



CATEGORY: FIELD MARKETING

## Demand Creation: Five Metrics That Matter

- Marketing executives often find themselves buried under an avalanche of performance data and analysis
- Much of the success or failure of the function's contribution to the organization can be boiled down to a handful of demand creation-related metrics
- This brief identifies and defines those metrics that should be reported to senior management with regularity

For every marketing leader, there comes a moment of truth. This moment – whether it is in front of your chief executive officer, product management, your board of directors or your senior sales counterpart – will be defined by the answer to one simple question. What benefit has your function brought to the organization?

And while the systematic building of reputation is certainly important, the answer that all of these audiences are truly looking for has to do with how your strategic plan and tactical mix has helped contribute to topline revenue; they want to know how effectively marketing is helping to create demand. Have you prepared for the moment by tracking and measuring the right performance indicators? Will you be able to answer clearly and concisely? Will your function and sales be on the same page in terms of your impact? In this brief, we will share the five metrics that you simply must be armed with the next time you find yourself on the firing line.

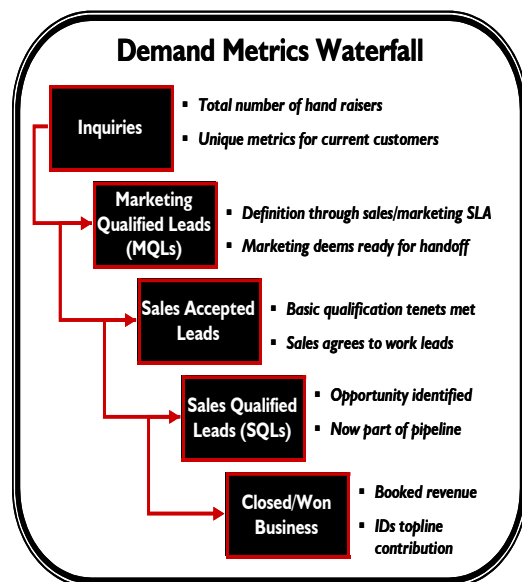
### FIVE METRICS, ONE STORY

List performance, response rate, message impact...all metrics that you may care about, but mean very little in the end to the rest of the organization. When assembled, the following five metrics provide a powerful look into an organization's demand creation funnel, and how marketing has impacted that funnel (see our Demand Metrics Waterfall, at right):

- *Inquiries*. At a baseline, this first metric is the fuel that makes your demand creation engine run. When all campaigns have been accounted for and all sources totaled, how many raw responses – hand-raisers, if you

will – did the marketing function generate? You will want to track inquiry rates for campaigns run against net new prospects, as well as cross-sell/upsell campaigns targeted at current customers to understand how the organization is performing at a high level against these two key groups. These numbers will become especially critical when working your funnel backward from bottom to top; given your historical conversion rates, are you generating a sufficient number of inquiries to drive the number of deals (given your average deal size) that will enable the organization to hit its new business targets?

- *Marketing Qualified Leads (MQLs)*. With a group of raw inquiries in hand, it is now marketing's job to nurture those leads to a level

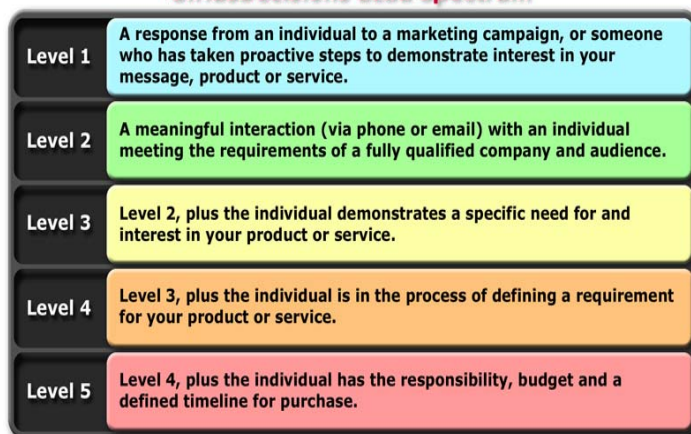


(see SiriusDecisions Lead Spectrum, at right) that has been mutually agreed upon by sales. For some organizations, this nurturing may be rudimentary, with nothing more than a simple pass by a telemarketer to ensure that a match exists against a desired demographic profile. For most others, it can and should include additional interactions and an assessment at a baseline as to the viability of the prospect to convert into an opportunity. For the organizations that have placed telespecting (either internal or external) under the marketing banner, this function will undoubtedly be involved in the process. Regardless of the combination of processes and business rules that your organization uses, when a lead is deemed to be worthy of a handoff to sales, SiriusDecisions categorizes it as a Marketing Qualified Lead (MQL). Marketing leaders must track and report on the conversion rate of inquiry to MQL; they can then demonstrate how improvements in target marketing and messaging have improved this rate from quarter to quarter.

- **Sales Acceptance.** With a definition (or definitions) of an MQL that have been agreed to by marketing and sales, an organization is now ready to create a formal process for acceptance of these leads by inside, field or channel sales. A service-level agreement should be created that lays out the terms of the MQL, and the resulting steps that must be taken by sales as a result within a specific time frame. Salespeople who accept MQLs are doing little more than acknowledging they have received a lead, and that it meets the agreed-upon criteria set forth by the two functions. Leads can only be rejected for a handful of basic reasons, including procedural (lead has been incorrectly routed), clerical (the prospect record is incomplete or inaccurate) or definitional (does not meet the target market, activity or lead level thresholds). With acceptance, sales agrees to follow up with the lead in a specific time frame (no more than 72 business hours is advisable, 24 hours is a best practice); rejected leads should be automatically rerouted back into marketing for further attention and resubmission if necessary. The MQL-to-sales acceptance metric is thus the third metric to be tracked, with organizations striving for rates that are 90 percent or better. Lower rates indicate a breakdown between marketing and sales on what the characteristics are of a lead that is truly worthy of sales attention.

- **Sales Qualified Lead (SQL).** By initially accepting a lead, a salesperson is not committing to anything beyond the basic tenets of the MQL. After a series of telephone, Web-based or face-to-face interactions, he or she will have enough evidence to determine whether an opportunity exists; when this has been ascertained, SiriusDecisions categorizes it as a Sales Qualified Lead (SQL). While this opportunity may not yet be forecastable (anticipated to close in 90 days or less), it is now

### SiriusDecisions Lead Spectrum



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a part of the organization's sales pipeline. Marketers are looking at two metrics at this stage of the funnel, including the conversion rate of sales accepted leads to SQLs, as well as the cumulative size of the opportunities now in the pipeline. Best-in-class marketing functions are able to contribute between 10 percent and 40 percent of new business pipeline depending on their organization's size; do you know where you stand in relation to this metric?

- **Closed Business.** Although much happens to leads once they leave the control of marketing, understanding the ratio of SQL to closed business is still critical for marketers. First, it is beneficial to understand on the average what a dollar spent on marketing can be expected to generate in terms of revenue (especially helpful when budgeting time rolls around). Second, it drives marketing to commit itself to aiding sales in working opportunities more effectively by creating a series of specialized tools and collateral geared toward the critical audiences that play a role in a typical buying cycle for a product or service. By making a true partner out of sales, marketing will increase the likelihood that its hard work at the beginning of the funnel won't be wasted toward the end due to a sales force that is underprepared for the selling/buying situations that it will face on a regular basis.

### THE SIRIUS DECISION

It's hard to believe that five fairly straightforward metrics have so much power, but they do. With these metrics in hand, marketers can make a strong argument for additional program dollars; identify gaps in communications with sales; understand their impact to the organization's pipeline and revenue; and build a series of processes that makes the entire set of activities around demand creation much more systematic. If you're tired of swallowing hard and wiping your brow when the difficult questions are asked, get moving on collecting the data that rolls up into these five powerhouses today.