president, he currently directs research operations and consulting engagements for the Executive Advisory Group (EAG), which includes the CMO Advisory, Sales Advisory, and Market Intelligence Practices.

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