

Research Report

# The Springboard Effect

5 strategies that will help your business emerge stronger after a recession

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THE POWER TO SUCCEED.

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The logo for VSM, consisting of the letters 'VSM' in a bold, white, sans-serif font, set against a solid blue square background.

Systemizing  
Growth™

## The Springboard Effect:

During economic downturns, far too many organizations spend time agonizing over where to cut back in order to recession-proof their business. Often, the budget axe strikes hardest in marketing because of its perceived function as a pure cost center.

**Not so in 2009.** Despite concerns about a recession, a recent poll by DemandGenReport found that over 66 percent of companies indicate they will either hold or increase their marketing budgets during 2009 and 81.6 percent indicated their budget for lead generation would be flat or increase in 2009.<sup>i</sup>

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### So what's different now?

Marketing departments are now intimately involved in revenue creation. Not only do they drive leads at **the top of the sales funnel**, they also provide content and market intelligence to keep prospects warm as they advance through the middle and later phases of the funnel. Because of this shifting role, most high growth companies now view their marketing organization as essential to achieving their top line goals.

“The measurement of demand creation and the sales pipeline **begins the process of co-ownership** of the funnel by both marketing and sales; clearly identifies the role that both play in the health of an organization’s new business pursuits; and systematizes the fact that **quality activity** at the funnel top will result in a healthier funnel bottom.” <sup>ii</sup>

— SiriusDecisions analysts

Unsurprisingly, truly innovative businesses aren’t simply seeking to ‘weather the storm.’ In fact, many are re-tooling their marketing and sales processes to emerge from the current downturn with an even stronger brand and share of the market. They are intently studying the **economics of the sales and marketing funnel** and meticulously pinpointing where improvements in conversion rates can reap the greatest payoff in top-line revenue growth.

Marketers at these companies have long since abandoned the email clickthrough and website visit as the measure of marketing effectiveness. Their focus is beyond the click, where leads turned over to sales pass through a series of gates on their road to becoming closed business. Optimizing the conversion rates – the rate at which sales leads pass through the gates from one stage to another – can have an enormous impact on the resulting revenue.

Simply increasing the flow of leads into the top of the funnel is not enough – and in fact may be unachievable in a down economy. Improving the rate at which current leads are qualified, correctly routed, accepted by sales, included in forecasts and ultimately closed becomes the new battleground in a business climate that forces organizations to SiriusDecisions, a research firm focused on the intersection of sales and marketing recommends that marketers focus on building the pipeline to avoid budget cuts and layoffs. **“Many BtoB organizations have begun to track an**

overall demand funnel from cold to close, incorporating both demand creation and sales pipeline metrics,” said the analysts at SiriusDecisions.

“The measurement of demand creation and the sales pipeline begins the process of co-ownership of the funnel by both marketing and sales; clearly identifies the role that both play in the health of an organization’s new business pursuits; and systematizes the fact that quality activity at the funnel top will result in a healthier funnel bottom.”<sup>ii</sup>

By focusing on the funnel, these businesses are creating a **springboard effect** that will help them emerge from the current economic crisis in a stronger competitive position. This white paper examines 5 key areas of funnel economics, providing best practice examples of how businesses can strategically optimize their marketing and sales funnel to create a springboard for their organizations.

## Feeding The Top Of The Funnel

According to Michael Gerard, VP and Research Director for IDC’s CMO Advisory Service, the emphasis on lead generation is now coming from the top of most organizations.

“With aversion to risk by C-level executives, the slight downturn and concern for growth in the next year, folks are shifting more to lead-generation programs,” said Gerard.<sup>iii</sup>

Generating a high volume of inquiries or responses is a key goal for marketing teams. Those marketing departments that have optimized the top of the funnel have seen the results correlate to closed business at the bottom of the funnel.

But in an economic environment that has taken many potential buyers out of the market, how can marketers hope to get more responses from their existing database instead of chasing new lists of prospects?

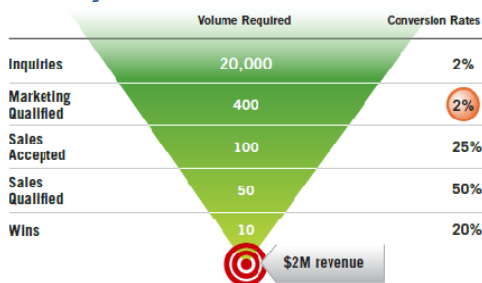
By applying advanced marketing techniques such as **segmentation, personalization, A/B testing, multi-channel campaigns and event-triggered automation** to their lead generation efforts, many high growth organizations have shown dramatic improvement in their campaign inquiry rate. According to a recent report from Jupiter Research, marketers employing these tactics “are almost twice as likely to attain conversion rates of more than three percent, compared with others that do not.”<sup>iv</sup>

Jaap Favier, Vice President and Research Director for Forrester Research, emphasized that intelligence will be a key differentiator in the way companies survive a downturn. “The name of the new marketing game: **targeting**. Marketing leaders have voted with their wallets to reduce the two large budget items that show the biggest waste,” Favier said. “To get the

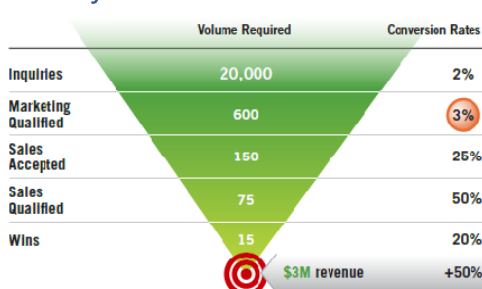
### The Business Case:

The elegant economics of the marketing and sales funnel.

### Life Beyond the Click



### Life Beyond the Click



most from their reduced budgets, they need to understand their clients better - their (media) behaviors, attitudes, needs, and social connections. This requires investments in marketing technology like CRM, in analytics, and in training. We are glad to see that CMOs kept these line items intact.”<sup>v</sup>

The difference is clear – all things being equal, even slight increases in response rates – such as moving from two to three percent, ultimately translates into a significant contribution to revenue.

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## BUSINESS CASE

**Kofax**, a leading provider of document automation solutions, achieved a 9.5 percent response rate using sophisticated content management on industry-specific microsites. They built an industry-specific microsite tied to the ongoing automated email communications. By routing some 23,000 leads into a targeted and personalized marketing experience, the company achieved a 9.5 percent visitor rate to the site and a 10.3 percent conversion rate via form submissions.

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## Turning Inquiries Into Qualified Leads

After driving inquiries into the top of the funnel, the next key conversion phase in the marketing and sales funnel is converting an inquiry into a qualified lead. Even with high response rates, industry statistics suggest that less than 10 percent of campaign inquiries come from qualified prospects shopping for solutions. Despite increasingly sophisticated response capture mechanisms like landing pages and website forms, it is often difficult to get prospects to provide detailed contact info as well as insights into their business needs, priorities and challenges.

As a result, this kind of qualification cannot be automated – it must come from a human, usually in the form of an inside sales or telespecting team. Industry analysts point out that having a process in place to deliver prospects’ “Digital Body Language” - activity data indicative of buying behavior like website visits, email response, form registrations and downloads - is critical for these telespecting organizations to target the right inquiries and convert suspects into qualified sales leads.

By building a process to manage and automate leads, many advanced marketing organizations have seen a significant impact on their sales funnel. For example, by implementing lead profiling and scoring systems that automatically capture prospects’ Digital Body Language and rank respondents according to their

interest, businesses can significantly increase the number of qualified leads that are sent on to the sales team. Sophisticated businesses score their leads using BANT criteria (budget, authority, need and timing) scores, as well as the activity and engagement indicators (email responses, Website visits and form submissions), to help the sales team prioritize their efforts.

According to industry research firm Aberdeen Group, companies with best-in-class lead prioritization and scoring systems have a 192 percent higher average lead qualification rate than those that do not.<sup>vi</sup> That's why SiriusDecisions found that 52 percent of BtoB companies with sales over \$100 million already have some kind of lead scoring system in place, with another 26 percent in development.<sup>vii</sup> Case studies have consistently shown that the use of lead scoring has driven improved conversion rates, win rates, increased average revenue per deal and shortened sales cycles.

The industry benchmark for moving a response to a lead qualified by marketing is typically between four percent and 10 percent. Once again, even small improvements in conversion rates at this phase of the funnel can have a big impact on deal close rates and top line revenue for any business.

## BUSINESS CASE

**InQuira**, a provider of online interactive marketing and customer self-service strategies, had a lead management challenge. The inside sales team had limited time and resources and needed to optimize results when following up with leads. Because qualified leads were not culled from longer term prospects, only eight percent of leads from marketing reached the qualified opportunity stage. To fix this, InQuira implemented lead profiling and scoring solutions that used customer data to facilitate sales rather than depending on traditional inside sales scripts. For example, InQuira shifted the focus of its communications to prospects based on the data it received at different points in the buying cycle. These communications were always relevant to particular areas of need or challenges that individual prospects faced. This type of focused effort sparked interest and made prospects feel that InQuira inside sales reps understood those needs and challenges. As a result, InQuira doubled the number of qualified leads sent to sales from marketing with zero increase in marketing staff. Today, 80 percent of sales leads are generated by marketing not because InQuira's team works harder, but because they work smarter.

## Getting Qualified Leads To The Right Sales Resource With The Right Information

In a tight economy, it is critical that sales teams operate as lean and efficiently as possible. At the same time, as competition heats up, it is also essential that all qualified leads are pursued in a timely manner. These often conflicting requirements only increase the need for lead management and routing systems that ensure the smooth hand-off of leads from marketing to sales.

Industry statistics show the average BtoB organizations convert fewer than 60 percent of their marketing qualified leads into sales accepted leads. By simply integrating sales and marketing systems and employing lead

### The Business Case

**According to SiriusDecisions**, "while an average B2B organization reports a 58 percent conversion rate from qualified leads to sales accepted leads, the number jumps to 66 percent for organizations with strong processes and nearly 75 percent for those that are best-in-class. When marketing and sales work collaboratively to set proper expectations for what a Marketing Qualified Lead can/should be, and create basic service-level agreements and handoff processes, conversion rates at this stage will improve dramatically. Building efficient routing and distribution practices drive these rates to even greater heights."<sup>\*</sup>

**As shown in the example below**, simply passing critical marketing response information to sales along with a lead's demographic information can have a huge impact on conversion rates at the Sales Accepted Lead stage of the funnel. Visibility into prospect activity from within the salesperson's Sales Force Automation system drives increased sales effectiveness and a richer understanding of the prospects' wants, needs and desires.

### Hot Lead

Date	Activity
10.25.08	Call: Left Voice Mail
10.17.08, 9:15am	Website Visit: 2 Pages
10.15.08	Call: Left Voice Mail
10.11.08, 9:00am	Website Visit: 10 Pages
10.10.08	Email Response
10.7.08, 8:45am	Website Visit: 4 Pages
10.5.08	Call: Left Voice Mail

<sup>\*</sup> *Field Marketing 2.0: The Heart of Growing Conversion Rates*, SiriusDecisions, October, 2008.

management and routing processes to improve lead handoff, businesses can boost this rate significantly.

At this phase of the funnel, it is critical that organizations have established an integrated approach throughout their sales and marketing teams. The concept of marketing and sales working together as a team might have seemed far-fetched a few years ago but in the current economic climate, leaving the two departments to operate in silos with disjointed processes and strategies is a recipe for disaster. Co-ownership of the sales funnel is now a competitive necessity.

### The Business Case

Castlron Systems had a problem that impacts many businesses. They had a high rate of deals leaking out of the sales funnel, a lack of timely follow up, and the presence of many 'zombie deals' – big deals that were getting stuck in the Marketing and sales teams worked collaboratively to put in place a comprehensive lead nurturing program that would help move these deals along or disqualify them from the active pipeline. By simply targeting half of their pipeline prospects with timed communications tailored to their needs and interests, Castlron realized the following benefits:

- **Increase sales velocity** – the average sales cycle was cut in half.
- **Improved opportunity retention** – in the quarter following Castlron's launch of lead nurturing, 57 percent more deals stayed in the funnel.
- **Improved close rates** – the number of closed deals doubled.

In most successful organizations, the shift away from silos has been driven by the establishment of clearly defined goals and measurements for success between marketing and sales. For example, most leading BTOB companies now bring together their chief sales & marketing officers to set service-level agreements regarding the volume and quality of sales leads needed to reach revenue targets. This includes agreement on the definition of a qualified lead, as well as a process defining how and when the sales team will respond to those qualified leads.

Fundamental to ensuring that these agreements and processes are carried through is an underlying integration of marketing and sales databases for lead management and routing. According to Aberdeen Group, two-thirds of companies currently using an automated lead management solution have seen a 10 percent improvement in lead to sales conversion rates.<sup>viii</sup> Gartner Group is even more bullish on the impact of lead management, concluding that companies that automate lead management as a business process between sales and marketing will increase conversion rates by at least 50 percent.<sup>ix</sup>

Research has shown that organizations that automatically route leads with the detailed data sales requires in order to close deals have improved their lead flow and win rates.

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### BUSINESS CASE

**Sourcefire** is a world leader in providing security for computer networks. The marketing team at Sourcefire was challenged with aligning prospect interest to relevant content and ensuring that campaign responses were delivered quickly to sales through a multi-tiered lead distribution mechanism. After developing a lead routing program based on named account rules and prospect response data, the marketing team was able to accurately deliver more than 98 percent of leads on time, to the right sales rep.

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## Identifying & Nurturing Qualified Opportunities

Just because a lead is accepted by sales doesn't mean that it will become part of the pipeline. The difference between an active revenue opportunity

and a ‘zombie deal’ is often dependent upon how familiar that prospect is with the core offerings and value proposition a business offers.

Industry averages for conversion rates at this phase of the funnel are less than 50 percent, but jump to more than 60 percent for best-in-class firms. For an average size company, that kind of increase can mean almost 200 more opportunities in the final stage of the buying process.

Recognizing this, advanced marketing organizations have made great strides in their conversion of leads to opportunities by adopting lead nurturing programs to keep prospects interested and educated until they are ready for sales engagement. According to Forrester Research, marketers who switch from focusing simply on demand generation to closed-loop nurturing are twice as productive.<sup>x</sup> Sophisticated lead nurturing programs that utilize intelligent offer and content management capabilities to match prospect interest with relevant information can drive these rates even higher.

Conversely, those firms that have not adopted any process for nurturing leads are likely suffering from a lead leakage problem which ultimately hurts the overall ROI for marketing and sales. According to research from SiriusDecisions, 79 percent of leads generated by marketing are not followed up on by sales teams. Of the remaining, 70 percent of leads are disqualified by sales because of lack of budget, timing, or other reasons. However, the same data from SiriusDecisions found that 70 percent of those disqualified leads go on to purchase the product or service from another vendor.<sup>xi</sup>

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## Increasing Sales Effectiveness

The most dramatic example of the economics of the sales and marketing funnel comes when you look at the close rates of different organizations. The average close rate for BtoB organizations is less than 25 percent, according to SiriusDecisions.

Sales close rates can be affected by a number of factors – many of which cannot be influenced by marketing. But that does not mean that marketing cannot increase sales effectiveness. Gartner found that “following improvements in lead, content and proposal management, close rates could be expected to increase, on average, by approximately five percent to 20 percent per salesperson.”<sup>xii</sup>

One of the biggest challenges of a soft economy is that sales cycles are stretched as buyers look to delay purchases until they are absolutely necessary. To avoid already long sales cycles being stretched even further, smart marketing executives are focusing on providing more sales tools and detailed analytics to the sales team to help close deals at the bottom of the funnel.

“ Following improvements in lead, content and proposal management, close rates could be expected to increase, on average, by approximately 5 percent to 20 percent per salesperson.”

— Gartner

Some organizations with smaller marketing departments have focused on sales enablement, allowing the sales team to build their own automated campaigns and emails through the use of pre-created email templates and programs. Another example of feeding the bottom of the funnel is the use of notifications, where marketing can give sales reps instant visibility into website activity via email alerts.

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## Conclusion

It is increasingly apparent that the reporting methodologies of the past decade – prominently displaying the number of clicks from a campaign or names from a tradeshow – are no longer sufficient to methodically drive business through the marketing and sales pipeline. The current market downturn has only heightened the need for new marketing tactics, tools and processes that help sales teams identify, prioritize and respond to revenue opportunities.

This means that marketing and sales need to work together more collaboratively than at any time in the past to ensure that the right information is in front of the right teams at the right time. “This is a tell-tale time for dashboards and other ROI measurement applications, because the smart marketers are going to adapt quickly if there are major shifts in the buying cycle,” said Rich Eldh, Co-Founder of SiriusDecisions.<sup>xiii</sup> SiriusDecisions points out that increased investments in the pipeline should help to forecast slowdowns by seeing declines in inquiry rates ‘long before deals stall or turn into losses in the historically sales-dominated portion of the pipeline.’

Today’s buyers not only expect their vendors to understand their wants and needs, but demand this level of personalization. To cope, businesses must retool their revenue-generating organizations. In times of economic uncertainty, the need for marketing programs that facilitate the frictionless progress of deals through the pipeline becomes a necessity. Intelligent organizations will use this opportunity to their advantage, building the springboard that will give them a distinct competitive advantage in slow times and launch them into a market leadership position when the market rebounds.

### About VSM Marketing

VSM is a leading customer engagement agency, a demand optimization center, offering field marketing services and solutions that allow B2B companies to drive accelerated and sustainable topline growth.

Leveraging over 16 years of industry experience and comprehensive advisory services, marketing automation and insides sales capabilities, VSM collaborates with clients of all sizes to help them become high-growth businesses. The company has developed a unique multi-dimensional framework – the Prospect Experience™ – to systematically engage, interact with and read prospective buyers creating predictable and incremental value for its clients.

For more information about its multi-touch demand generation, lead nurturing and pipeline acceleration programs, visit [www.vsmmarketing.com](http://www.vsmmarketing.com).

### About Eloqua

Eloqua is the category creator and leading provider of demand generation applications and best-practice expertise for business marketers around the world. Thousands of customers rely on the power of Eloqua's products and services to execute, automate and measure programs that generate revenue. Eloqua is headquartered in Vienna, Virginia, with offices in Toronto, London, Singapore and throughout North America

For more information, visit [www.eloqua.com](http://www.eloqua.com).

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