THE B2B SALES & MARKETING ALIGNMENT FUNNEL

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INTRODUCTION

There are many iterations of the traditional sales funnel. But what is a sales funnel in the first place? The sales funnel is a representation of the sales process. Sales and marketing professionals ferry prospects through this process eventually resulting in new revenue. We've broken down our version of the Sales & Marketing Funnel at every level, including:

- Clear definitions of terms
- Related metrics and key performance indicators (KPI)
- Best practices at every level.

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DEFINITION OF PROSPECT UNIVERSE

An organization's prospect universe is the entire group of potential customers. Naturally, there are subsets within your prospect universe where you might find particular success in converting customers. Perhaps your solution works especially well within certain industries or geographic locations. Here's a good checklist of parameters by which to define your prospect universe:

- **INDUSTRY** – What industries are best served by your product offering?
- **GEOGRAPHY** – Where will you be prospecting? Do certain geographic markets convert better for you than others?
- **DEPARTMENT** – What is the function of your ideal prospect?
- **TITLE PATHS** – What title of personnel have the correct permissions and budget authority?

A good exercise is to develop the profile of your "ideal prospect." Much like a starry-eyed teenage female might list out the characteristics of her "perfect boyfriend" in her diary, you should dissect and determine what characteristics your perfect prospect (company and personnel) would have.

RELATED METRICS AND KEY PERFORMANCE INDICATORS (KPI)

- **SIZE OF YOUR UNIVERSE** – This is such an important number. If you only deal with Fortune 100 companies, and 20 prospect companies say they aren't interested, you're in a heap of trouble. However, if you've determined that there are about 100,000 potential prospects, you're goal should be to compartmentalize.
- **COST OF CONTACT DATA ACQUISITION** – This is one of the first business costs incurred in sales & marketing. You will use this data to execute email marketing campaigns, direct mail, cold calling, etc. Know how much the market bears for contact data that fits within your universe.
- **DATA CHURN** – Know how much of your data is subject to churn; in

BEST PRACTICES AT THE PROSPECT UNIVERSE LEVEL

1. Know how large or small your universe is. Commit it to memory.

2. At least annually, re-evaluate prospect universe size based on new offerings that might appeal to a broader group, market changes, etc.

3. Slice your prospect universe into many subsets and evaluate how those subsets perform.

4. Know the cost to acquire raw contact data. Furthermore, based on the quality of your lists, know the REAL cost of data by subtracting the number of bad records and dividing the remaining total by gross expenditure.

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DEFINITION OF HAND-RAISERS

Hand-Raisers are prospects that have indicated to you their interest in your offering. They've flagged themselves as a hand-raiser by one of the following methods:

1 - Downloadable Content → Online form fill
2 - SEO & Inbound Marketing → "Contact us" form fill
3 - E-mail Marketing → Replies
4 - Webinars & Seminars → Agreed to receive more information
5 - Pay-per-Click → Call-to-action completed (form, call-in, etc.)
6 - Various Techniques → Call-in

In short, these prospects are raw, unqualified targets that have shown interest as a result of drawing them in through some marketing technique. These are prospects that have arrived at your doorstep as a result of "farming" rather than "hunting". They've raised their hands and said, "I want to know more."

In order to become sales-ready, presumably they must now meet some standard of qualification. Sales departments would be ill-served fielding these types of leads. After all, salespeople often care very little about where the leads come from or what they cost and more about how many will actually become viable sales opportunities.

RELATED METRICS

The two metrics at this level are:

1 - NUMBER OF INQUIRIES – This is essentially a measure of how well your marketing department is doing at drawing in potential prospects. It's the aggregate yield of your marketing mix.

2 - COST-PER-LEAD – In determining how many hand-raisers are actually qualified, one can determine the cost per lead. I tend to agree with other influential marketers that cost-per-lead can largely be an irrelevant and ambiguous metric to be trumped by cost-per-opportunity (discussed in a subsequent article in this series). Unfortunately, many marketers focus on cost-per-lead because they don't understand what happens to leads after they've been handed off.

BEST PRACTICES AT THE HAND-RAISER LEVEL

Add these things to your checklist:

1 - First things first. Use the number of hand-raisers to hone in on which "farming" methods work best for your organization. Is there a lack of information in the market that makes webinars hyper-effective? Are the whitepapers and kits you offer being heavily or scarcely downloaded? Do you have a huge prospect universe that can be tapped effectively through email marketing?

2 - Assign personnel to qualify and/or score these inquiries, preferably via telephone or personalized email. It should be noted that by engaging in B2B telemarketing ("hunting") you already have the prospect in a position to qualify them for hand-off, and thus prospects can move swiftly past the Hand-Raiser level directly to Marketing Qualified Lead (MQL) status.

3 - As I mentioned, many marketers tend to rely too heavily on the cost-per-lead metric because they hand leads off to the sales department and largely wash their hands of the lead at that point. This is why it is so critical to "close the loop" between sales and marketing. By that, I mean have a structured system where sales reps can provide documented feedback to their marketing counterparts on the level of qualification of leads, and how the quantity of leads fits into their workflow.

DEFINITION OF MARKETING QUALIFIED LEADS (MQL)

A Marketing Qualified Lead (MQL) is a lead that has met qualifications pre-agreed upon by both sales and marketing. Essentially, MQLs have been scored/qualified by marketing and deemed "sales-ready".

A marketing qualified lead falls into one of two distinct categories. The prospect either (1) reached out to you for more information and has subsequently been filtered through a qualification process, or (2) was prequalified as part of a telemarketing campaign. It should be stated that engaging in a telemarketing or B2B appointment setting campaign automatically produces MQL because presumably you've trained your callers to ask certain qualification questions.

Sales departments and marketing departments should mutually agree on qualification criteria built around elements like:

1. **INDUSTRY**
2. **COMPANY SIZE**
3. **ROLE OF PROSPECT** (influencer, sole decision-maker, member of decision-making group)
4. **TITLE OF PROSPECT**
5. **BANT STANDARDS** (Budget, Authority, Need, Timeframe)

Naturally, there will be other elements that are specific to your niche. For instance, here at SalesStaff we qualify prospects as to the number of full-time salaried salespeople they maintain. We find that building pipelines for sales forces of three salespeople or more provides the best ROI for our clients. Similarly, if you were in the business of selling server hardware you would probably want to know how many existing servers the prospect maintains now.

RELATED METRICS AND KEY PERFORMANCE INDICATORS (KPI)

It should be noted that there is no "cost-per-lead/opportunity" metric at this level because it is far more valuable to assess cost-per-opportunity at the next level: Sales Qualified Leads – those that are pipelined.

1. **Hand-Raisers (inquiries) to MQL ratio** – Hand-raisers, as you may recall from the last article, are prospects that have reached out in some way for more information as a result of various marketing techniques. Once these inquiries have been scored and/or qualified, some of them will become MQL. The ratio of how many inquiries become MQLs is an indicator of how well your marketing department is doing at attracting the right prospects. The number is pretty volatile and heavily dependent on your business. Find a norm and build from there.

2. **MQL to Sales Qualified Lead (SQL) ratio** – After marketing has qualified a lead and deemed it "sales-ready", the onus is on the sales department to either accept or reject it. If marketing is doing a good job in following the mutually agreed upon qualification criteria, this ratio should hover around 90%. There will always be some funnel leakage, but for all intents and purposes a lead that has been passed on by marketing should be accepted by sales.

BEST PRACTICES AT THE MQL LEVEL

1. Ascertain and analyze the metrics above. If there is funnel leakage in terms of Marketing Qualified Leads that are being rejected by sales, that indicates a disconnect between Marketing and Sales. Either Marketing is qualifying inadequately or Sales is under-performing. Either way, there is a gap between what each of them expects and what is actually occurring.

2. Explicitly set a meeting between the Sales department and the Marketing department to agree upon criteria by which a lead will be qualified and accepted.

3. Find a way to make use of contacts that are NOT qualified. Is there another offering they may qualify for? Is your company involved in a referral program with another organization that COULD use those leads – and give you a kickback?

DEFINITION OF SALES QUALIFIED LEADS (SQL)

On its journey through the sales and marketing alignment funnel, a lead that has been deemed sales-ready by a marketing group moves on to the Sales Qualified Lead (SQL) stage. An SQL is a lead that has been:

1. **ACCEPTED** from marketing by sales
2. **PIPELINED** after presentation

These two distinct elements are essential. Acceptance of a sales lead validates the job that the marketing department has done attracting and qualifying inquiries. As salespeople know, many scenarios can occur after presentation. A lead can:

1. Become a pipelined opportunity
2. Turn away and go silent on follow up attempts
3. In a competitive situation, select another vendor

Obviously the desired outcome is #1. Upon post-presentation, once the lead has submitted to whatever the next step in your sales cycle is, the salesperson should determine whether the lead is a near-term, mid-term, or long-term opportunity. This classification helps in discovering how “hot” the opportunities are that are coming from the marketing department. Are they getting a lot of low-hanging fruit? Are prospects looking to implement on a longer timeframe than normally and, if so, why? Market conditions?

RELATED METRICS AND KEY PERFORMANCE INDICATORS (KPI)

1. COST PER OPPORTUNITY – Once we calculate the number of opportunities that were pipelined from the Marketing Qualified Lead pool, we can calculate average cost of demand creation of the sales pipeline. This is computed by taking the marketing budget/expenditures and dividing by total pipelined opportunities. Consequently, cost-per-opportunity is a far better measurement than cost-per-lead because it takes into account the level of qualification of marketing-generated leads; not only that, but if marketing is sending over early stage (or unqualified) leads that are not cultivated, cost-per-opportunity measures this waste.

2. MARKETING SOURCED PIPELINE — This is the percentage of sales pipeline uniquely created by marketing. Essentially, this KPI measures marketing’s direct revenue contribution.

3. MARKETING INFLUENCED PIPELINE — This is percentage of sales pipeline touched by marketing. Traditionally, it can be difficult to place a value on the contribution of marketing in instances where they haven’t solely created the lead. Perhaps a sales prospect calls in of his own accord directly after having seen a few whitepapers and attended a webinar. Marketing influenced him to act and so this KPI measures how much influence marketing has had without directly handing off a lead.

BEST PRACTICES AT THE SQL LEVEL

1. Close the loop between marketing and sales. In the MQL article, we talked about setting a meeting between the sales and marketing departments to establish qualification criteria. Now we want to “close the loop.” By that we mean provide a formal feedback system that allows sales to help refine marketing activities by responding as to the quality and quantity of lead flow. In effect, closed loop marketing closes the loop between marketing activity and pipelined opportunities/sales wins.

2. Adopt a holistic view of the funnel where lead quality is a key driver. Ultimately, the measure of lead quality will be contained within the cost-per-opportunity metric. If you’re paying too much for opportunities or the cost is on the rise, you should look at how many leads AREN’T being accepted by sales. If there are lots of rejected leads at the marketing-to-sales handoff, it’s time to look at how to tweak marketing programs to attract leads that are a better fit.

3. Don’t forget about lead quantity. If there simply aren’t enough SQLs, you may want to reinvest in your marketing program or look at more efficient ways to increase the quantity of leads.

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DEFINITION OF SALES WIN

We don't really need to define this for you, I'm sure. This is the Holy Grail of sales. It's what all of your sales and marketing team is working towards. It's the end result and the ultimate equalizer.

When you look at sales and marketing from a holistic view, sales wins are the net result of all of the efforts preceding.

RELATED METRICS AND KEY PERFORMANCE INDICATORS (KPI)

1. MARKET SHARE – It's one of the most widely used metrics for a company. By definition, it's the percentage of an industry or market's total sales that is earned by a particular company over a specified time period. Market share is calculated by taking the company's sales over the period and dividing it by the total sales of the industry over the same period. This metric is used to give a general idea of the size of a company to its market and its competitors.

2. SALES QUALIFIED LEADS TO SALES WINS RATIO – This essentially is a measure of how skilled your sales team is. A high ratio of presentations to closes indicates (1) great follow-up, (2) generally skilled sales personnel, and/or (3) exceptional closing abilities.

3. COST-PER-CUSTOMER – One way to calculate this is to take total sales & marketing expenditure and divide by number of new customers. Of course, this can be sub-divided into marketing expenditure to calculate cost-per-customer in terms of marketing dollars spent.

BEST PRACTICES AT THE SQL LEVEL

1. The key to sales performance is activity level. In sales, future success is determined by current activity level. Set activity level goals like: I need 8 conversations per day OR I need to make 4 presentations per day. Focus on the activity level and not the pie-in-the-sky of "I need to make $90,000 dollars this year."
2. Constantly evaluate and re-evaluate your sales skills. Always be learning better techniques.

ABOUT INSOURCE LEADS

Insource Leads provides demand generation services for business-to-business companies through the deployment and management of quota-based marketing programs. We research opportunities and successfully secure meetings with key executives on behalf of our client sales teams to expand their sales pipelines and accelerate sales cycles.

Our "Pay for Performance" fee model ensures your budget is spent only on results. CEOs, Sales VPs, Marketing VPs and Channel Executives look to Insource Leads for actionable leads to advance their sales pipelines in a predictable and measurable manner. In fact, Insource Leads clients report a 60% average lead-to-opportunity conversion rate - - more than 15% higher than the industry standard.

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