



The New Physics Of Lead-To-Revenue Management

by Lori Wizdo, March 28, 2013

KEY TAKEAWAYS

It's Time To Take L2RM Beyond Revenue Performance

L2RM is not just about stepping up to responsibility for the impact of marketing spend on revenue performance, nor is it just about standardizing, automating, and scaling your current marketing practice. L2RM is a rapid evolution opportunity for marketing to catch up with an already evolved buyer.

The Funnel Is Not Dead For B2B Marketers; It's Just Insufficient

The funnel gets well-deserved celebrity for giving B2B marketers a metaphor to communicate the relevance of marketing activities to revenue production. But, as a construct for envisioning a transformational lead-to-revenue initiative, the funnel is insufficient. B2B marketers must embrace the new laws of L2RM physics.

Build Your L2R Strategy To Guide The Buyer Through The Journey

Your L2RM strategy must be built around your target buyers and those buyers' need for information and engagement as they move the processes of their buyer journeys. The goal of our L2RM process is to guide the buyer through the journey from need to outcome.

L2RM Is Transformational

Many L2RM initiatives end up being a sort of strategic mashup that exposes and attempts to remediate a number of problems that plague the process of new customer acquisition and revenue generation in B2B companies. Marketing execs need to realize the potential range and scope of an L2RM initiative at the start of the process to plan, staff, and set proper expectations.



The New Physics Of Lead-To-Revenue Management

Vision: The Lead-To-Revenue Playbook

by [Lori Wizdo](#)

with [Peter O'Neill](#) and Michael Shrum

WHY READ THIS REPORT

The need to calibrate marketing spend to revenue generation was the seminal driver of lead-to-revenue management (L2RM). But savvy B2B marketing leaders are going beyond revenue performance management. They are re-engineering their lead-to-revenue (L2R) process to transform marketing — from a top-notch supplier of leads for the load-bearing sales channel to the architect of customer engagement across the entire customer life cycle. This transformation requires significant change in marketing strategy, execution, and management. In this report, we build the case for undertaking this marketing transformation, identify the barriers, and present a new construct, with five new rules, to inspire an L2R vision that will achieve optimal results, provide a basis for continuous improvement, and position marketing as a strategic lynchpin in your company.

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Forrester used results from our Q4 2011 B2B Marketing Organizations And Investments Survey.

Related Research Documents

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LEAD-TO-REVENUE PIONEERS SAVOR THE TASTE OF QUICK WINS

Today, revenue performance has become a standard measure in B2B marketing performance management, but 10 years ago the idea was radical. Adopting the practice required cultural change and some significant re-engineering and automation of marketing and sales processes. The early adopters demonstrated that the benefits are worth the investment:

- **Return on marketing investment increases.** With visibility into the historical revenue impact of every marketing program, campaign, and event, marketing teams can prioritize spending based on the expected return on marketing investment (ROMI). Actual results replace intuition as the basis for informed decisions.
- **Marketing gets a seat at the grownup's table.** The ability to report the impact of marketing programs on pipeline and revenue changes the perception of marketing from a cost center to a co-contributor to the top B2B priorities: customer acquisition, customer retention, and revenue growth.¹ Even if current results are not stellar, the fact that marketing is now an active contributor to this conversation increases the respect that marketing commands.
- **Underperforming pet programs are euthanized.** Every company has them: the trade show that is the cornerstone of the marketing plan; the Pebble Beach golf outing that sales claims is the only way to get to CxOs; that syndicated white paper program that generates “tons” of leads. Visibility into the revenue impact of marketing programs allows you to identify and eliminate marketing programs that do not lead to profitable revenue.

BARRIERS AND COMPLICATIONS LIE BEYOND THE LOW-HANGING FRUIT

After copping the quick wins, L2RM pioneers are finding it hard to continuously improve — to raise the bar on customer acquisition, retention, and revenue, and to lower the bar on the investment necessary to drive results.

Organizational Stress And Disruption Need To Be Managed

Below the surface, unanticipated dynamics will emerge when:

- **L2RM exposes siloed marketing.** In companies where marketing has been organized by marketing focus or specialty, L2RM requires coordination with siloed marketing teams, often with their own budgets, and usually operating with different goals and objectives.²
- **L2RM requires too much process rigor too fast.** We asked marketing execs to report on process maturity in their organization.³ Only 41% said that they had defined and documented processes for lead management. It gets bleaker when you tease it apart: 33% for lead nurturing; 30% for lead scoring; 35% for lead pass and recycling. Process change comes hard for marketers.

In our Q4 2011 B2B Marketing Organizations And Investments Survey, marketing executives cited “instituting marketing process change” as the No. 1 weakness.⁴

- **L2RM taxes marketing bandwidth.** To fuel the new L2RM engine, marketers create new campaigns and assets, and deploy them through marketing channels which are proliferating like fruit flies in springtime. Without a thoughtful strategy, the marketing mix becomes a mind-boggling, demoralizing, and budget-busting challenge.
- **A high-performance L2RM team requires new skills and knowledge.** Marketing leaders need to add new skills: data analysts who can interpret web-based behavioral data; operational experts who understand email deliverability, opt-out, and spam issues; “techie” with more than basic HTML knowledge to leverage advanced design capabilities; and business analysts who can translate “we want it to work this way” into a business workflow.

Traditional Sales And Marketing Role Assumptions Are Challenged

L2RM changes the traditional dynamic between sales and marketing in B2B companies:

- **It’s now one integrated marketing/sales process.** With L2RM, marketing and sales activities can no longer be considered as separate processes, with the lead handoff being the only point of integration. Unfortunately, the current state of marketing/sales collaboration in L2RM is not good. We asked about the quality of collaboration between sales and marketing.⁵ Fifty-seven percent of marketing execs reported weak or mixed collaboration with sales when “defining lead qualification criteria” and “administering leads and lead pipelines.”
- **Marketing and sales are suddenly equal partners.** In many B2B companies, marketing’s traditional role as a supply chain to support the revenue-generating sales team has led it to the point of strategic indifference. Marketing can no longer be marginalized as the trinkets and T-shirt crew. Increased responsibility for lead development and nurturing extends marketing’s role further into the buying process and exposes any pathologies in the marketing and sales relationship.

L2RM IS ABOUT TRANSFORMATION, NOT JUST REVENUE TRACKING

L2RM is not just about standardizing, automating, and scaling your current marketing practice; nor is it just about stepping up to responsibility for the impact of marketing spend on revenue performance. L2RM is a rapid evolutionary opportunity for marketing to catch up with an already evolved buyer. A winning L2RM initiative must be scoped to address these realities:

- **B2B marketers need to master the fine art of being found.** Forrester research consistently reveals that today’s empowered buyer begins the discovery process with a web search.⁶ For the most part, the B2B marketing mix is still mired in the traditional outbound techniques that

worked in the past. In a recent survey, B2B marketers listed trade shows, email, and company events as the top tactics for lead origination.⁷ Search engine optimization (SEO) was fourth on the list, and social marketing a distant 12th.

- **B2B marketers need to master the fine art of engagement.** Although it varies greatly with product complexity and market maturity, today’s buyers might be anywhere from two-thirds to 90% of the way through their journey before they will engage with a vendor’s sales rep. This buyer dynamic changes the role of B2B marketing in a fundamental way: Marketing is now the vendor’s connection to the customer through more of the buying cycle. Stop thinking about campaigns and start thinking about engaging prospective customer in the early and middle stages of their buying journey.

- **B2B marketers need to master the fine art of improving pipeline physics.** The current funnel is not a high-performance engine. We asked B2B marketers about the conversion ratios in their lead funnels.⁸ On average, respondents cited an end-to-end conversion ratio of .75% — less than 1%. Top performers (defined as companies that attribute 50% or more of their B2B sales pipeline to marketing) were doing twice as well, citing an end-to-end conversion ratio of 1.54% (see Figure 1). There’s no need to standardize and scale the existing funnel model. Increasing the activity levels in the existing process is not going to sufficiently move the needle on revenue.

Figure 1 The Current Funnel Is Not A High-Performance Engine

Average pipeline conversion ratios					
	MQL	SQL	Pipeline	Won deal	End-to-end
All	32% (N = 211)	32% (N = 196)	28% (N = 201)	26% (N = 195)	0.75%
Top performers*	39% (N = 65)	37% (N = 58)	34% (N = 59)	32% (N = 58)	1.54%

Base: marketing decision-makers at B2B companies in the US and Western Europe with 100 or more employees

Source: Q4 2012 US And Europe B2B Marketing Tactics And Benchmarks Online Survey

*Top performers are defined as companies who attribute 50% or more of their B2B sales pipeline to marketing.

THE FIVE LAWS OF PHYSICS FOR TRANSFORMATIONAL L2RM

Forrester defines lead-to-revenue management as:

A system, comprising integrated goals, processes, and metrics, that shapes marketing practices, from lead generation to revenue events, which is calibrated for effective customer engagement and

measured through the metric of revenue performance — from new customer acquisition through lifetime value.

A transformational L2RM system requires B2B marketers to change substantially in a number of strategic and tactical practices that are anchored in tradition. One core tradition that marketers need to move beyond is the “lead funnel” — the universal model for demand management. The funnel gets well-deserved celebrity for giving B2B marketers a metaphor to communicate the relevance of marketing activities to revenue production. The funnel’s clearly defined stage gates (MQL, SQL, SAL, etc.) give marketing the basis to collaborate with sales on lead management. The funnel makes it easy to take a snapshot the health of the end-to-end pipeline. But, as a construct for envisioning a transformational lead-to-revenue initiative, the funnel is insufficient.

L2RM is a complex system, not a simple process. There are dynamics that control how things work in that system and there are laws that provide operational guidance for exploiting L2RM dynamics. Forrester recommends B2B marketers think beyond the funnel and adopt five new laws when they set about envisioning their own L2RM strategy.

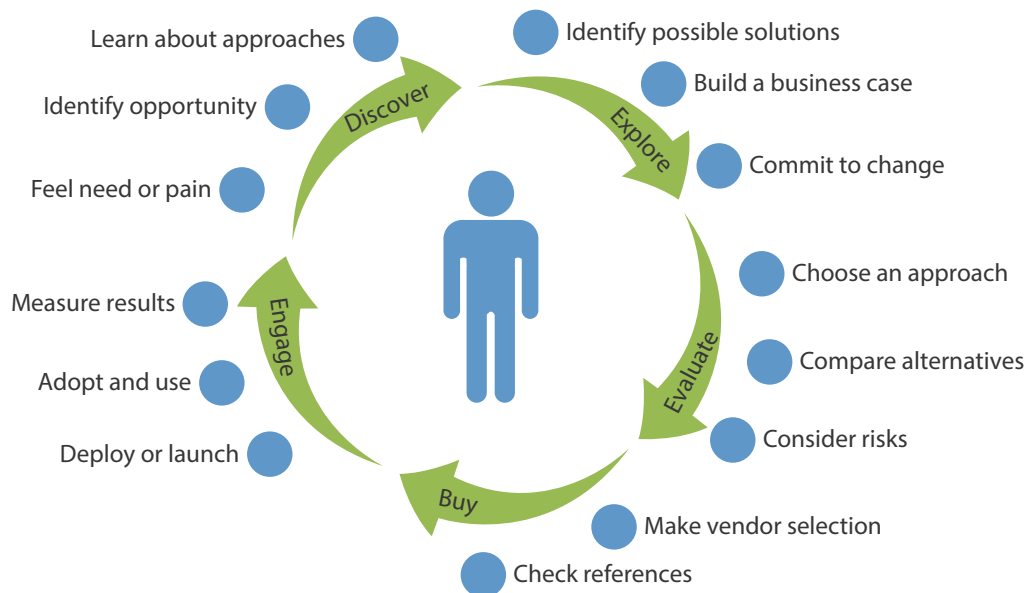
First Law Of L2RM: Build Your L2R Strategy To Guide The Buyer Through The Journey

One inappropriate aspect of the traditional funnel is that it keeps the focus on *your* marketing process, not the *customer’s* buying process. Your L2RM strategy must be built around your target buyers and those buyers’ need for information and engagement as they move through the stages of their buying journey (see Figure 2). Your L2RM process must guide the buyer through the journey. Buyer journey mapping is a technique you can use to understand buyer journeys.⁹ When developing a buyer journey map, remember the “five W’s” of interrogative investigation:

- **Why?** What outcome is the buyer looking to achieve? What need or pain is the buyer looking to ameliorate? This will help you understand the buyer’s perception of value.
- **Who?** B2B buyers buy in teams. A senior executive might kick off a buying process, but delegate the exploration to an individual contributor on the team. End users may be part of the evaluation process or not. You need to think about the prospective customer as a portfolio of buyer personas who each play different roles in the collective advance toward a decision.
- **When?** Buyers have different needs at different stages of their buyer journeys. It’s important to understand the buyer’s context and identify the questions that need to be addressed at each stage. It’s also important to understand what will trigger a buyer to move to the next stage and to identify the barriers to progression.
- **What?** What content can you provide to address buyers’ questions? How does the buyer want that content packaged? A marketing buyer might be happy with an infographic in the discovery phase, while a developer needs a technical white paper.

- **Where?** Where does the prospective buyer seek information? This includes all the various channels and vehicles in the classic marketing mix. It also includes personal influencers (e.g., trusted colleague), consultants and analysts, and your own salespeople and channel partners.

Figure 2 Understanding The Buyer Journey



91921

Source: Forrester Research, Inc.

Second Law Of L2RM: Develop Your Process To Optimize Results For Each Lead

A second problem with the funnel is that it inadvertently promulgates the “numbers game” theory of marketing. The goal in L2RM is not to manage hundreds or thousands of “leads” through a process of serial attrition until dozens or hundreds of deals emerge. The goal is to manage each single lead to maximize the chance of a successful revenue event; and then repeat that process hundreds or thousands of times. It’s time for a new metaphor — the lead-to-revenue escalator, powered by the energy of marketing (see Figure 3). Through a series of coordinated marketing and sales efforts, each potential customer’s level of engagement escalates from awareness to interest, to consideration, to commitment, and perhaps to advocacy.

The processes report of the lead-to-revenue playbook, along with companion tools, introduces a new approach for marketing process definition — the L2RM results chain — to manage a prospective customer’s advance through consecutive outcomes on the way to a successful revenue event.¹⁰

Figure 3 The Lead-To-Revenue Escalator



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Source: Forrester Research, Inc.

Third Law Of L2RM: Use Buyer Behavior To Trigger Contextually Aware Nurturing

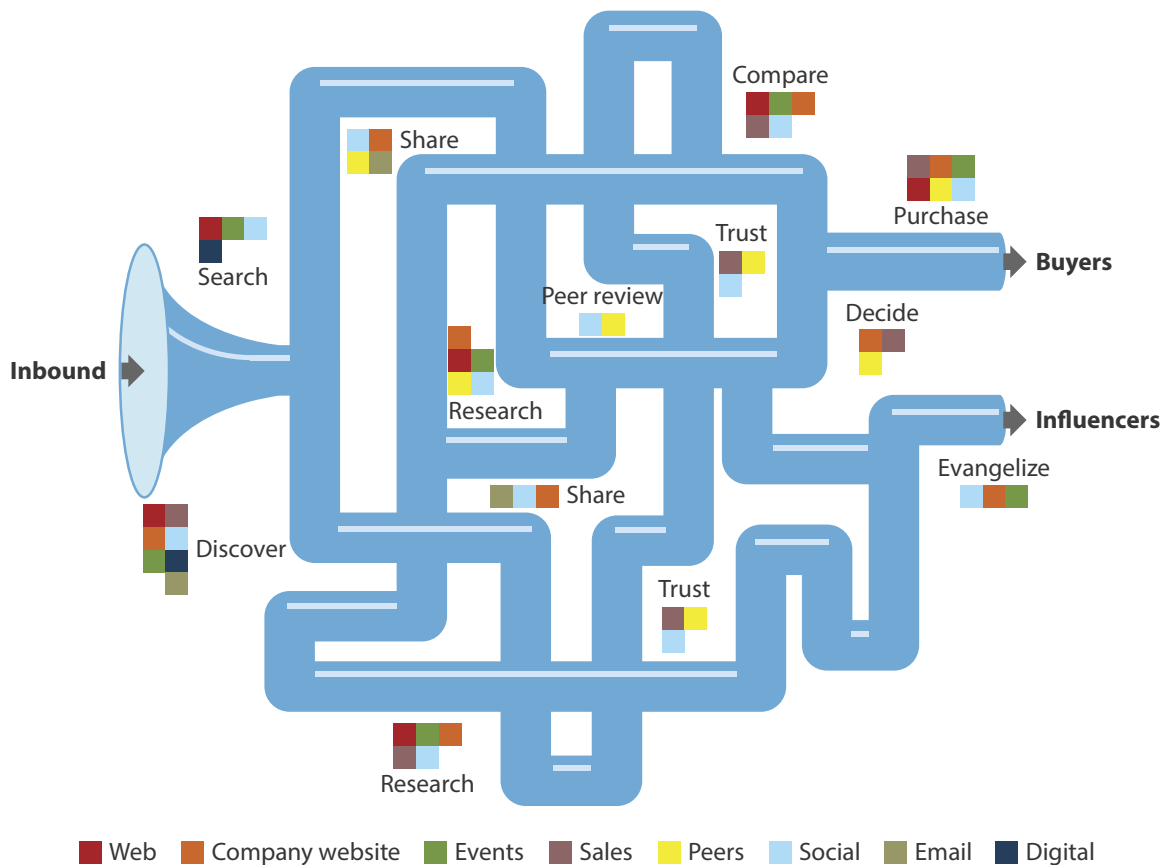
A third problem with the funnel is that it's passive. B2B marketers nurture prospects for months or years before they become sales opportunities. The buyer's journey is complicated (see Figure 4). Successful B2B marketers are increasingly aware that they must build and manage complicated, iterative, multistep nurturing programs with the combined goals of educating the buyer and delivering more mature, developed, and qualified leads to sales.¹¹ As you design your nurturing strategy, keep these things in mind:

- **Content is the commerce for engagement.** Useful content will accelerate the progress of potential buyers along their journey to finding a solution to their business problem. During inquiries and informal interviews with Forrester analysts, B2B marketers report that they enjoy the greatest success with their digital content when they provide information to accelerate buyers through their journey.¹²
- **Buyer behavior is your cue.** Marketing automation captures buyer behavior — the greatest untapped asset that marketers have. Marketing automation lets us know which specific content

buyers are consuming. Marketing automation tells us where our buyers are finding our content. With this data, and the knowledge it drives, marketers can deliver targeted content and offers that serve to both improve buyer engagement and increase conversion rates.

- **Engagement is a multichannel challenge.** Without debate, the business-from-business buyer is already much more multichannel than the business-to-business sellers are. Buyers of business products and services spend their time online, in social channels, on YouTube, going to events, and evaluating options on their iPads and smartphones. Today’s digitally active and socially connected buyers demand consistent, seamless, and seemingly sentient engagement across multiple (online, offline, digital, social) channels and touchpoints.

Figure 4 The Buyer’s Journey In A Multichannel World



Fourth Law Of L2RM: Recalibrate And Collaborate Differently With Sales

The funnel totally doesn't get the new relationship between sales and marketing. The funnel expects a unidirectional mid-funnel stewardship flip from marketing to sales. In practice it's a lot more complicated. Marketing execs who aim lead marketing and sales to seamless collaboration should:

- **Set realistic expectations.** Marketing and sales still work on different timescales. Many L2RM initiatives start out with enthusiastic support from the sales team. But, given the lead times of most complex B2B purchases, the impact from better management of the L2R process won't move the needle on revenue-producing leads in one or two quarters — which is about twice the grace period sales is wont to give. It's important that marketing not “over-promise” in the initial communication with sales about the new L2R program.
- **Collaborate with sales on defining, not just executing, marketing programs.** Your sales colleagues are having real conversations with “live” prospects on a daily basis. They get the kind of intimate customer knowledge that marketers crave but find hard to come by. Take advantage of that by establishing some knowledge-sharing events. Your communications will actually resonate better, and your sales colleagues will most certainly think they do.
- **Let your buyer journeys define a sales-ready lead.** For some situations, a lead is sales-ready only when the customer is finished with the exploration and evaluation phases. In those situations, the traditional budget, authority, need, and timing (BANT) criteria are in order. In other situations, a buyer cannot get through those stages without extensive conversations with your company's sales reps or other subject-matter experts.
- **Establish a two-way flow for leads between sales and marketing.** Set a service-level agreement (SLA) with sales for follow-up and disposition of leads. Leads which are not mature enough to become pipeline opportunities should come back into marketing for additional nurturing. For complex sales with long nurturing time frames, it is likely that a prospective customer will be “jointly” stewarded by a combination of sales and marketing touches.
- **Hold ground on definition of sales-ready lead.** Sales will have a natural tendency to wrest control as early in the process as possible. Once you have defined a sales-ready lead, hold firm to the criteria. The more fully nurtured your leads, the better will be the effect on the sales pipeline and outcomes.

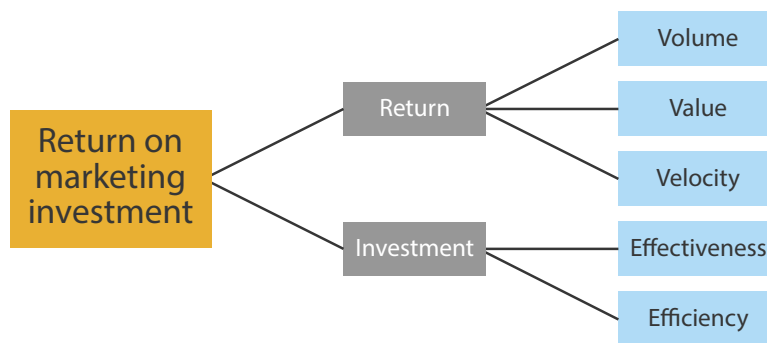
Fifth Law Of L2RM: Adopt A Holistic Approach To Performance Management

The traditional funnel-inspired benchmarks for marketing activities are quantity or volume-oriented metrics: the number of new names added to the database, trade show scans, followers, and leads. Marketers have a legacy mindset to value these measures — and it helps that they are usually easy to get. But senior management is keen to know that marketing is continuously

improving to optimize return on marketing investment (ROMI). In practice, ROMI can be broken down into a number of component metrics, each of which needs to be discretely measured and managed (see Figure 5). When you measure the company’s performance with these metrics across the stages of the lead-to-revenue cycle, it becomes clear which areas need the most attention. This sets the basis for ongoing improvement.

The performance management report in the lead-to-revenue playbook presents a performance management framework that gives marketing leaders the data they need to identify performance shortfalls and to take targeted actions to improve end-to-end lead-to-revenue performance.¹³

Figure 5 Manage The Drivers Of ROMI



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Source: Forrester Research, Inc.

RECOMMENDATIONS

PREPARE FOR DISRUPTION – IT’S THE FLIP SIDE OF TRANSFORMATION

L2RM is a strategic marketing initiative that will first disrupt, and then transform, your marketing organization. Set the stage for a strategically phased approach to L2RM:

- **Adopt a “crawl, walk, run” mentality.** With the pressure to deliver more high-quality leads, it’s easy to fall into the trap of moving too fast. Envisage and evangelize the ultimate goal, but take a realistic assessment of your current marketing maturity and create an L2RM road map to communicate the incremental plan that drives to that vision.
- **Maintain a balanced, business systems perspective.** Your success will come from the synchronized execution of people, using new technology to execute transformed processes. Over time, your marketing team will need to develop new skills or onboard new talent. New technologies will replace older ones. And your processes will evolve from simplistic to systematic. Despite the constant change, don’t let any of these three driving elements get too far in front of any of the others.

- **Invest in change management.** L2RM is not just about giving an existing team some new tools to go about the business of marketing. Your marketing team will be stressed to define new processes, learn new technology, and rethink their role in the company. Keep a constant program of communication and engagement in play to facilitate the change.
 - **Engage the entire senior management team.** As revenue performance matures, the biggest organizational adjustments will happen between sales and marketing. But don't underestimate the impact of this change on other organizations. L2RM will change your marketing service procurement model, create demands on your IT team, and consume capital earmarked elsewhere. Sit down with your counterparts in finance, IT, services, and development at least quarterly to share both the long-term vision around L2RM and key quarterly progress indicators toward your goals.
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ENDNOTES

- ¹ In our Forrsights Business Decision-Makers Survey, Q4 2012, we asked 2,191 global business decision-makers in firms with 1,000+ employees to identify their organization's top business priorities over the next 12 months. "Customer acquisition and retention" and "revenue growth" were tied for the top priorities with 73% of respondents cited them as high or critical. By comparison, only 63% cited "reduce operating costs" and only 40% cited "manage brand globally" as top priorities. Source: Forrsights Business Decision-Makers Survey, Q4 2012.
- ² For further explanation, see the February 6, 2013, "[The Skills And Structures For L2R Success](#)" report.
- ³ Forrester's Q4 2011 B2B Marketing Organizations And Investments Survey was fielded to 864 B2B marketing executives located in Canada, France, Germany, India, Singapore, the UK, and the US from SMB and enterprise companies with 100 or more employees, including 535 respondents in high-tech industries and 329 respondents in other industries.
- ⁴ For more information, see the November 16, 2012, "[Pinpoint The Actions And Outcomes That Elevate Leads To Revenue](#)" report.
- ⁵ Forrester's Q4 2011 B2B Marketing Organizations And Investments Survey was fielded to 864 B2B marketing executives located in Canada, France, Germany, India, Singapore, the UK, and the US from SMB and enterprise companies with 100 or more employees, including 535 respondents in high-tech industries and 329 respondents in other industries.
- ⁶ In the Q1 2011 US And European B2B Social Technographics® Online Survey For Business Technology Buyers, Forrester surveyed 1,001 executives and decision-makers at companies with 100 or more employees who influence technology purchases and adoption. Eighty-two percent of respondents cited "websites" as the top source for becoming aware of new technologies, products, and solutions to business problems.
- ⁷ Source: Q4 2012 US And Europe B2B Marketing Tactics And Benchmarks Online Survey.

- ⁸ Source: Q4 2012 US And Europe B2B Marketing Tactics And Benchmarks Online Survey.
- ⁹ A solid map of the buyer's journey is a foundation upon which you can derive actionable customer intelligence that you can use to tune messaging to customer needs, heighten the customer experience, and drive a customer-centric engagement process. See the February 21, 2013, "[Rethink Marketing In The Buyer's Context](#)" report.
- ¹⁰ For more information, see the November 16, 2012, "[Pinpoint The Actions And Outcomes That Elevate Leads To Revenue](#)" report, see the January 28, 2013, "[Provisional L2RM Process Catalog](#)" report, see the November 28, 2012, "[Using A Results Chain To Model Your Lead-to-Revenue Process](#)" report, and see the February 1, 2013, "[Tools For Defining And Documenting L2R Processes](#)" report.
- ¹¹ For more detail, see the October 21, 2011, "[The Lead-Nurturing Payoff For The Tech Industry](#)" report.
- ¹² B2B marketers realize that delivering an effective content marketing strategy is now a critical differentiation imperative as they align with the customer life cycle. See the November 1, 2012, "[Assessing Your Content Management Processes And Organization](#)" report.
- ¹³ To truly optimize revenue performance, marketing execs need to optimize the drivers of that performance; they need a framework to learn to measure the things that matter for their unique goals and business. See the March 6, 2013, "[A Holistic Measurement System Enables Continuous Improvement](#)" report.

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