Top Five Metrics For Revenue Generation Marketers

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Introduction

It's an old cliché but true: you manage what you measure. One implication is that when a business changes, measures should change as well. Few businesses have changed as rapidly as B2B marketing is changing right now. So it's no wonder that many B2B marketers are asking themselves what they should measure and not finding a clear answer.

The fundamental changes in B2B marketing are well understood. Marketers are reaching prospects earlier in their life cycle, remaining the primary company contact deeper into the buying process, and staying involved even after the prospect has engaged with Sales. They are working across more channels, including an increasing array of social media where they don't control the message directly. They face never-ending pressure to generate new content and more importantly, revenue. And they are increasingly asked to provide metrics that show the value gained from the money they spend.

These changes in what's managed require corresponding adjustments in what's measured. The biggest change is the span of engagement: because marketers are now staying involved until the initial purchase and beyond, they need to measure the revenue, not just how many leads they turn over to sales. This longer span is matched by a broader scope: marketers must measure programs in more channels, understanding not just immediate response but the impact on final results. Taming the flood of information created by more activities over a longer period requires marketing measures that are easier to understand and point to actionable recommendations.

What This Looks Like

The ultimate measure of marketing results is now revenue. But a single figure doesn't help marketers understand their reasons for results. An effective measurement system will report on the key factors that contribute to revenue and compare these with expectations. If the focus is strictly on acquiring new customers, the simplest set of factors is just three metrics: number of leads produced, close rate (new customers / new leads), and revenue per new customer. Roughly speaking, number of leads measures lead generation programs, close rate measures lead nurturing programs, and revenue per customer measures lead quality. Marketers often add metrics for time and cost, such as average days to close and cost per new customer.

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These five metrics (leads produced, close rate, revenue per new customer, time to close, cost per close) give marketers a clear picture of the value they're producing and the factors contributing to their results. Putting them in context by adding trends shows whether performance is improving and what is driving any changes.

But most marketers want to understand dynamics within the buying process. They get this by dividing the process into stages and then tracking movement of prospects from one stage to the next. The result is funnel reporting that shows the prospect count, conversion rate, cycle time, and cost for each stage. This data identifies opportunities and problems more precisely.

The final goal is connecting funnel statistics with marketing treatments. This requires segmentation to isolate the performance of different groups within the prospect pool. Segments might be based on prospect attributes, behaviors,lead source, nurture programs, entry date, test groups, or other factors. Because the questions will vary depending on the situation, they can't be answered by a report produced in advance. Rather, the reporting system must let users create custom analyses as needed.

What's Needed

Knowing the reports you need is an important step towards better measurement, but it's only a start. The next stage is building a system to create those reports. This poses at least four challenges:

- **Gathering the data.** If there's one fundamental obstacle to B2B marketing measurement, it's linking marketing-generated leads to closed sales. Salespeople often discard the original lead provided by marketing, fail to match it to existing accounts, lose the original lead source, or assign the resulting opportunity to someone else. It takes constant effort by marketing and sales managers to ensure the lead source is captured accurately and tracked appropriately through the process. Adequate results often require companies to deploy additional resources such as data matching software or supporting staff.

  Maintaining the lead-to-sales linkage is critical to measuring marketing's impact on revenue. But marketers also need other data from salespeople, , including lead attributes and deal status. In addition to reporting, these help marketing select the best treatments in email messages and personalized Web pages. As with lead source, companies need to invest substantial energy in ensuring the data is entered by salespeople, who often see little personal benefit from making the extra effort.

- **Storing the data.** CRM and marketing automation databases are designed to store current information about customers and prospects. This means they often discard previous values of items that change frequently, such as lead scores, funnel stage, and opportunity status. But strategic reporting systems need the previous values to show trends and track changes. As a result, those systems build a separate database that retains the historical information and makes it easily accessible for time-based reporting. This database may also pull information from other systems that can be mined for key conversion metrics. These include backend systems such as customer platforms, payment gateways, and membership management platforms, which marketers often cannot access. Where the key buyer conversion point is not shared with the marketing platform,

Operational Reporting

The strategic reporting described in this paper shows marketers how their programs create business value. Marketers also need to monitor program execution and track immediate results. This information is provided by operational reports, such as numbers of emails sent, of forms filled, and of Web pages visited. These are almost always available from the systems that execute those activities. A strategic reporting system will get its data from the execution systems. The strategic system may also incorporate some of operational reports in dashboards that present a combination of strategic and operational data.

marketers are flying blind regardless of how many pre-conversion metrics they can see.

Reporting systems often summarize historical data for faster performance. This is acceptable but the systems should also retain the underlying details. These are needed when a marketer wants to explore a segment that was not originally anticipated. This will require recalculating the summaries using different selections.

- **Creating the benchmarks.** Performance statistics are almost impossible to interpret by themselves. The simplest basis for comparison is previous performance. This may be calculated for discrete time periods, such as the previous months or quarters, or by entry cohort, such as leads that were added to the system in each month. Each approach has advantages: time period data isolates the latest information, while cohorts show performance over time of distinct groups. Many systems show trend lines rather a single comparison. Most companies will want at least six months of historical data before they are ready to use it as a benchmark.

  Previous results are not always the best basis for comparison, especially if the business is changing. Goals or forecasts in the company's business plan offer an alternative: the comparison shows directly whether marketing results are meeting expectations. Industry averages are another option. These are often available through industry surveys or from vendors who aggregate results from their clients. But industry figures must be treated with care: there may be good reasons a company's own results are different from the industry average.

  Benchmarks also pose a challenge for reports on segments within the marketing database. Most benchmarks are based on large groups, so they may not be relevant to a particular segment. This is a particular issue with industry averages but also applies to plan-based benchmarks when the plan is not based on the same segmentation. Comparisons based on past performance can use the same segmentation for all groups, so they are the most meaningful at all levels.

- **Building a model.** Leads produced, close rate, and value per customer form a model of how marketing generates revenue, but it's too broad to provide much insight. Breaking the close rate into stages gives a more useful level of detail. Adding cost and time dimensions can convert this into a system for projecting how changes in the business will play out over time. This is a critical enhancement that converts the reporting system into a planning tool. However, it is still disconnected from specific marketing programs and customer segments.

  A modeling system that works at program or segment levels lets marketers assess how changes in one program would impact final results by changing conversion rates and timing. This helps marketing and sales groups understand how their actions fit into the bigger picture. It also improves planning by showing how changes in one area affect other departments: for example, how a change in nurture programs changes the number of leads sent to sales. Shared understanding helps all groups work together to make decisions that are in the best interest of the entire company.

How to Get There

The vision of a comprehensive reporting and modeling system is alluring. But most companies are still struggling with little or no reporting beyond basic operational information. What's needed is not a more detailed description of Paradise, but a map of how to get there. Here are some suggestions for the path to take:

- **Assess your current resources**. What do you have available in each of the four key areas: data gathering, data storage, benchmarks, and modeling?

  Data storage and modeling are primarily technical issues. Either you have appropriate database and modeling systems or you don't. The good news is you can buy the necessary technology without too much trouble. There are many general reporting systems on the market and, more important, quite a few systems designed specifically for marketing and sales reporting. Some are modules within a marketing automation or CRM product; others are independent systems designed to integrate with those products. If you're in the process of acquiring a marketing automation or CRM system, the reporting and modeling capabilities should be part of your evaluation criteria.

  Benchmarks depend on the types of comparisons you want to make. If you'll be comparing current results with past performance, they'll be available when the rest of your reporting infrastructure is in place. Comparisons against plans and forecasts also depend on having the underlying infrastructure – again, these become requirements if you're looking at new systems. Benchmarks based on industry standards are something you can research independently, so they don't depend on your systems. Of course, you still can't use them until a suitable reporting system is in place.

  Data gathering is another matter. Start with an assessment of your existing data by looking at CRM, marketing automation, and other systems already deployed. Pay careful attention to how well marketing leads are connected to sales opportunities. You'll need to look at a sample of actual data to understand how effectively this is gathered today. Chances are you'll face a serious effort to clean up your existing CRM files by removing duplicates, obsolete records, and other data debris that accumulates harmlessly from a salesperson's viewpoint but can distort reporting results. Plan an on-going data quality program that trains marketers and salespeople in how to create data suited for your purposes and then ensures they follow the new procedures. The key to this is deploying data quality measures, which form the basis for quality monitoring and continuous improvement.

- **Decide what you can do now.** You probably have at least some data and systems available today. They may not meet all of your ultimate requirements, but

Attribution

The Holy Grail of marketing measurement is to understand the incremental impact of each dollar spent. Strategic reporting can offer some insights, such as how much revenue came from marketing-generated leads. But prospects are touched by multiple programs, each of which has some effect on their final behavior. A full attribution analysis ties leads to sales, gathers the history of all contacts with all leads, and estimates the contribution of each contact to the final result. Some reporting systems include attribution capabilities, although they are usually limited. Marketers who want a sophisticated attribution analysis usually purchase a separate system designed for the task. Even these systems still depend on accurate connections between marketing leads and closed sales – the same input that is often a challenge in simpler reporting.

still take a look at whether they can generate some simple reports on lead production, close rates, and marketing-sourced revenue. You might need some new processes or summary reports to capture historical data for trend reporting. This could even be a built in a spreadsheet on a temporary basis if no better technology is available.

The goal is to get at least some basic reporting in place so you can do a better job of understanding your business. Simple reports will also make it easier to see what additional information you need, helping develop a plan for future improvements. You'll also start to learn who in your organization has the interest and aptitude to move things ahead: not everyone has the right mix of marketing and technical skills to manage a reporting project, and picking the right person is one key to success.

- **Define your long-term goal.** This paper presents one vision: a strategic reporting system that shows results by stages, can be analyzed by segments, includes trends and benchmarks, and is attached to a modeling system for projections. You'll have to decide whether your company needs exactly that, something more, or something less. You'll also face other choices such as who will manage the system and what roles different users will play.

  Once you're clarified your requirements, the next step is to identify the gaps between existing resources and long-term needs. Then think about a general strategy for filling those gaps: what will technology will you use, who will be responsible for the project, where will the funding come from, how will you measure success? After you have a strategy in place, you can begin to work on an execution plan.

- **Deploy in stages and improve over time.** You may decide to deploy the entire reporting system at once, but most companies find it more effective to deploy in stages. Your plan should call for improvements in technology, data, and processes to move in parallel, since each builds on the other. Identify small increments that yield concrete results, such as a report providing a specific new type of information.

  One path is to use the progression outlined above: first report on the three summary measures (new leads, close rate, and revenue per customer), then add results by stages, and finally add reporting by segment. You can also increase the sophistication of your business model over time: for example, improve a linear model by adding loops and holding stages to more precisely simulate leads moving through the process at different rates.

  Some steps will require larger leaps, such as installing a new system. You'll probably buy the software, since in-house development almost always adds risk, costs more, and takes longer. If you really want to limit your commitment, consider buying a system that meets your expected needs for the first two or three years and plan to replace it at the end of that period. You can also phase system deployment by starting with a small group of users, single program type, or few system functions. Reporting systems can start with a few data sources and add new feeds later. Cost information in particular can often be added later because it comes from different sources than lead behaviors and revenues.

Data can also be improved systematically over time. Set up a system to measure their quality of a few key data elements and address the root cause of defects. If your company has experts in Six Sigma or other process improvement methodologies, they may be able to help. You'll need to work closely with sales management to improve the data provided from the sales department. Consider funding new data quality efforts such as data-gathering telephone calls or matching against external databases.

Allow adequate time at each stage for planning and training before implementation. This is critical to ensure success. Schedule additional time after implementation to assess results and adjust future plans based on what you've learned.

Summary

As marketers play a larger role in revenue creation, they need a strategic reporting system to guide them. The system must measure the entire revenue cycle, not simply lead production. It requires proper data, with special emphasis on accurately connecting marketing-generated leads with actual sales. It also needs a database to store current and historical information, benchmarks to place results in context, and a business model that relates different measures to final results.

Deploying a comprehensive reporting system will take time and effort. Marketers should plan to execute the project in stages, delivering value at each step as they progressively expand their data and systems. They should take special care to ensure that report generation is streamlined and scalable, since any process that requires extensive manual effort is likely to be costly and unreliable. Beyond the technology, marketers need to ensure their project includes adequate training for users in how to interpret the reports: without full user involvement, the system will not achieve its true purpose of improving future results.

About Raab Associates Inc.

Raab Associates Inc. helps marketers make the most of today's marketing technologies. Each engagement starts with a thorough assessment of your company's business situation. We then work with clients to identify the solutions best suited to their unique combination of needs and resources. We stay involved through deployment to ensure that each project meets its objectives and lays the foundation for future growth.

David M. Raab has more than 30 years of experience as a marketer, consultant, author and analyst. He has consulted with major firms in financial services, health care, telecommunications, publishing, consumer goods, technology and other industries. Mr. Raab has written hundreds of articles on marketing issues and addressed audiences in North America, Europe, Asia and Australia. He is author of the *Raab Guide to Demand Generation Systems* (www.raabguide.com) and *The Marketing Performance Measurement Toolkit,* available at www.racombooks.com.

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