HOW ALIGNMENT

and
training
process
automation
structure
tactics
demand
measurement, and
where you work

makes businesses 67% better at closing deals

extracts 208% value more from marketing

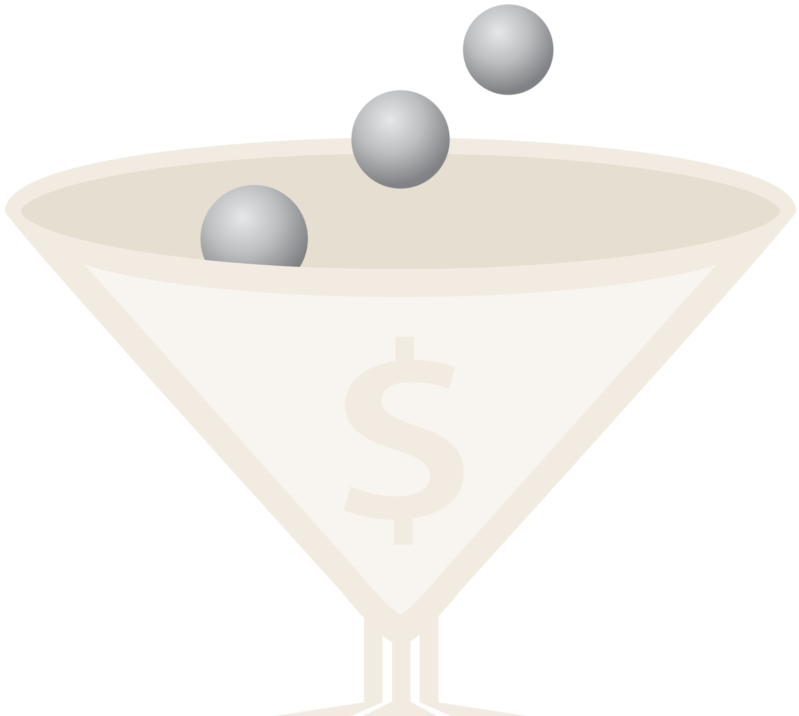
The Findings from our 2013 Sales and Marketing Alignment Study

2013 Sales and Marketing Study

THROUGH THIS REPORT, WE'LL SHOW YOU **WHY:**

INTRODUCTION

ALIGNMENT CAN HELP MAKE YOUR BUSINESS



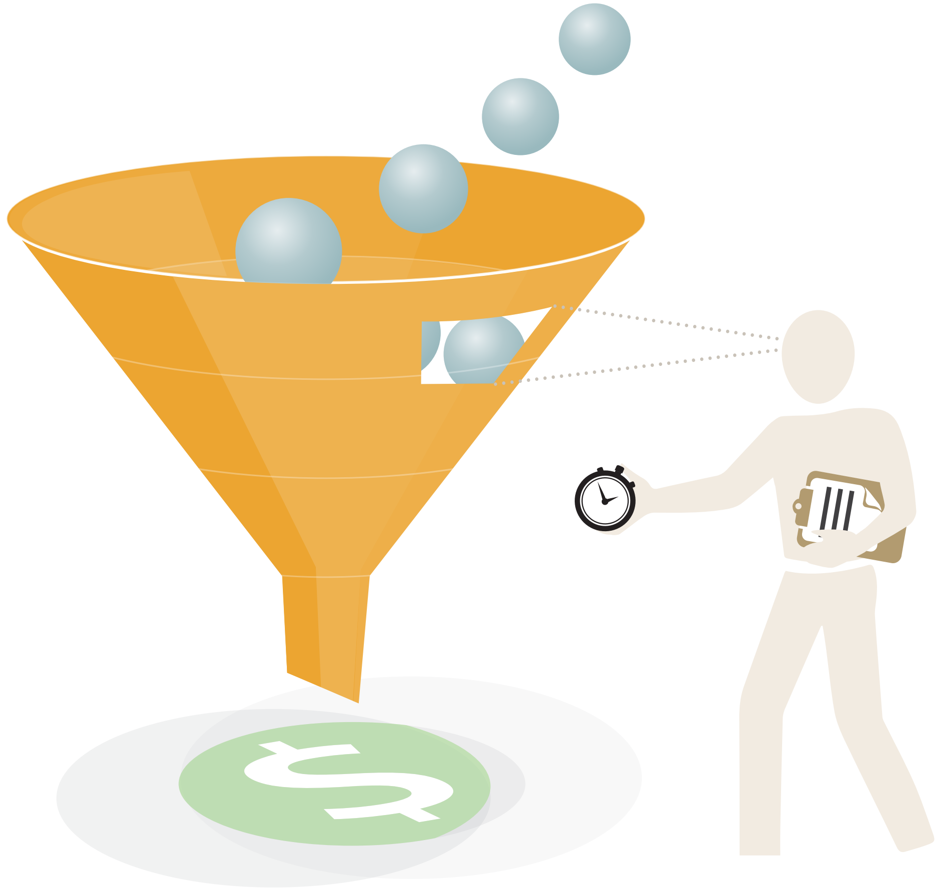
67% better at closing deals,

with 108% less friction,

and generate 209% more from Marketing.

IN THIS STUDY, WE FOUND ALIGNMENT TECHNIQUES THAT DELIVER:

- **67%** higher probability that Marketing-Generated Leads will close
- **108%** better lead acceptance
- and a **209%** stronger contribution to revenue from Marketing-Generated Leads as a result.



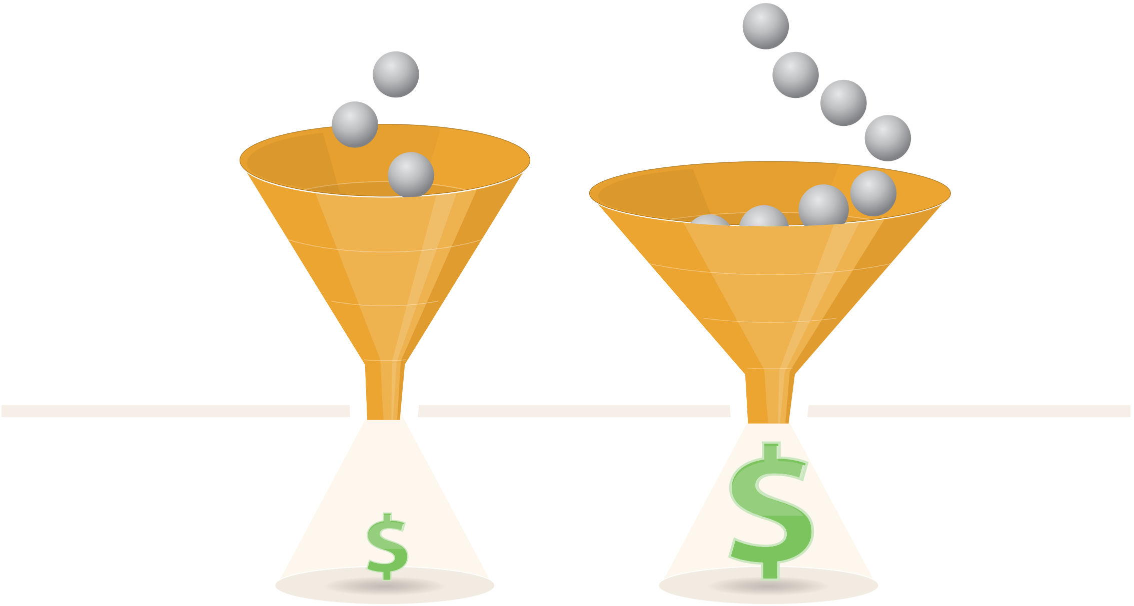
Businesses generate these results by taking some completely counter-intuitive steps, and turning what we know about the funnel upside down – *literally*.

500 businesses shared deep insights into their Sales and Marketing alignment efforts, how these were implemented, and the improvements they saw as a result.

The large sample size of the research produced data we can rely on. When our data wasn't reliable, or the conclusions were not cut and dried, we chose not to use that data.

In the study, we tested 33 possible causes and 18 possible consequences. Many of the hypotheses we tested produced unreliable conclusions.

What follows are only those conclusions we found to be reliable when we tested for causality.



We recommend you avoid comparing yourself to the averages here.

Our conclusions are drawn from patterns which formed when a large-enough group behaved one way, and a large-enough group behaved in another.

Single-company comparisons will only end in tears.

The contributions from planning, process, training, structure, and automation are all held accountable to the same **measures.**

"Better" isn't good enough; our study looked for measureable improvements to the metrics that matter. These are:

CLOSURE

MQL closure: probability of converting a Marketing-Qualified Lead to a sale

SQL closure: probability of closing a Sales-Qualified Lead

Proposal closure: *you guessed it*—how likely a proposal is to be accepted

ACCEPTANCE

MQL acceptance: how likely Sales is to accept leads generated by Marketing

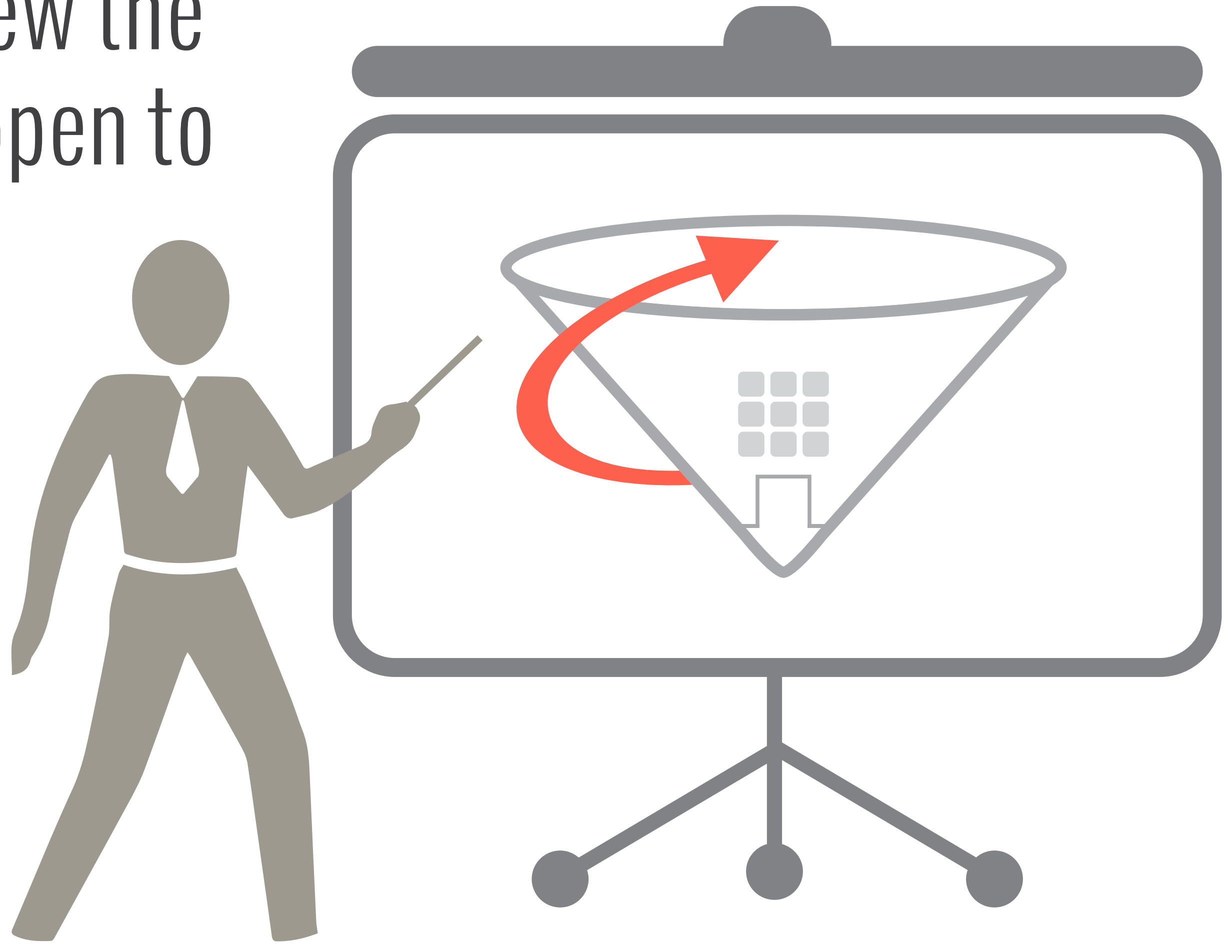
OUTCOMES

Contribution: how much of the revenue came from Marketing's leads

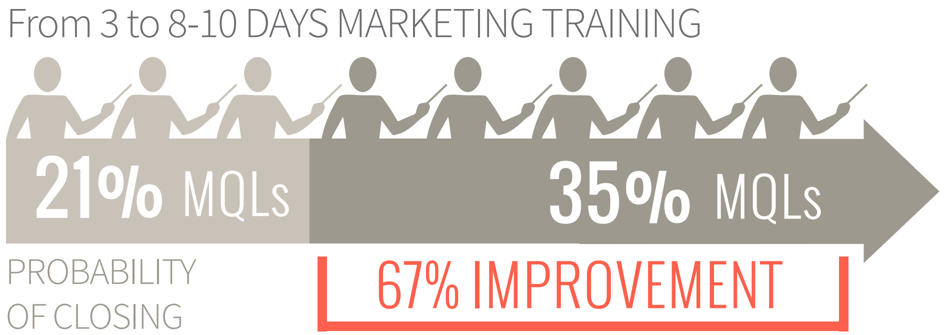
Retention: how well you keep customers

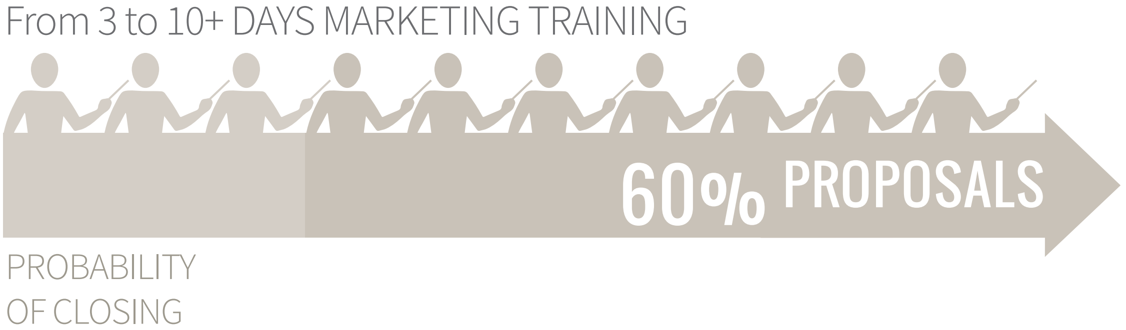
1

Investing heavily in training produces a positive lift to both performance and alignment, but only if you view the system as a whole, and are open to some 'odd' logic.



On average, marketers enjoy a little over 3 days of marketing training every year, and produce leads with a 24% probability of closing once those leads have been marked as 'Marketing-Qualified Leads' or 'MQLs'.





The probability of Marketing's leads closing increases dramatically with additional marketing training. Starting at 21% for those marketers with 1-3 days of training each year, effectiveness peaks with between 8 and 10 days of training.

Those marketers return the training investment by producing MQLs with an impressive 35% probability of closing.

THAT'S A 67% IMPROVEMENT.

And if we measure closure rates from the point where sales has accepted the lead ('Sales-Qualified Leads' or '**SQLs**', and gone on to offer a proposal), those closure rates climb steadily the more training we invest in our marketers, peaking at **60%** for marketers who receive more than 10 days of training each year.

BUT HERE'S THE TWIST:

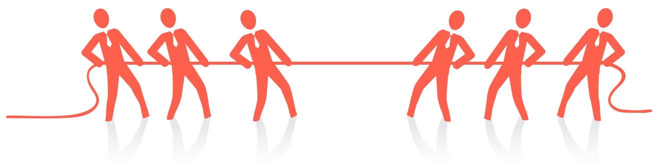
Training marketers does little to help Marketing to generate leads that are more 'acceptable' to Sales. Lead acceptance rates are often considered a measure of marketing success, but it seems that increasing training (and improving lead closure rates) does little to improve Marketing's ability to produce leads that Sales will accept.

! Think about that:

More marketing training teaches our marketers how to produce leads that are more likely to close, yet Sales doesn't like Marketing's leads any better.

Go figure!

In another twist:



Increasing how much you train your sales people won't improve their ability to close.

Read that line again and you still won't believe it.

We scratched our heads for a while, but think we understand why this happens:

Our 2004/2005 study showed that well-aligned companies actually don't sweat their Sales team on sales closure rates.

Well-aligned organizations believe that a focus on closure produces 3 **horrible** behaviours:

1. It increases the "feast and famine" quarterly behaviour where Sales focuses on closing out each quarter and starts the new quarter with an empty cupboard.

2. It teaches salespeople to tell lies in your CRM. If a salesperson's closure rates are not where they need to be, and they can't increase how many deals close, they simply won't tell their boss how many proposals they have put out, and their ratios will soar, making it appear that every deal has closed. *Voila!*

3. It undoes the last 25 years of improvement to the science of selling. In 1988, Neil Rackham's *SPIN Selling* taught us that focusing on closing questions actually reduces the chance of a close at all – **buyers hate pushy sales people**.

Sticking with our original 2004/2005 research for a moment, the businesses we described above as 'well-aligned' were actually also 'high-performance' in that they outstripped their industry sectors by an average of 5.4 points of growth. (For example, if the sector was growing at 10%, the well-aligned ones were growing at 15.4%, or 54% faster). And they closed 35% more often.

Focusing on sales closure rates was considered important by the poorly-aligned businesses, and considered unimportant by the well-aligned (high- growth) businesses.

Plainly put:

Focusing on closure reduces closure success.

These well-aligned businesses wanted their salespeople to be good openers, not good closers. But these same companies who rejected closure rates as a focus for their salespeople did focus on closure as a measure of success for marketers.

So isn't that just plain weird?

We thought it was, until we realised that Marketing is not a single, homogeneous group, but a series of campaigns.

And now it starts to make sense: do you want Marketing to produce more leads from campaign A (with a low propose-to-close rate) or campaign B (with a higher closure rate)?

Clearly, a business that is looking at the whole new business process, rather than just Sales or Marketing as silos, would want Marketing to produce leads that don't waste the sales team's time.

NOW, BACK TO OUR 2013 RESEARCH

Salespeople enjoy an average of 4 days of training per year – just slightly ahead of their colleagues from Marketing, who get 3 days. Increasing Sales training to as many as 7 days actually reduces closure rates, whether measured from the SQL stage, or once a proposal has been made.

But a few factors do improve as businesses invest more than 7 days in training for their Sales team.

First of all, MQL acceptance rates improve steadily, peaking at 50% for businesses who invest 8 days or more each year in their sales people. Churn rates also reduce with more training.

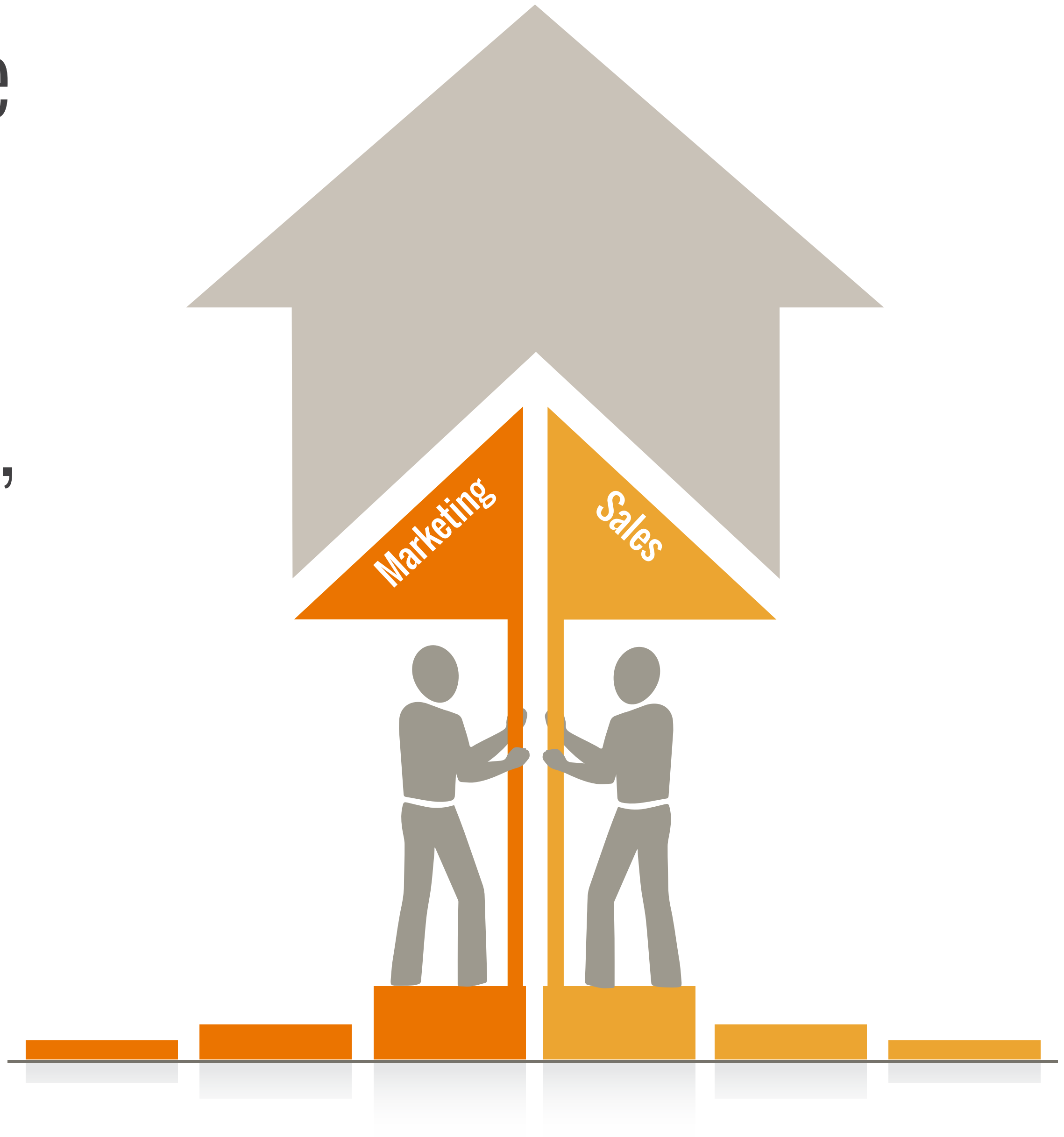
Increasing the training budget for both Sales and for Marketing can also increase how much of your business comes from new logos, with a steady 29% improvement for Sales and 26% for Marketing as the training investment shifted from 2 days to 10 or more days.

You can use training to increase deal closure and improve lead acceptance if you look at the ‘engine’ as a **whole** and accept ‘odd’ logic:

- Train Marketing to create leads with a high closure rate
- Train Sales to accept and act on Marketing’s leads quickly
- Train both to generate new business

2

Sales processes improve marketing outcomes, marketing processes improve sales outcomes, and shared processes improve both.



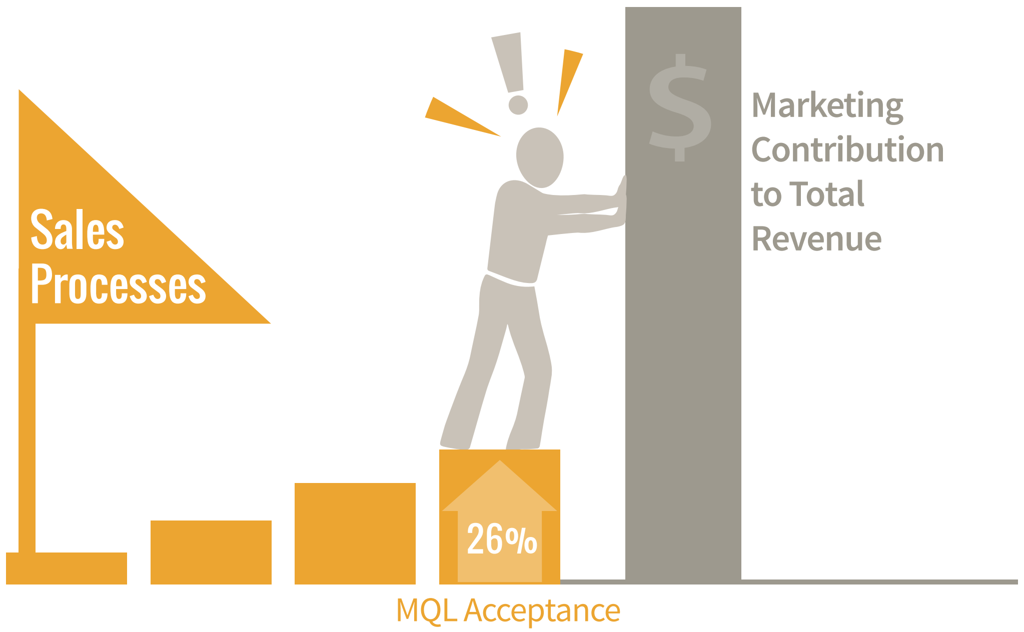
Like training, processes deliver benefits, but not always where you'd expect.

Businesses which invest in creating robust **Sales** processes see no improvement in their ability to close opportunities, whether tracked from late in the cycle (proposal on the table), or earlier (SQL or MQL).

They do, however, see a 26% uptick in Sales' willingness to accept leads from Marketing.

This sounds great, but increased acceptance from Sales without measureable improvement in the probability of closure isn't a win for the bottom line.

Despite this increased acceptance from Sales, Marketing's contribution to total revenue doesn't twitch.



Investing in building a robust process for Marketing likewise fails to deliver an uptick where we might have expected it: MQL acceptance.

So, improved Sales processes improve MQL acceptance, but improved marketing processes don't.

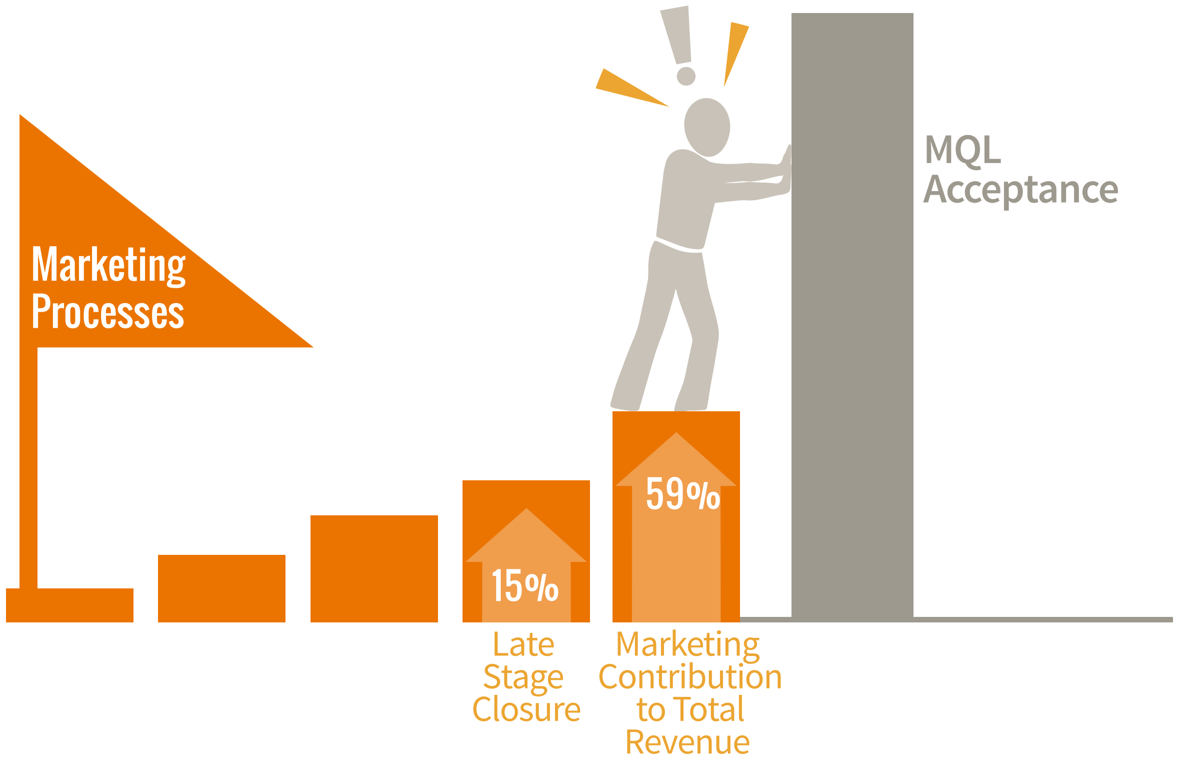
But just like the twist we saw with sales processes, investing in marketing processes does deliver a benefit, but not where we'd expect.

Businesses which build robust **marketing** processes see a 15% improvement in the probability that late-stage opportunities will close. 'Late-stage' opportunities are those where a proposal is already on the table.

So, this same stage that sales processes fails to improve *is* improved by good marketing processes.

As with training, processes for Marketing can be tailored to give visibility to and prioritise campaigns which generate leads which close.

This improvement in closure rate generated by marketing processes boosts Marketing's share of revenue generation by 59%.



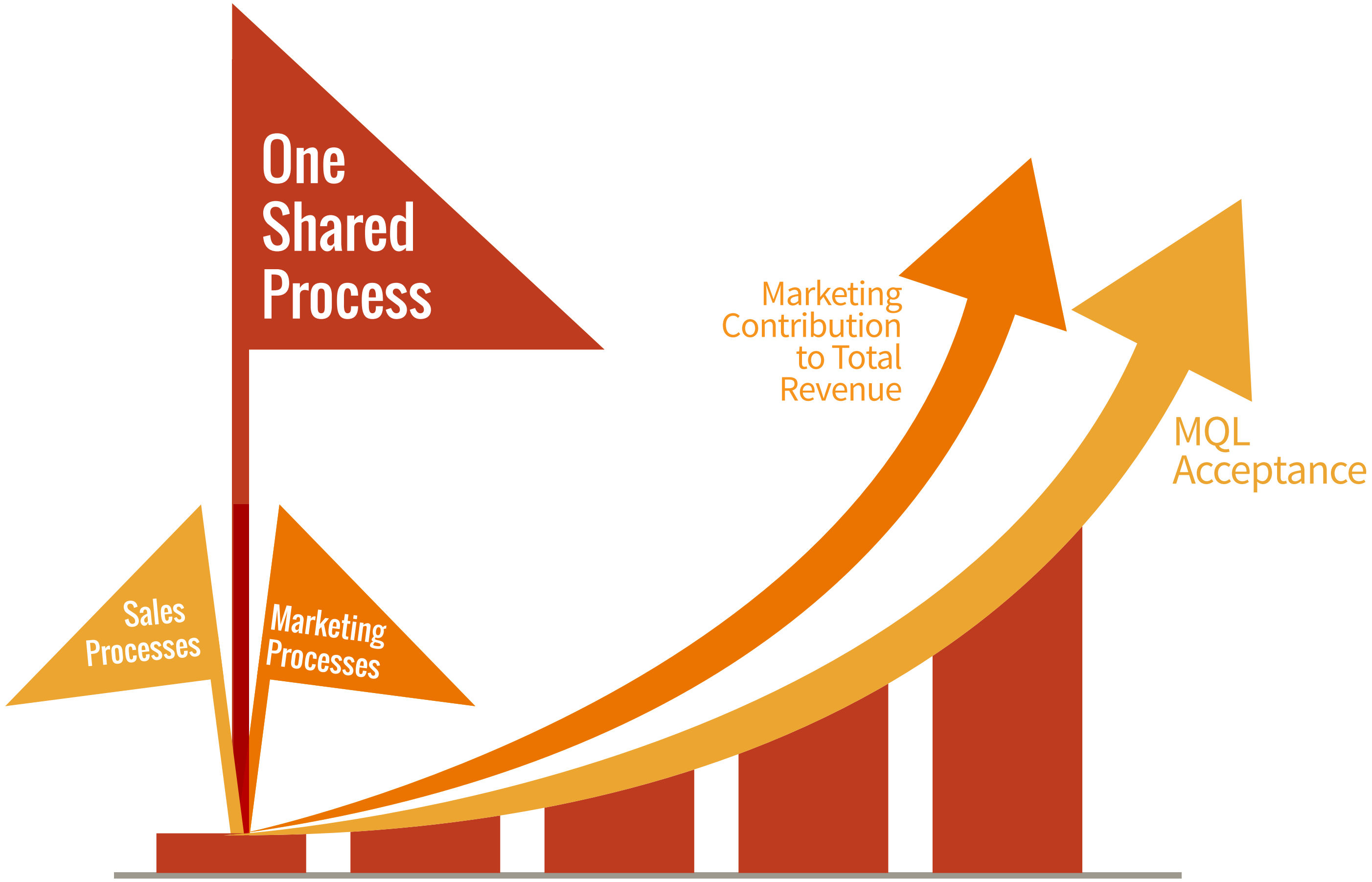
It all makes simple sense:

If you build processes for one contributor to total new revenue, they might be mindful of the whole process, but still unable to improve it.

So, you'd imagine that taking a third step to build a single, end-to-end process for Sales and Marketing will drive further improvements, and you'd be right.

Companies who build one process for both see another 31% uptick in MQL acceptance on top of those improvements already seen from single processes.

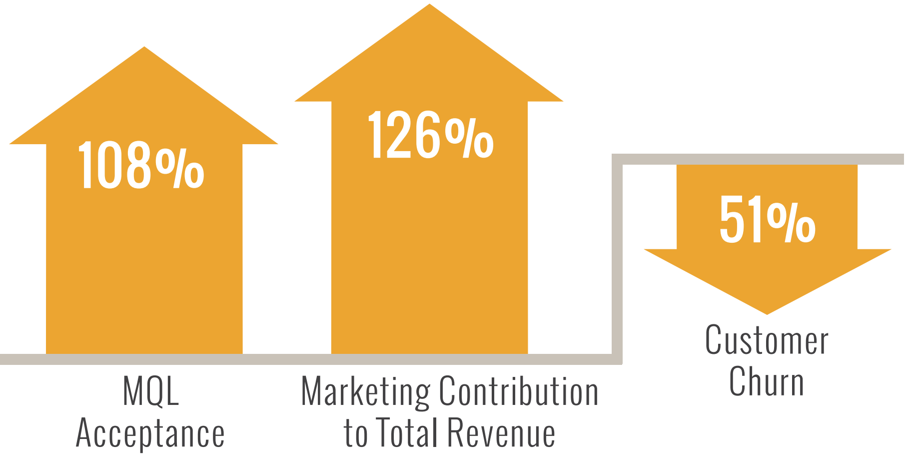
A final 27% improvement in MQL acceptance and 63% improvement in Marketing's contribution can be achieved by ongoing refinement to this single, transparent process. This sort of refinement is typical of Kaizen methodologies, which are more normally seen in manufacturing than sales and marketing.



The journey begins to look attractive:

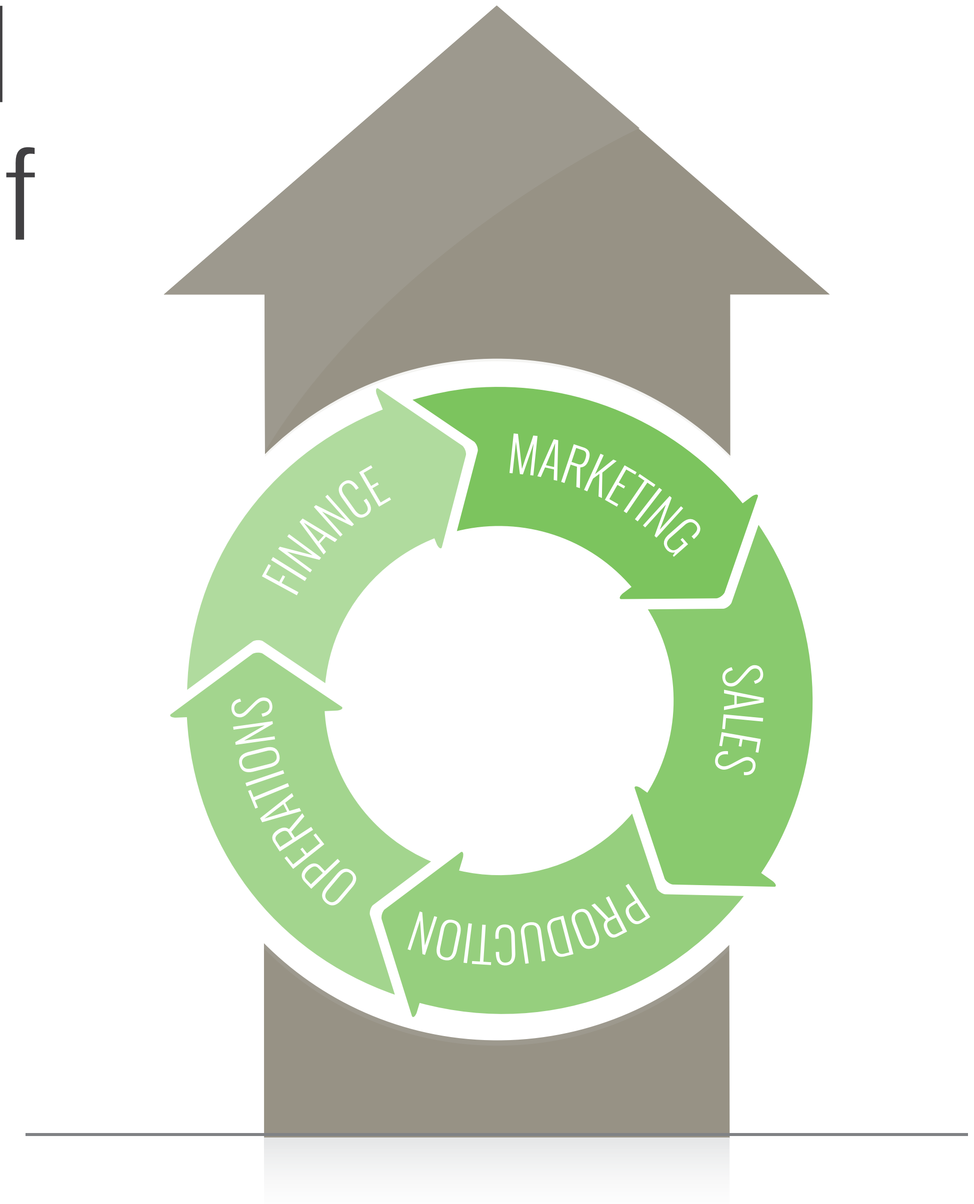
1. Build sales processes, and create a willingness for good leads (even if you haven’t got many of them yet)
2. Build marketing processes, and create those good leads (ones that close)
3. Bring the processes together, and increase Sales’ willingness to focus on those leads
4. Measure and refine that single process, and increase the flow through the funnel

The net effect of progressively maturing the processes is a 108% lift in MQL acceptance, a 126% improvement in how much of the total revenue comes from Marketing’s leads, and 51% reduction in customer churn.



3

Planning jointly, quickly and often lifts the performance of the 'engine'.

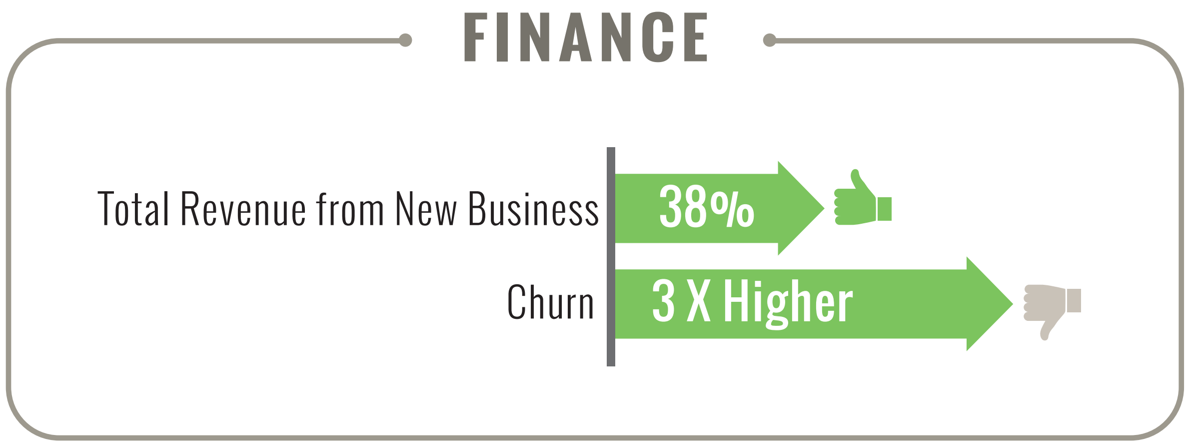


First, let’s look at who should ‘own’ the planning process.

No division had a better new business ‘bias’ than Finance with 38% of total revenue coming from new business, so we’ll use them as the **baseline**, and compare other potential ‘owners’ to Finance.

FINANCE

Although they are good at driving new revenue, it seems Finance is awful at keeping existing customers; in fact, churn is more than three times higher than the average for those businesses who let Finance drive planning.

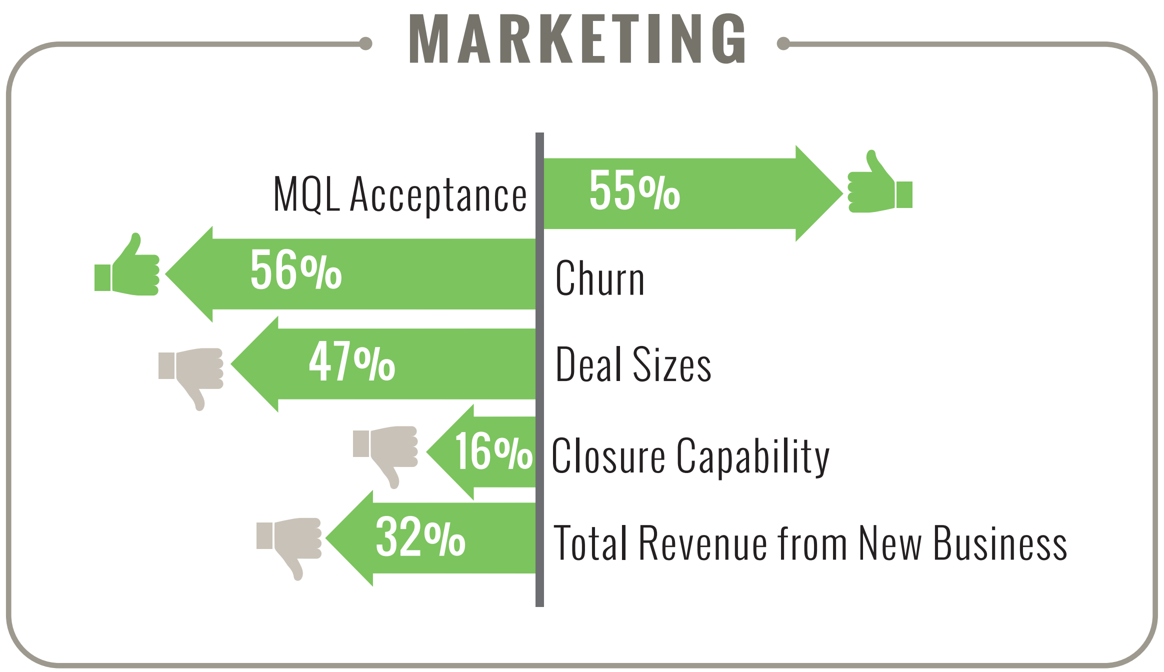


MARKETING

If Marketing takes over as the primary driver of planning, everyone loves their leads, with a substantial 55% lift in acceptance of MQLs. And customers are happier if Marketing is driving planning too, with a 56% drop in churn.

But that's where the good news stops.

Deal sizes drop by 47% and closure capability drops 16%. These two factors compound to override any benefit from the reduced churn with a 32% reduction in new business as a share of revenue.

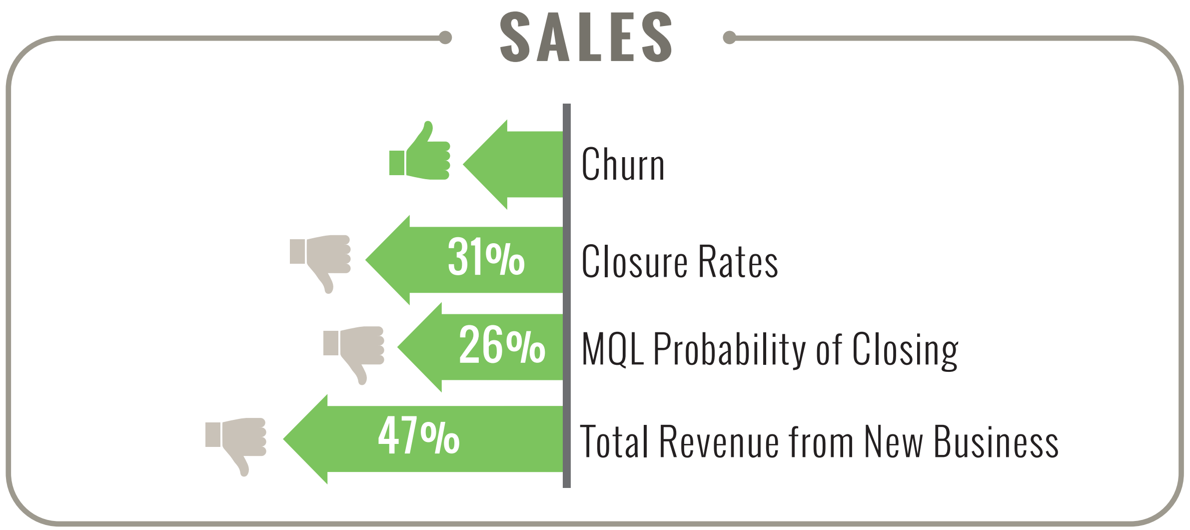


SALES

But before Marketing heads for the nearest bridge because of this story, they can take some comfort from the equally underwhelming performance of Sales when they drive planning.

Sales would argue they are good at closing, but when they take the hot seat for planning, closure rates are 31% worse than when Finance is in control. Marketing's leads are also held in lowest regard when Sales drives planning.

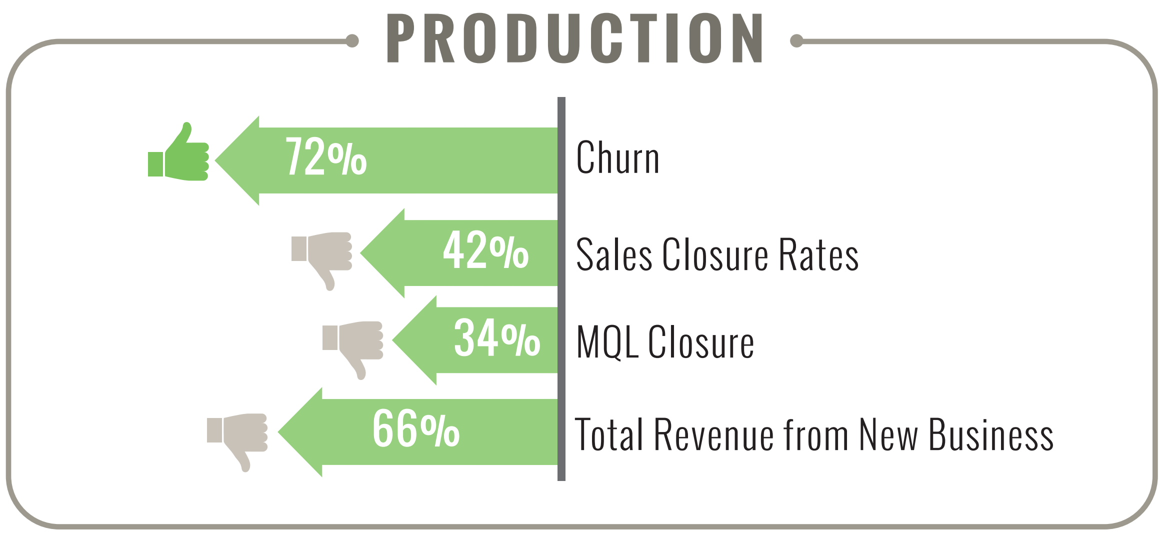
Although Sales is good at keeping customers, the low probability of closed leads from Marketing (26% lower than when Finance is driving) means that Marketing's contribution to total revenue drops by 47%.

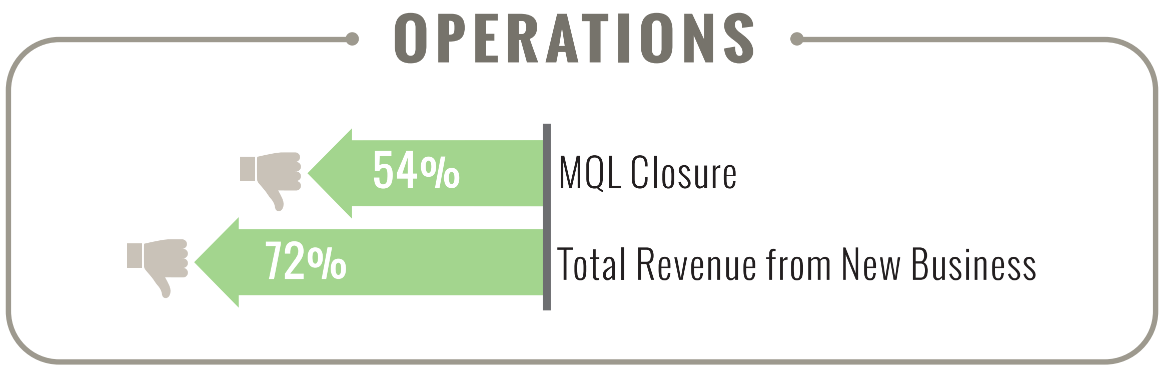


PRODUCTION

If Production is in control, customer retention is at its best, with 72% less churn than when Finance is throwing customers overboard in its quest for new business.

Sales and Marketing performances, however, hit an all-time low. Sales closure rates drop by 42%, and Marketing might as well go home. Closure of Marketing's leads drops by 34%, and Marketing's contribution to total revenue falls by 66%.





OPERATIONS

Marketing's contribution hits an all-time low if Operations is given ownership of planning, with closure of MQLs 54% lower than when Finance owns planning, and Marketing's overall contribution to revenue bottoms out at 72% lower as a result.

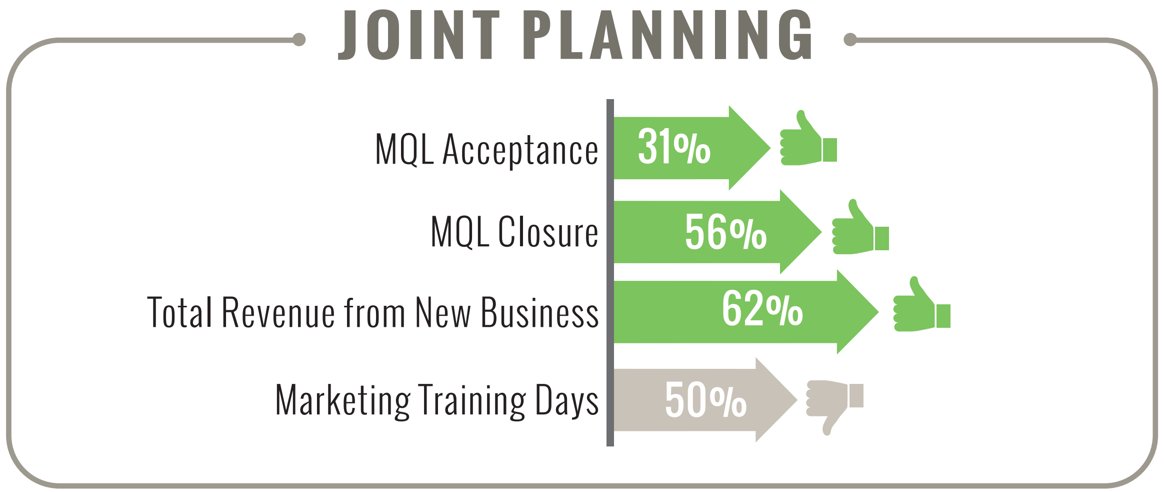
So, does this suggest planning has no happy home? Or should we leave it with Finance and pedal like loonies to win new business to compensate for the horrible churn?

Perhaps there is a case for joint planning…

The case for joint planning is compelling

Although proposal closure rates don't seem to improve simply by getting Sales and Marketing to plan together, joint planning does leverage Marketing's contribution better.

MQL closure lifts by 56% for those who plan together, and MQL acceptance is 31% better. Marketing's contribution to total revenue lifts a healthy 62% as a result. The 50% uplift in training days for Marketing seems a small price to pay.



Given that Finance seems to throw customers overboard in its quest for new business, we probably don't want them looking at current customers, but their presence lifts deal size, and improves new business focus, so you'd want them at the table, wouldn't you?

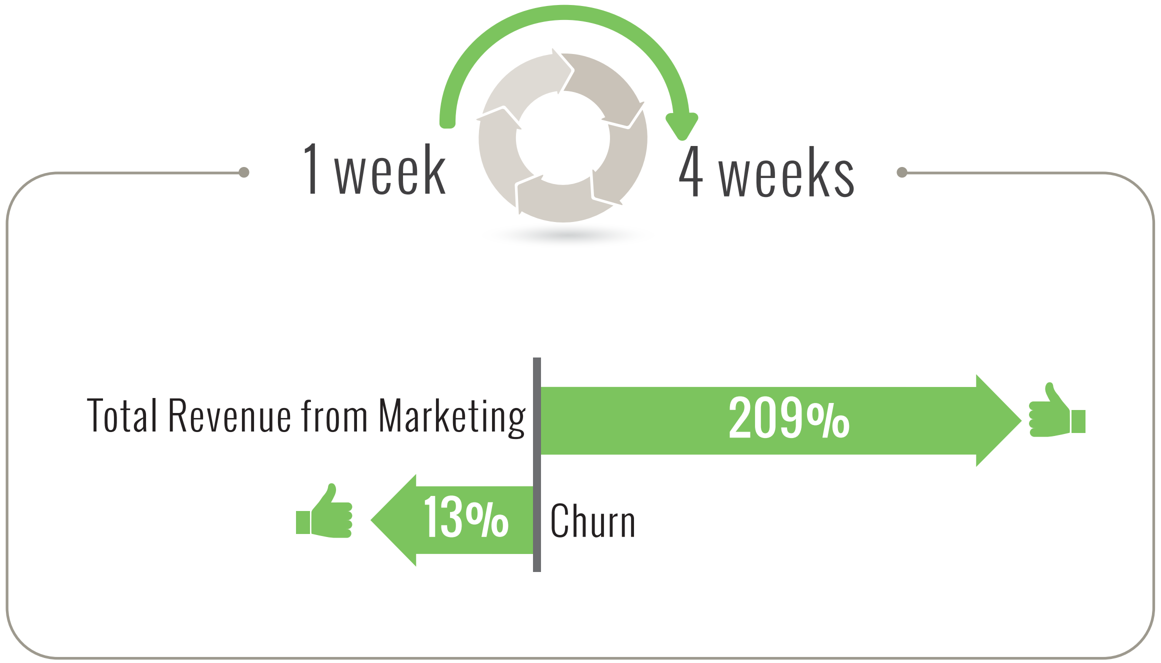
And then Production and Operations bring customer satisfaction (as indicated by low churn), so we better make room for them, too.

If planning is a team sport, how often should we play it?

Plan quickly and review often

Marketing's contribution to revenue is highest, and customer churn lowest, when planning takes between a week and a month, and when the results are reviewed at least twice a year.

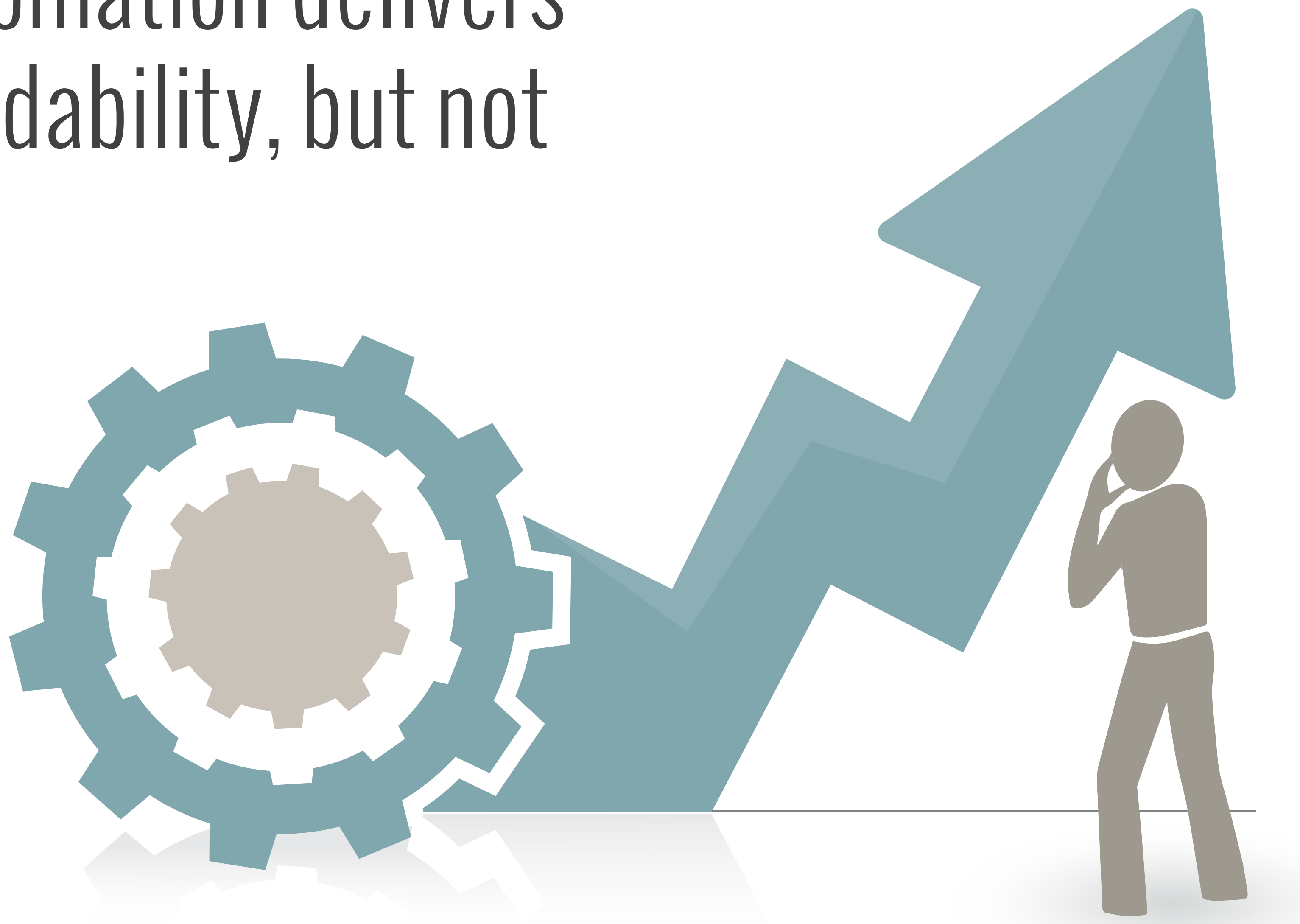
Sales closure rates are also at their best with these same planning settings (build them quickly and review them often), so it seems that the opportunity to fine tune the engine sits comfortably with both Sales and Marketing.



Businesses which get their planning done in between one and four weeks enjoy 209% stronger contribution to revenue from Marketing, and 13% less churn than those who take four months or more to plan.

4

Marketing Automation delivers scale and affordability, but not confidence.



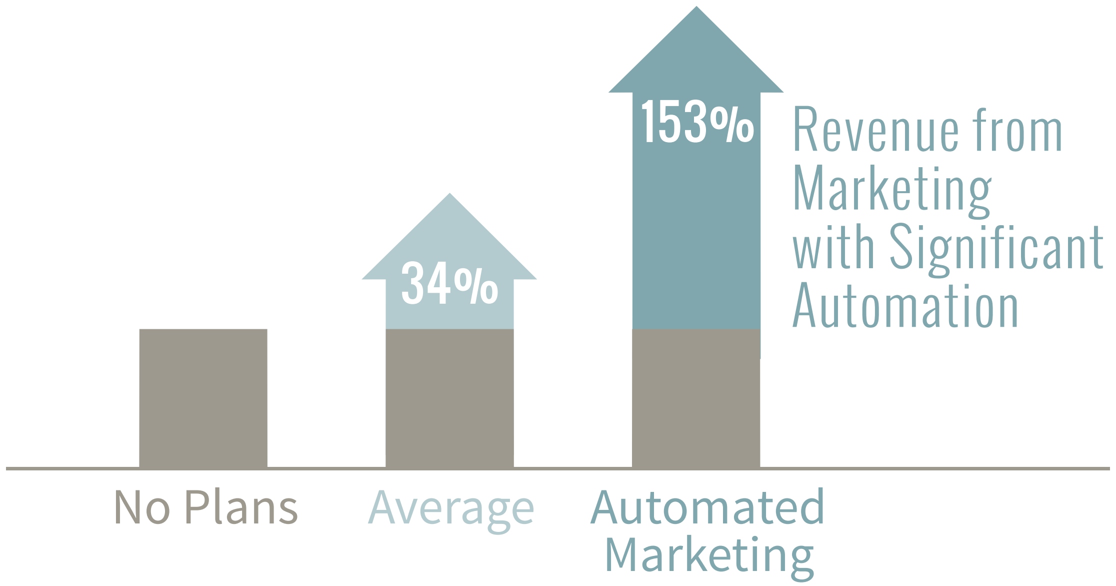
Companies which have already automated marketing do not enjoy any measurable improvement in deal quality, as measured by proposal closure ratios. Nor are their SQLs more likely to close. Not even their Marketing-Qualified Leads (MQLs) are more likely to close as a result of automated marketing.

So why would you bother?

It seems the answer comes from:

- Marketing's contribution to revenue
- The efficiency of earning new business
- The capacity to retain customers once won
- Oh, and transparency.

Those businesses which have automated significant portions of their marketing processes generate 34% more of their revenue from Marketing-generated leads than average, and 153% more than those not intending to automate. Even the process of preparing for automation delivers an uptick in Marketing's contribution to revenue.

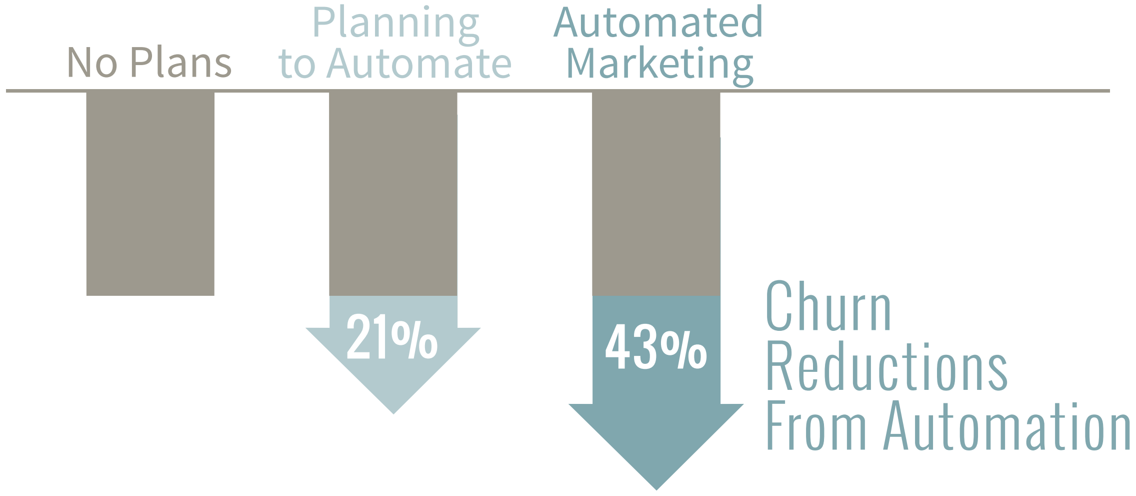


Marketing tactics are generally much cheaper than Sales calls 'per transition', which means that the cost of moving a buyer from one stage to the next in their journey is less expensive.

With more potential buyers at the top of the funnel than the bottom, it just makes sense to have Marketing initiate a large percentage of the opportunities.

Customer retention follows the same clear pattern:

Churn is 43% lower for companies which already have working automation than for those not planning it, and 21% better than for those putting automation off for a while but at least starting to plan for it.



The process of planning to automate marketing generates strong efficiencies in customer acquisition and retention, and paves the way for a stronger contribution

Transparency – the ability to see what is working in 'the engine' seems to create frustrated leaders. They see lots of potential for improvement, despite the fact that they are already outperforming their peers handsomely.

That's a healthy frustration, don't you think?

But ignorance is bliss

Companies with no intentions to automate are 23% happier with their ability to qualify leads, 33% happier with their overall marketing effectiveness, and 67% less likely to be worried about alignment.

"It's all good here. What crisis?"

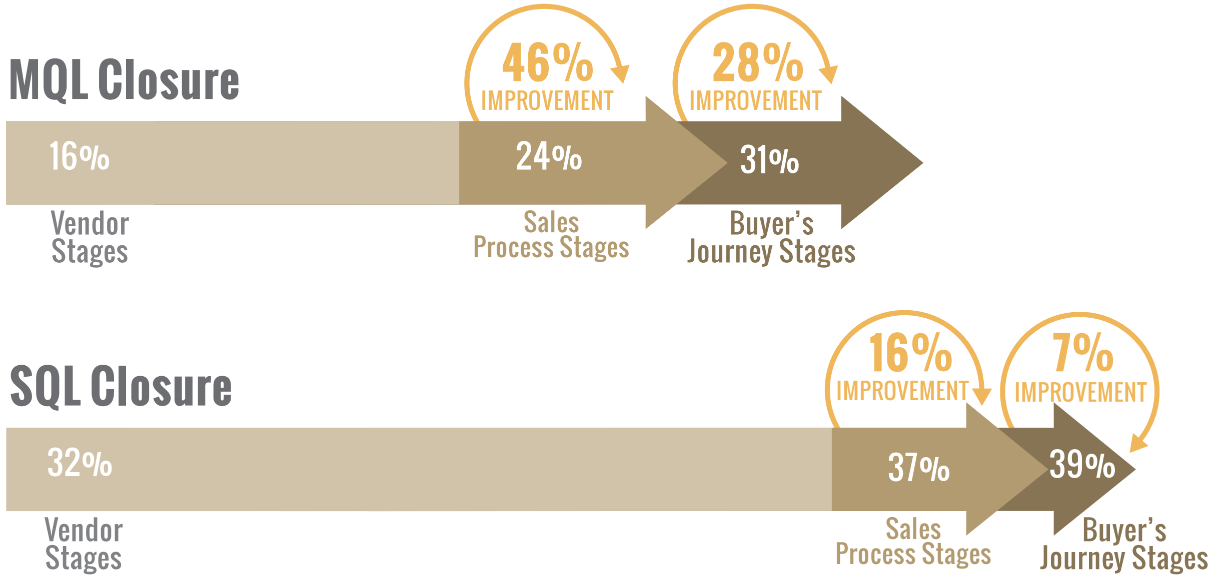
Perhaps what you can't see, doesn't bother you.

5

Naming CRM stages after buyer's journey stages improves the quality of early-stage leads.

Those businesses which rename standard CRM vendor stages after their own sales process stages generate MQLs with a 46% higher closure rate. SQLs are 16% more likely to close.

But those who instead adopt the language of the buyer ("gap acknowledged", "need agreed" etc.) enjoy a further 28% lift in MQL closure rates and another 7% for SQLs over those who use their sales stages.



The probability of closing an opportunity once a proposal is on the table seems to be unaffected by stage names.

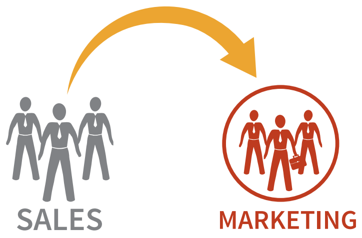
But how can you improve closure rates by simply renaming stages in the CRM?

Renaming these stages forces Marketing to think in terms of stage by stage buyer progression.

The proportion of total business coming from new customers improves, and churn is reduced again, because Marketing focuses on the buyer, not the execution of their tactics.

6

Marketing needs to report to the CEO, or to Sales, but not to a divisional or shared boss.



When Sales reports to Marketing, MQL closure rates are high, but Marketing contributes little to revenue.

When Marketing reports to Sales, MQL acceptance peaks (**57%** higher than when the roles are reversed), churn is at its lowest, and Marketing's overall contribution to revenue is **195%** higher than when Marketing sits in the big chair.

If Sales and Marketing both report to the CEO or COO, Marketing's contribution to revenue peaks, adding another **17%** compared to when Marketing reports to Sales.

When Sales and Marketing report to a divisional head (or to the Head of Sales and Marketing), Marketing's contribution to revenue and MQL acceptance both drop quickly.

It seems that the best-run businesses benefit from a little positive friction at the top.

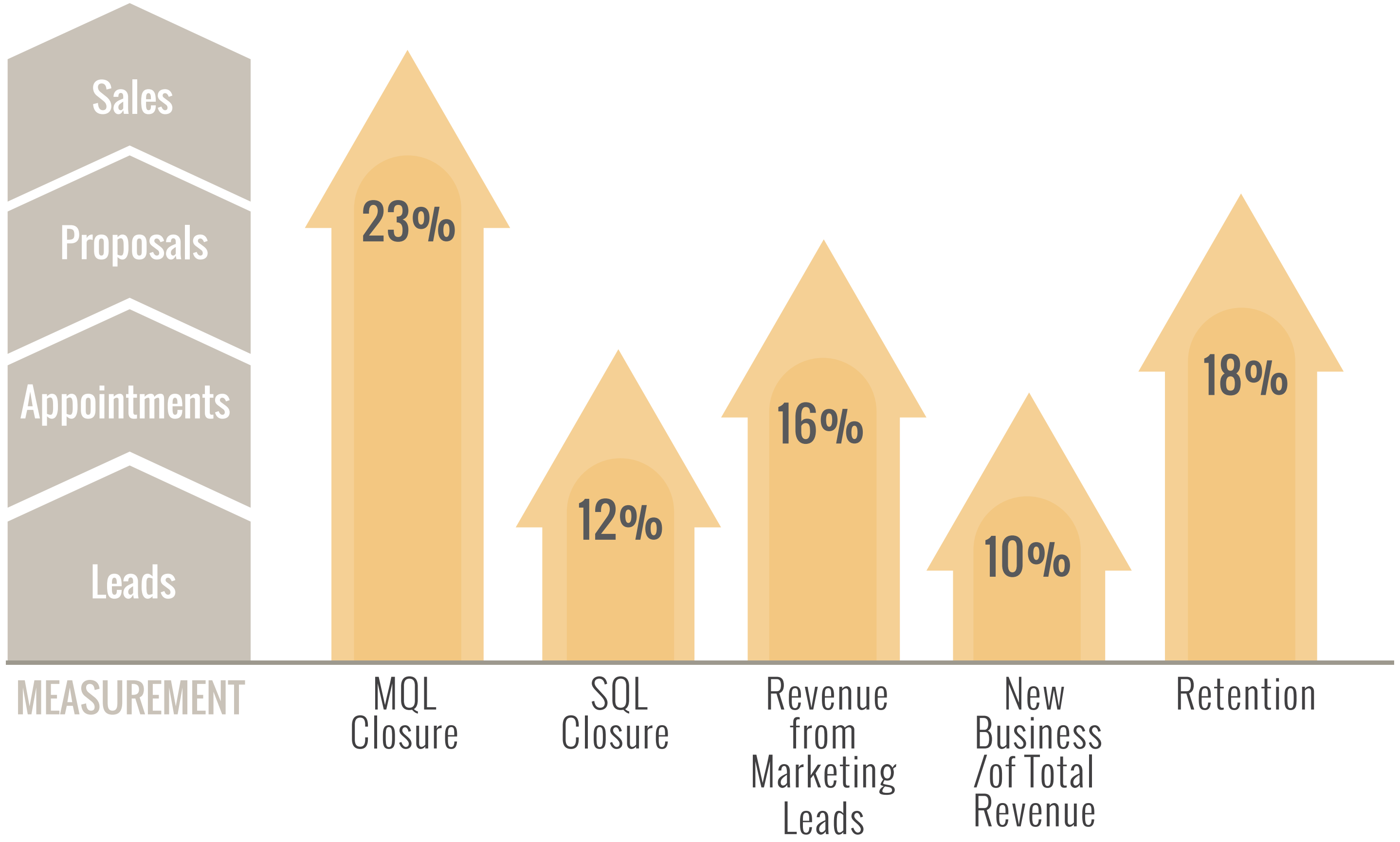
7

Holding Marketing's feet to the fire works.

It seems that measurement of Marketing still has a great impact on effectiveness.

In our 2004/2005 study, we found that the best-aligned businesses measured Marketing on the **proposal closure ratio** – one that you'd expect to be the sole province of Sales.

As measurement shifts from leads to appointments, proposals, and eventually sales, all ratios improve, ultimately delivering an uplift of 23% to MQL closure, 12% to SQL closure, 16% to the proportion of revenue attributed to marketing leads, 10% to new business as a proportion of total revenue, and 18% to retention.



8

Demand is more important than brand, but only to a point.

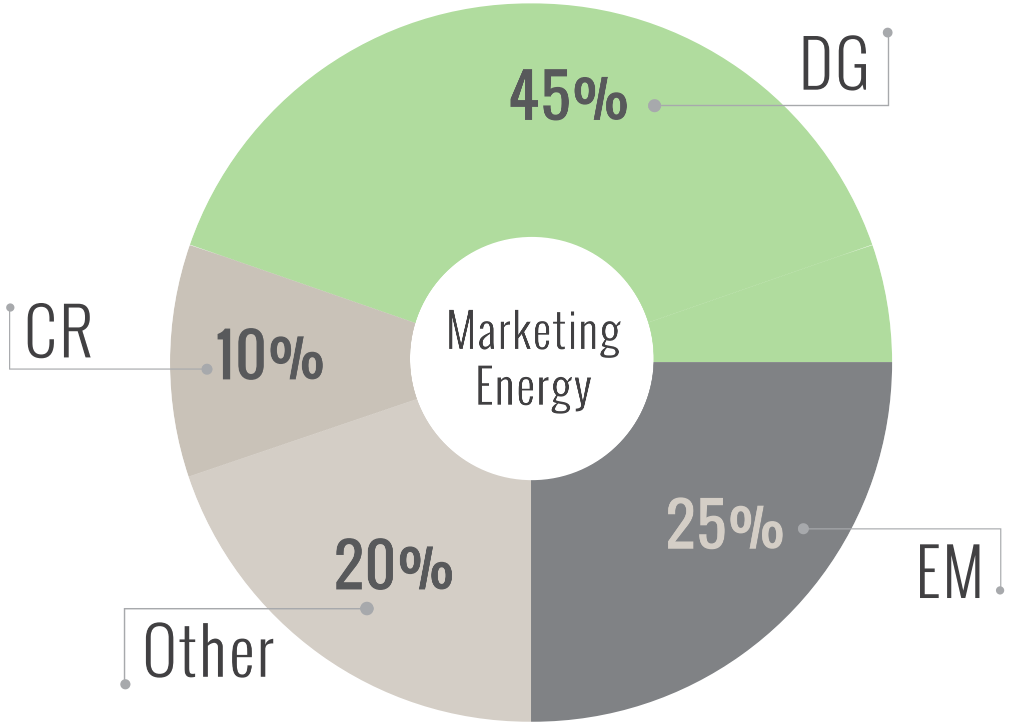
Marketing spends its energy on a number of key activities.

Some of its energy is spent getting the market ready. We call that Environmental Marketing (EM) as it is all about creating an environment for success.

Some energy is spent on getting the channel ready (Channel Readiness, or CR), and some on getting the channel and market talking (Demand Generation, or DG).

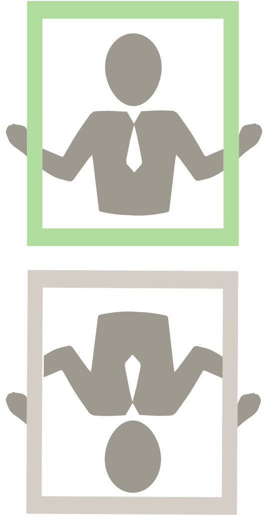
Across the sample, we found marketers allocating the largest portion of their energy to Demand Generation.

- Demand Generation 45%
- Environmental Marketing 25%
- Channel Readiness 10%
- Other 20%



Good news, right? Well, maybe.

As the probability of closing Marketing-Qualified Leads grows, the amount of budget allocated to Demand Generation also grows steadily, from 34% to 52%. But we could prove no causality.



That is, when we turned the data on its head and looked not at what successful companies did, but at what made them successful, we saw a different picture.

When we looked at the input first (how energy was spent across EM, DG, and CR), and the consequential closure rates, we found inconsistent patterns for MQL closure, MQL to SQL acceptance, and SQL closure.

But we did find a distinct pattern for proposals. The probability of closing a proposal grows steadily as Demand Generation's share of the marketing pie grows, but closure rates peaks at 35% of total budget, and decline steadily from there.

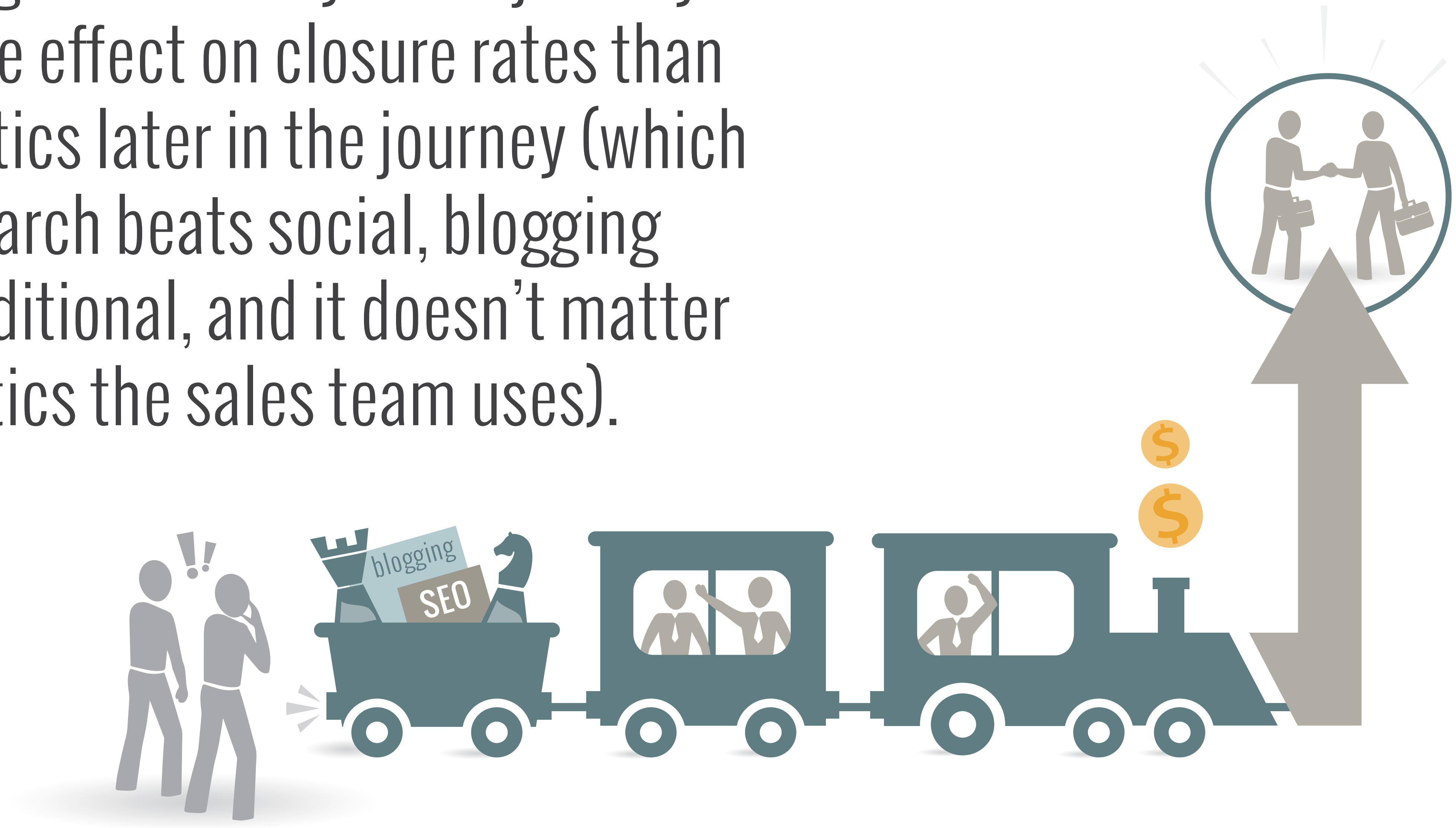
So although the average Demand Generation allocation is 45%, this report suggests that 35% is ideal.

Although we advise businesses to adjust their allocation to Demand Generation as their target market matures, our recommendation across all buyer-maturity stages has traditionally been closer to 50%.

This new research suggests a more modest focus on Demand Generation might be called for.

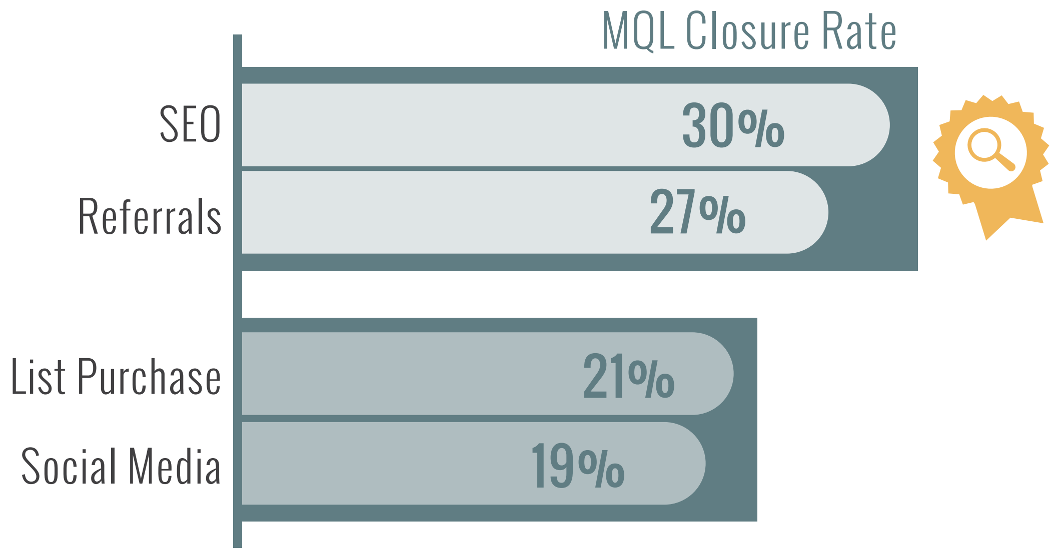
9

Marketing tactics early in the journey have more effect on closure rates than sales tactics later in the journey (which is why search beats social, blogging beats traditional, and it doesn't matter what tactics the sales team uses).



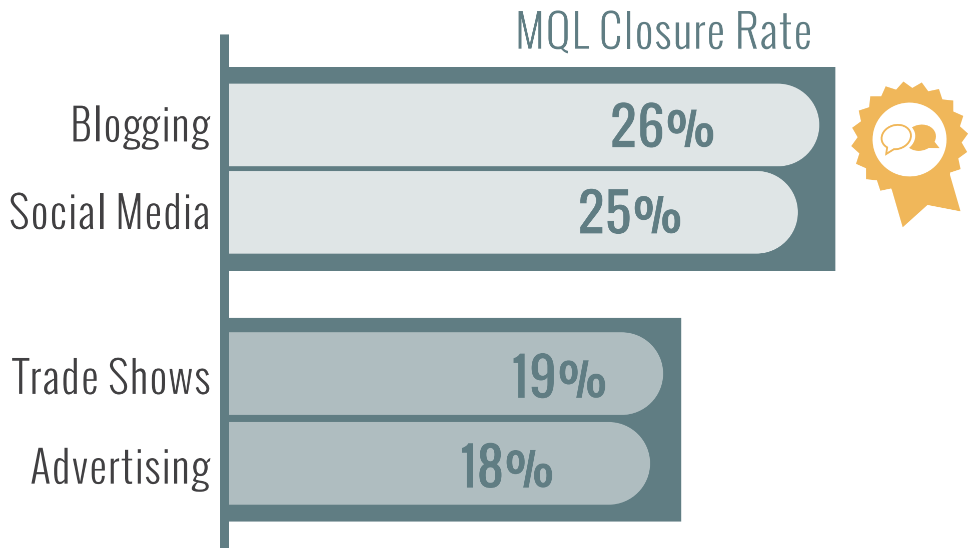
Search Beats Social for Finding New Names

- Those who use SEO and referrals have the highest MQL closure rates (30% and 27%)
- Those who use list purchase and social media have the lowest (21% and 19%)



Blogging Beats Traditional Positioning Tactics by 40%

- Those who use blogging and social media have the best MQL closure rates (26% and 25%)
- Those who use trade shows and advertising have the worst (19% and 18%)



Marketers use a wide array of tactics to help potential buyers acknowledge the problem they solve, and Sales carries some of this load.

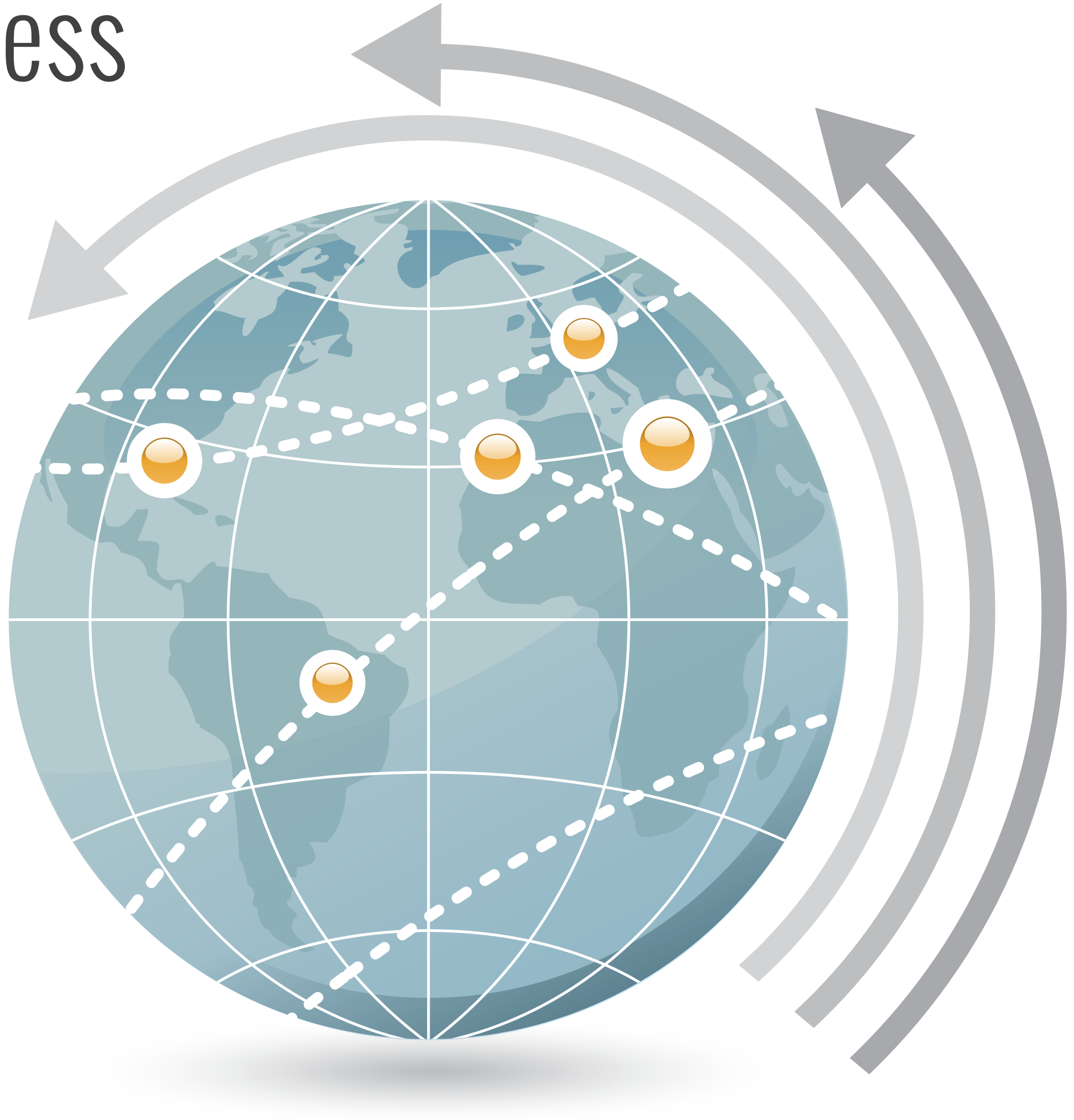
24% Whitepapers	24% Direct Sales Conversations	23% Meeting Tools
23% Videos	23% Case Studies	21% Webinars
20% Surveys	20% Telemarketing	20% Events

Salespeople use an inconsistent array of tactics used to help buyers to clarify their needs.

We hold that there is significant opportunity for improvement in closure effectiveness, but could find no data to support this view. Either we are wrong, or few sales practitioners are navigating this stage with great certainty.

10

Alignment and effectiveness vary wildly between countries.



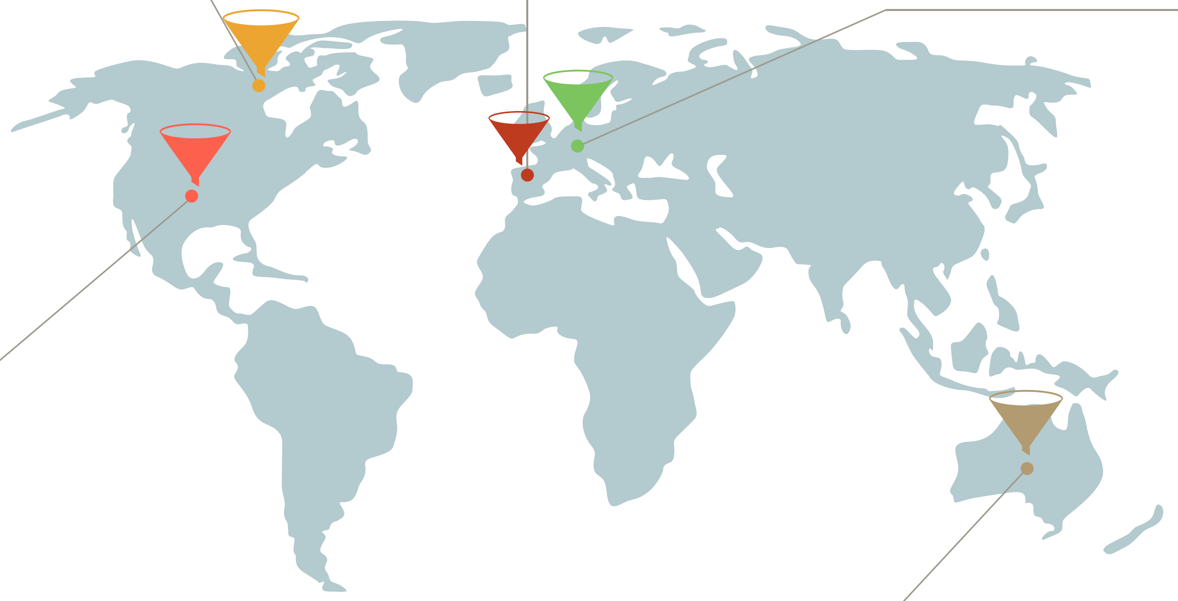
JUST FOR A BIT OF FUN

We looked for extreme differences between respondents from the five main countries. We didn't delve as deeply here as we did in other areas of our survey, so don't take these findings too seriously.

That said, the Canadians were our performance poster child in this report - let them enjoy the moment.

Canadians are deeply concerned about alignment, but seem to be the best at it (is there a link?). They enjoy a 21% higher closure rate for MQLs than Americans, and Sales is 48% more likely to accept those leads, resulting in the highest proportion of revenue coming from Marketing and best customer retention by a mile.

The Brits have the highest confidence in their Sales and Marketing teams of all countries, but this appears misplaced, with low closure rates at every stage in the funnel. They nonetheless manage to have the highest focus on new business out of all countries represented in the study.



Belgians aren’t great at closing, but maintain a ‘steady’ performance through the funnel and no real individual weak spots other than a low proportion of revenue from new business.

Americans are 32% better at closing than Belgians, but 39% behind their Australian Marketing counterparts at generating quality leads (ones that close).

Australians are great at starting the conversation (aka ‘Marketing’), but Marketing contributes 147% less of the total revenue than for Canadian businesses – perhaps an opportunity to push harder?


NEXT STEPS

NEXT STEPS

Alignment is clearly achieved through a combination of integrated activities. We recommend these best practices to guide your alignment efforts:

1 Make alignment a top priority for your leaders from both Sales and Marketing. Rehire if you have to.

2 Design a single end-to-end process for Marketing and Sales and centre it around the buyer's journey, not the seller's – everything from "hello" to "thank you."

3 Identify key measures to track and communicate widely.
Include output measures (MQL acceptance, win rates from MQL, SQL and Proposal, Marketing contribution rate) as well as input measures (lag – time taken between buyer stages, and leakage – percentage of opportunities that don't progress from each stage).

NEXT STEPS

4 Sweat your sales people on opening ratios (a combination of lead acceptance and their own need -creation) and your marketers on closing ratios.

5 Get your leadership team together to build the strategy and tactics of this new process. Spend less than a month building your plan and renew it often.

6 Automate buyer progression, not just emails. Great marketing automation requires smart segmentation of buyers, reading buyer signals, and acting on those signals.
In other words, doing automatically, at scale, what a smart marketer would do if they had time.

7 Train for gaps: find out which measures indicate the greatest potential upside, and direct your training at those gaps. If in doubt, train marketers to create campaigns that close, and sales people to create opportunities.

ABOUT US

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MathMarketing

MathMarketing is a B2B sales and marketing process company that helps businesses to improve the performance of their sales and marketing engine.

Our core expertise is aligning the activities of Sales and B2B marketing to the way businesses buy, and we support this expertise with our core methodology, **Funnel Logic**, and a range of proven B2B marketing solutions.

Whether we are working with you to rebuild your entire sales and marketing process or ramp your skills, our accredited B2B marketing consultants begin with a process, and a plan. We analyse your sales funnel and your prospects' buying cycle before building you a blisteringly clear B2B sales and marketing plan (we call it a '**Funnel Plan**') that guides your every move.

ABOUT US
Marketo

Easy, Powerful, Complete.

Marketo (NASDAQ MKTO) uniquely provides an easy-to-use, powerful and complete marketing software platform that propels fast-growing small companies and global enterprises alike.

Marketo® marketing automation and sales effectiveness software streamlines marketing processes, delivers more campaigns, generates more win-ready leads, and dramatically improves sales performance.

With proven technology, comprehensive services and expert guidance, Marketo helps thousands of companies around the world turn marketing from a cost center into a revenue driver.