SPECIAL REPORT

CMO Perspective on B2B Marketing Automation

Strategies for Automating the Marketing-Sales Pipline

marketing sherpa

Special Report

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Strategies for Automating the Marketing-Sales Pipeline

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EXECUTIVE SUMMARY

The automation of processes to optimize the marketing-sales pipeline is rapidly becoming a standard practice for B2B organizations. This primarily because of the enablement these processes provide to overcome the growing challenges Chief Marketing Officers are facing today. To learn more about these strategic initiatives from the perspective of the CMO, we conducted research of nearly 300 senior Marketing decision-makers. This Special Report focuses on in-depth analysis of the processes CMOs are using to optimize their marketing-sales pipelines, as well as implementation of the software applications that enable their automation.

B2B MARKETING CHALLENGES ARE INCREASINGLY PERTINENT

CMOs are pressured not just to deliver a high volume of leads, but high-quality leads that will convert into sales pipeline opportunities. A number of circumstances have lead to an increased pertinence of these and other challenges to CMOs in the last year, including consumer empowerment through social media, and the increased expectations with limited resources resulting from volatile economic conditions over the last twelve months.

Special Reports

MarketingSherpa Special Reports provide marketing executives with concise research, insights and actionable advice, derived from unique market segments for guiding strategic and tactical decision making.

In this Special Report, we'll analyze these challenges, along with others including marketing to a growing number of individuals involved in the buying process and marketing to a lengthening sales cycle with intimate detail and you will learn how establishing and optimizing automated marketing processes supports CMOs in combating these challenges of increasing importance.

MANY CMOS TURN TO MARKETING AUTOMATION TO COMBAT GROWING CHALLENGES

As you will learn in this Special Report, a great number of B2B organizations are turning to marketing automation to improve lead quality, increase Marketing's contribution to the sales pipeline and optimize the entire sales funnel. By establishing automated marketing processes, CMOs are enabled to accomplish these goals by implementing and then optimizing lead scoring, nurturing and management processes.

Establishing marketing automation processes is the initial component to an ongoing sales pipeline optimization strategy. In this Special Report, we'll analyze marketing automation maturity to reveal what percentage of CMOs have formalized processes for marketing automation and what percentages have informal processes or no repeatable process whatsoever.

Once these processes are implemented, CMOs are enabled to measure the efficiency of lead scoring, nurturing and management processes. Once initial performance is benchmarked, extensive testing for continual improvement and increased efficiencies can be executed. The final chapter of this Special Report includes marketing automation KPI's to provide you with average benchmarks for key automation metrics including conversion rate of inquiries to qualified, sales-ready leads and closing rates for sales-ready leads in comparison to all inquiries.

MAJORITY OF CMOS ADOPTING MARKETING AUTOMATION SOFTWARE

A critical concept to understand is that a large number of CMOs have already turned to marketing automation software as a solution to the growing challenges they are facing in today's cutthroat B2B marketing environment.

CHART: THE ADOPTION OF MARKETING AUTOMATION

Q. Please select the statement that best describes the status of your organization's implementation of marketing automation software.

We asked our CMO respondents in our 2011 B2B Marketing Benchmark Study about the status of their implementation of marketing automation software. Overall, the majority of CMOs have either implemented, are in the process of implementation, or are at least considering implementation of marketing automation software, as represented in the chart below.

What is important for these CMOs to conceptualize is that the implementation of these software applications alone does not make for an optimized sales funnel. Without dedicating the appropriate resources to establishing lead scoring, nurturing and management processes, the software alone will not accomplish much for their organization.

Another key concept included in this Special Report is marketing automation maturity. In this section, the sophistication of CMO automation processes will be analyzed.

Our marketing automation software is fully implemented
19%

Our marketing automation software is partially implemented
34%

We have not began implementing a marketing automation software solution, and we do not plan to
30%

We have not began implementing a marketing automation software solution, but plan to
17%

Source: MarketingSherpa B2B Marketing Benchmark Survey
Methodology: Fielded Aug 2010, N=297 CMOs

MARKETING AUTOMATION IS A HIGHLY SOPHISTICATED SET OF PROCESSES FOR SALES PIPELINE OPTIMIZATION

Since there is a number of marketing automation software solutions on the market, a common perception of the term marketing automation is that it refers to a software application. To the contrary, marketing automation is a highly sophisticated set of rules and processes for lead scoring, nurturing and management that move prospects through the various stages of the marketing-sales funnel. Marketing automation processes are commonly established prior to, or during the implementation of an automation software solution, and the software acts as a support system for the execution and measurement of these processes.

CMO CHALLENGES

CMO challenges have been included as the first set of data in this Special Report to provide a clear understanding of the problems marketing automation processes can assist CMOs in solving. In this chapter, we'll benchmark and analyze top challenges to the CMO in today's competitive B2B market. We will also provide insights as to how each top challenge can be combated by establishing and optimizing marketing automation processes.

B2B CHALLENGES INCREASING IN PERTINENCE

During our 2011 B2B study, we learned that many of the challenges confronting CMOs are increasing in pertinence to their organizations over time. This has been caused by a number of factors including the state of the economy and spending, as well as the consumer empowerment resulting from the growth of social media.

While the economy is currently beginning to show signs of improvement, record unemployment rates over the last year have damaged consumer confidence and morale. The impact to CMOs specifically is depicted in the upcoming chart.

The popularity of social media is rapidly growing, and undoubtedly empowering consumers. Because of social media, marketing is no longer a one-way conversation where organizations define their brands and push a message out to consumers. Marketing has become a two-way conversation. Brands are no longer being defined by positioning statements alone, but by the public conversations about these brands occurring on social media sites. This two-way conversation empowers consumers by enabling them to speak out about their brand experiences and influencing other's buying decisions. They are also more able to use other consumers as a resource to support their own buying decisions.

CMOs speak out on their greatest challenges

"Our greatest challenge is keeping the funnel filled with the right prospects"

"Greatest challenge is lead falloff. They just stop the conversation."

"We're facing uncertainty in the industry."

GREATEST CHALLENGE TO CMOS – GENERATING HIGH-QUALITY LEADS

The generation of high-quality leads is the most pertinent challenge to CMOs, and this challenge is becoming increasingly more pertinent year over year. We all know that the call from Sales is not necessarily "more leads" but rather "better leads" – so why is it so difficult for CMOs and their Marketing teams to overcome this challenge?

The answer is partly due to the fact that generating high-quality leads contradicts traditional marketing principals. When generating highly-qualified leads for Sales teams, marketers may have to adopt a mantra that *less may actually be more*. Traditionally, marketers have been praised for reaching the largest audience and generating the highest volume of leads at the lowest price point, however this model does not always result in optimal revenues and marketers may find that they're getting what they pay for when they generate leads of the lowest cost.

The challenge of generating high-quality leads requires CMOs and their Marketing teams to break from their traditional mindsets and metrics and shift their focus to their organization's bottom line.
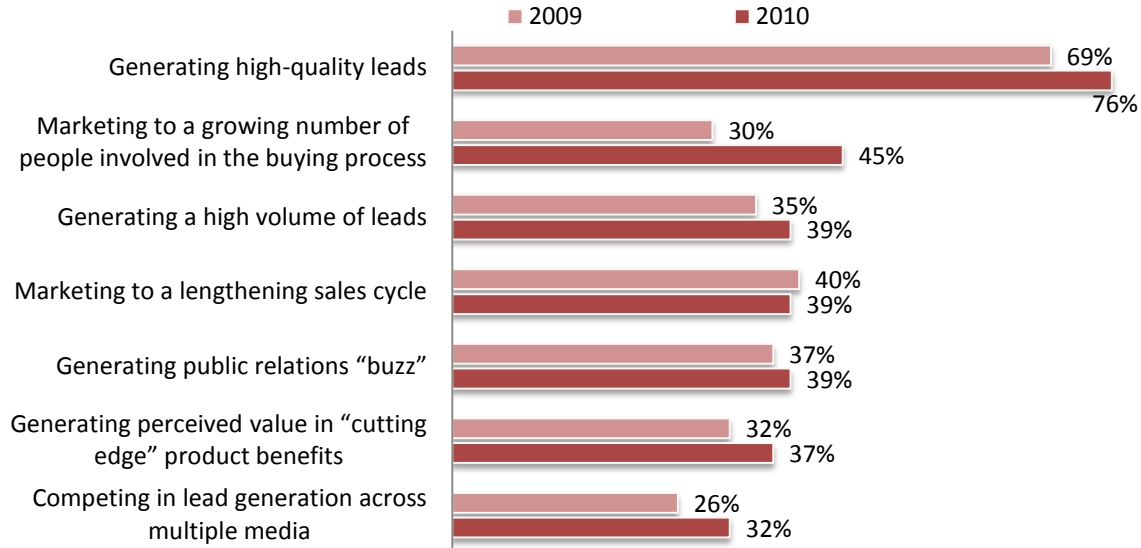
CHART: GREATEST CHALLENGES FOR THE CMO
Q. Which of the following marketing challenges are currently most pertinent to your organization?

■ 2009 ■ 2010

Challenge	
Generating high-quality leads	69% / 76%
Marketing to a growing number of people involved in the buying process	30% / 45%
Generating a high volume of leads	35% / 39%
Marketing to a lengthening sales cycle	40% / 39%
Generating public relations "buzz"	37% / 39%
Generating perceived value in "cutting edge" product benefits	32% / 37%
Competing in lead generation across multiple media	26% / 32%

marketingsherpa © 2010

Source: MarketingSherpa B2B Marketing Benchmark Survey
Methodology: Fielded Aug 2010, N=297 CMOs

The above chart represents the growing challenges specifically to CMOs, as nearly all challenges listed increased in pertinence to their organizations in 2010. The vast majority of CMOs have indicated that generating high-quality leads is the top challenge. Nearly twice as many respondents indicated this was a pertinent challenge over any other challenge listed. By establishing marketing automation processes, CMOs are well equipped to face this challenge head-on and effectively deliver high-quality leads to their Sales teams by identifying leads that are sales-ready and passing them to Sales, and nurturing those leads that are not sales ready until they meet certain criteria to be passed to Sales.

The identification of marketing and sales funnel stages is an essential component to any marketing automation strategy, and lays the foundation for sales pipeline optimization. Once funnel stages have been established and agreed upon by Marketing and Sales teams, automated lead scoring, nurturing and management processes can be implemented, measured and optimized. The end result will be a consistent flow of high-quality leads delivered to Sales teams. This flow will be a combination of new lead generation activities and newly qualified leads emerging from lead nurturing campaigns.

Other pertinent challenges include marketing to a growing number of people being involved in the buying process, as 45% of CMOs indicated in 2010 and marketing to a lengthening sales cycle, as 39% of CMOs indicated. The state of the economy over the last year has depleted consumer confidence and morale, and this adds a layer of complexity to purchasing processes and decisions for B2B as well as B2C. As a result, Sales teams are often faced with leads that are reluctant to make a purchasing decision, so they involve more individuals in the buying process either voluntarily or involuntarily, and then the average number of days to close increases. In the upcoming sections of this report, we'll look at each of these challenges in detail, and how they can be managed through marketing automation.

MARKETING TO A GROWING NUMBER OF PEOPLE INVOLVED IN THE BUYING PROCESS

When a number of individuals are involved in a purchasing decision, the result is a more complicated sale where a salesperson has to convince not one prospect, but several to close just one deal. This creates a number of obstacles and has caused a large number of CMOs to indicate this as a highly-pertinent challenge to their organization.
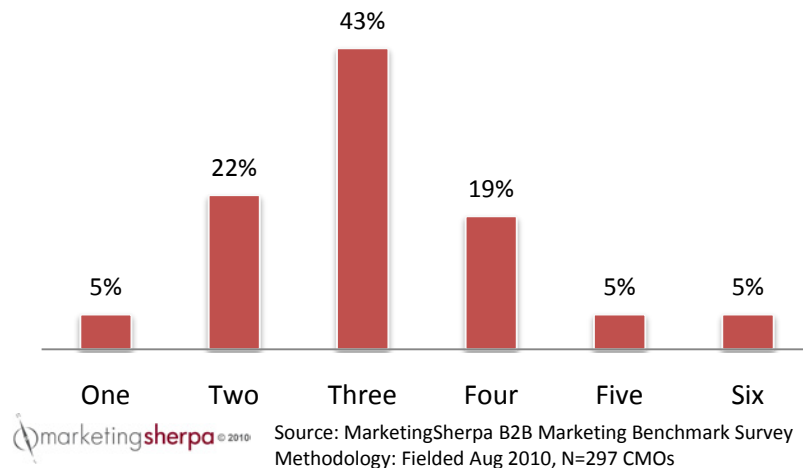
MAJORITY OF CMOS INDICATING TWO TO FOUR INDIVIDUALS INVOLVED IN PROSPECT'S PURCHASING DECISIONS

We know that marketing to a growing number of people involved in the buying process is a highly-pertinent challenge, but how many individuals are we discussing? The vast majority of CMOs (84%) indicated anywhere from two to four individuals involved in purchasing decisions. This is referencing those directly involved, not to mention the number of influencers that exist within these organizations.

CHART: NUMBER OF KEY DECISION MAKERS INVOLVED IN B2B BUYING PROCESSES

Q. On average, how many individuals are involved in your prospect's purchasing decisions when they are considering the purchase of your organization's products or services?

When there are a number of individuals are involved in a purchasing decision, it can be difficult for Sales to connect with and convert all parties. Luckily, Marketing is able to assist with this challenge. First, by providing content that is relevant, useful and interesting to their target audience, organizations will be more enabled to capture contact information for a greater number of

Source: MarketingSherpa B2B Marketing Benchmark Survey
Methodology: Fielded Aug 2010, N=297 CMOs

individuals involved in their prospects purchasing decisions than they would be by simply offering a free demo, a price quote or a proposal. Often, only one person who is involved in a purchasing decision is required to request one of these items. However, a number of individuals have interest in relevant, useful content such as a whitepaper or a buyer's guide. Once this contact information is collected, Marketing is able to reach these individuals with personalized content via automated lead nurturing campaigns to educate those involved in the purchasing decisions but may not necessarily be speaking to a salesperson. This content also enables prospects to have valuable conversations with other decision makers within their organization who Sales may not be able to reach. Once high-quality content is developed and automated lead nurturing processes are established, CMOs are enabled to begin measuring the performance of various content, timing and frequency of lead nurturing touches for continual optimization and ultimate impact to the sales pipeline.

A key concept to grasp in addressing the challenge of marketing to a growing number of people involved in the buying process is the importance of high-quality content. Without great content that prospects will find

valuable, it's going to be more challenging for organizations to capture vital contact information for individuals involved in a single buying decision. Additionally, the effectiveness of lead nurturing campaigns is going to be highly dependent on the content of lead nurturing touches.

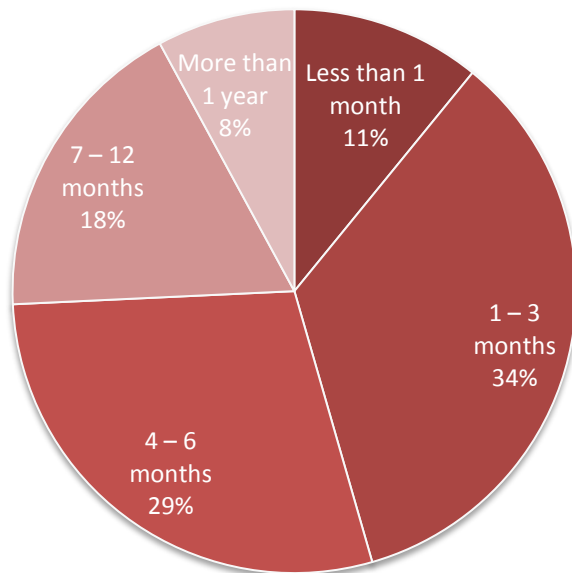## MARKETING TO A LENGTHENING SALES CYCLE

Along with generating high-quality leads and marketing to a growing number of people involved in prospects buying processes, CMOs are also faced with the challenge of marketing to a lengthening sales cycle, as 39% of CMOs indicated in our B2B Study. Successfully marketing to this lengthening sales cycle requires a great deal of precision in lead scoring and management processes.

MAJORITY OF CMOS INDICATING B2B SALES CYCLES GREATER THAN THREE MONTHS

CHART: AVERAGE LENGTH OF B2B SALES CYCLES
Q. How long is your sales cycle? Please select the time period closest to the length of your organization's entire sales cycle, from first inquiry to purchase.

The majority of CMOs or 55% are facing sales cycles greater than three months, and about a quarter, or 26% of CMOs have sales cycles greater than six months. Even with two to four individuals involved in the prospect's buying process, sales cycles of this length are considerably long. But those deals that take especially long to close could actually be partly a result of leads not being ready to work with a salesperson in the first place.

Source: MarketingSherpa B2B Marketing Benchmark Survey
Methodology: Fielded Aug 2010, N=297 CMOs

Evaluating a lead's readiness for Sales is an essential step in today's B2B marketing environment. This evaluation is part science, part art and cannot be properly executed without collaboration between Sales and Marketing.

Establishing criteria for lead scoring and management methodologies must be agreed upon by both Marketing and Sales prior to implementation. Once implemented, any changes to lead scoring and management processes should be revisited and agreed upon by both teams. For example, any changes to lead score calculations or the timing and management of passing leads from Marketing to Sales should be agreed upon before the changes are made.

By implementing and refining lead scoring and management methodologies, Sales teams will only be presented with leads that are ready for Sales involvement, which will have a great impact on Sales team efficiency, the bottom line, and could even help to address the challenge of marketing to a lengthening sales cycle.

MARKETING AUTOMATION MATURITY

In this chapter, we'll analyze marketing automation maturity. We'll identify what percentages of CMOs have established formal and informal marketing automation processes, and what percentage has not established any processes.

ESTABLISHING MARKETING AUTOMATION MATURITY

One of the many benefits of implementing a marketing automation software application is that it supports the definition of automated marketing processes. As we learned earlier in this Report, 54% of CMOs have either begun or completed their implementation of marketing automation software, and another 17% intend to begin implementation. Not only are CMOs adopting marketing automation, but they are also establishing maturity in this practice by defining processes for execution.

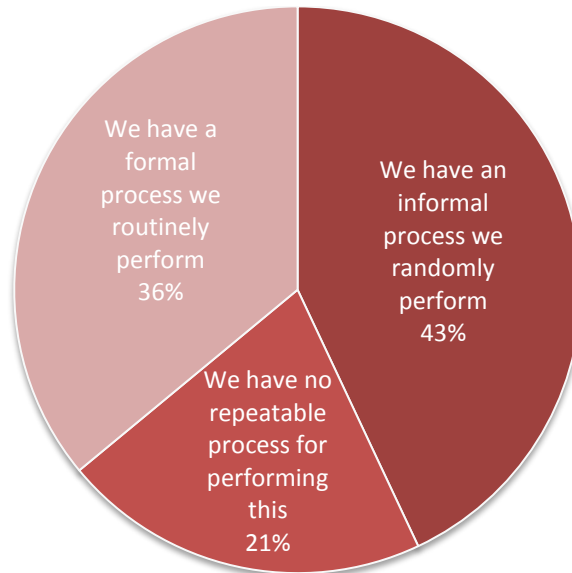### MAJORITY OF CMOS ESTABLISHING MARKETING AUTOMATION PROCESSES
CHART: MARKETING AUTOMATION MATURITY
Q. Please select the statement that best describes the process your organization uses to execute your marketing automation practices.

Marketing automation is quickly becoming the standard of B2B marketing, as the majority of CMOs, or 79% have established some kind of marketing automation process.

The remaining 21% of CMOs who have not established a repeatable process for performing marketing automation may fall under a number of categories. They may be in the fortunate and unlikely circumstance of not being impacted by the top challenges facing the majority of CMOs today, like

Source: MarketingSherpa B2B Marketing Benchmark Survey
Methodology: Fielded Aug 2010, N=297 CMOs

marketing to a growing number of people involved in the buying process or marketing to a lengthening sales cycle, or they may be behind in changing their marketing processes due to challenges within their organization. Even if an organization is not greatly impacted by the most common B2B challenges currently, marketing automation is still an excellent option for them as it will give them the potential to improve Sales team efficiency even further to reach their maximum revenue potential. Challenges within organization-wide adoption can be managed with stronger alignment between Marketing and Sales teams.

CASE BRIEFING: MARKETING AUTOMATION LEADS TO 190% SALES CONVERSION INCREASE

CHALLENGE

A small software company had the house database of a much larger business. Their visitors had downloaded 10 million copies of the company's open-source business intelligence software, and there were 105,000 developers registered on the company's community site.

The company also had more than 11,000 paying customers who had bought a professional edition and support services. And then there were prospects who fall somewhere in between – currently using an open-source version, but may transition to a paid platform at a later date.

Open-source developers don't want to receive sales promotions, but the team couldn't ignore commercial prospects. They needed a better way to segment their database, and automate as much of their marketing communications as possible to deliver the most relevant information. We talked to their CMO to learn more about the steps they took.

CAMPAIGN

The marketing team undertook a major overhaul of their marketing strategy that involved new technology and processes. The goal was to create a powerful combination of:

- Customer profiling
- Database segmentation
- Automated/triggered campaigns
- Outbound promotions
- Lead scoring

> *"Marketing automation is a must-have for us; it's not a 'nice-to-have'.*
>
> *What we're able to do with marketing automation is manage people so far through the funnel, fulfilling product information and letting them evaluate their own needs, that they say 'Yes, please call me with pricing information" or 'I have a specific question about different versions of your software.'"*
>
> *- Company CMO*

Their first step was to merge databases and systems. They did this by implementing a new marketing automation platform, integrating their CRM and web analytics with this platform, automating much of their ecommerce systems and upgraded their online community platform.

Next, the team segmented their database according to profile and activity, and customized their outbound communications for their contact's preferences.

Afterwards, they created an automated drip campaign for specific actions such as trial downloads. They also used dynamic registration forms to develop prospect profiles. They implemented a lead scoring campaign to help identify commercial prospects emerging from their developer community, and then routed leads to the appropriate salesperson.

RESULTS

- 190% Increase in sales conversions

MARKETING AUTOMATION KPIS

In this chapter, we'll analyze key performance indicators in marketing automation, including the average conversion rate of inquiries to sales-ready leads. We will also provide the average closing rate of all inquiries in comparison to the average closing rate of sales-ready leads.

BENCHMARKING MARKETING AUTOMATION PERFORMANCE

Marketing automation is a process that requires a great deal of testing and optimization in order to identify the correct methodologies and materials for various lead scoring, nurturing and management campaigns. Benchmarking your marketing automation performance will require a baseline recording of your initial results, and tracking your performance against those figures, as well as a comparison of your results to those of other CMOs. The latter of which will be provided to you in this upcoming section.

INCREASE SALES CLOSING RATES BY ESTABLISHING LEAD NURTURING PROCESSES

We've talked about identifying funnel stages, lead scoring and lead management, but there is still another critical process in marketing automation: lead nurturing. Once funnel stages and criteria for sales-ready leads has been identified, effective lead nurturing processes will engage non-sales-ready leads to the point where they are ready to work with a salesperson – or meet certain criteria to attain a sales-ready score. The upcoming chart supports the importance of lead nurturing.

CHART: MARKETING AUTOMATION KPIS FOR THE CMO
Q. Please indicate your organization's approximate percentages for the following marketing automation key performance metrics.

Source: MarketingSherpa B2B Marketing Benchmark Survey
Methodology: Fielded Aug 2010, N=297 CMOs

On average, only 30% of all inquiries are converted into sales-ready leads, but marketers have made significant investments in the remaining 70%. By withholding all of these leads from Sales, lead volume will become a great challenge but by nurturing these non-sales-ready leads, you will essentially add a new lead source for your Sales team. This new source will begin to consistently deliver sales-ready leads as lead

nurturing campaigns are executed. There are a number of solutions to the temporary decreased volume of leads, such as temporary cold calling, reduced use of promotions and discounting, or considering an increase in pricing. The long-term benefits of withholding non-sales-ready leads from the Sales team far exceed the short-term challenge of lead volume during transition, as the above averages indicate a 16% increase in closing rates for sales-ready leads over that of all inquiries.

RECOMMENDED ACTIONS

IDENTIFY FUNNEL STAGES AND DEFINITIONS

Without identifying the various stages of your buying process, it is nearly impossible to optimize prospect's progression from lead generation to the point of sales conversion. Funnel stages must be agreed upon by Marketing and Sales teams, and they often are adjusted after initial definition. Funnels commonly include various stages for leads, such as sales-ready and non-sales-ready leads and can also include stages for sales validation and confirmation that leads meet agreed upon criteria.

ESTABLISH AND OPTIMIZE LEAD SCORING AND MANAGEMENT METHODOLOGIES

CMOs on Best Automated Strategies

"Segmenting our lead nurturing by vertical market served, so we understand the effectiveness in each of our core markets."

"Personalizing emails seems to trigger best response. We are testing the cycle times between email shots."

"WE are surprised that our very basic process works well and has led to valuable relationships."

By establishing a process of lead scoring and management to withhold non-sales-ready leads from the Sales team, and nurturing them to the point that they are sales-ready will improve the efficiency of your Sales team and help combat the greatest challenge facing CMOs today: the generation of high-quality leads.

In order to establish criteria for a sales-ready lead, Marketing and Sales must meet and agree upon what constitutes a sales-ready lead, at what point a lead should be handed from Marketing to Sales and how this hand-off should be executed. Lead scoring methodologies commonly consider lead characteristics, such as having a valid business need for your product or service, or having adequate budget or timeframe for purchase. It's also common to consider lead behaviors in scoring, such as a website visit, a whitepaper download or an email open. Lead scoring methodologies can also include a detraction of points as a result of a lead's action which may indicate a loss of interest, such as unsubscribing from the email list or having no activity for a certain period of time.

Once lead scoring methodologies are implemented, they should be carefully measured and tweaked as necessary until the optimal lead scoring process is attained. KPIs to watch include conversion rates of inquiries to sales-ready leads, closing rates of sales-ready leads in comparison to closing rates of all inquiries pre- and post- implementation, and overall revenue generated. Whichever metrics you choose to monitor, it is essential to focus on metrics that impact the bottom line.

Establishing optimal lead scoring and management processes won't happen overnight, and there are a number of challenges in achieving this such as gaining agreement on criteria for sales-ready leads, and

internal selling of new processes to the organization. One of the CMOs participating commented on their challenges with lead scoring and automation:

"Our greatest challenge is communication with Sales on lead quality and follow-up activities. Lead nurturing marketing support is a relatively new concept at our company and we're slowly gaining adoption based on account-based marketing support."

DEVELOP AND OPTIMIZE LEAD NURTURING CAMPAIGNS

Before implementing a lead nurturing campaign, it's important to ensure that you have highly relevant, useful content to deliver to your prospects. Unique pieces of content should be used as a way to collect valuable contact information first, and then nurture non-sales-ready leads. This requires Marketing to take a counseling approach in assisting prospects to improve their business and support a buying decision.

Once you have content, it's time to implement an initial lead nurturing campaign. You may wonder about what content to send and at what frequency. The answers to your questions will lie in predominantly in the performance of your initial lead nurturing campaign, which will require ample testing and measurement of content, timing and frequency for optimal performance. Industry benchmarks also provide a guideline to initial performance.

One of our CMOs participating in this study had some insight on best practices in lead nurturing, and the importance of content generation:

"Most of our nurturing is done manually where people are hand selected and added to specific (lead nurturing) campaigns based on their priority or score. We've found that regularly staying in touch via email and content offers – articles, blog posts, whitepapers, seminars, webinars, etc. – coupled with consistent phone outreach works well. The content warms them up so it's not a total cold call."

A NOTE ON SALES AND MARKETING ALIGNMENT

None of the above will be easily achieved within your organization without a strong working relationship between Marketing and Sales departments. This is going to require working with, not against, your Sales team. Start with regular communications and speak about subjects that matter to them – such as how taking the above steps is going to generate higher quality leads, so they will close more deals and earn a greater commission.

Another CMO participant in our study shares their challenges on collaborating with Sales:

"Our greatest challenge is getting the Sales team to agree on definitions, using them properly and documenting them."

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