

Introduction to Demand Generation Systems

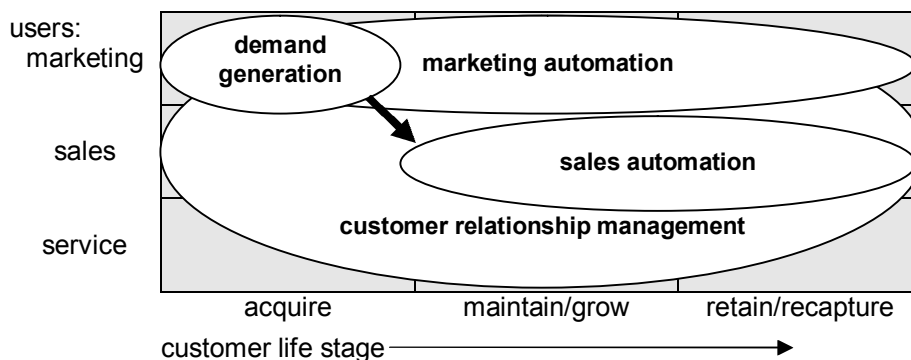
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What is a demand generation system?

The short answer is, it's a system designed to help marketers acquire, nurture and distribute leads to sales. A slightly longer answer is, it's a system designed to acquire, nurture and distribute leads *and* to tightly integrate with sales automation systems that handle the remainder of the customer life cycle. A much longer answer would describe the specific features that demand generation systems have in common. Let's explore the short answers before tackling the long one.

System Scope

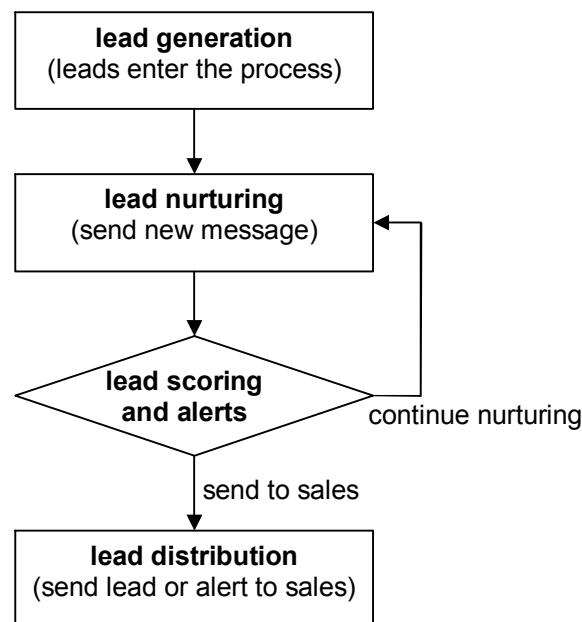
The heart of the short answers is that demand generation systems manage only the initial stage of the customer life cycle: from when a lead is first identified until it is turned over to sales. This narrow focus distinguishes demand generation from marketing automation systems, which marketers use to manage the entire customer life cycle (acquisition, maintenance and retention), and still more from customer relationship management systems, which are used across the customer life cycle by marketing, sales and service departments. Specifying that demand generation systems tightly integrate with sales automation further clarifies their boundaries.



Scope of Customer Management Systems

Although the scope of demand generation systems is limited, the products attempt to provide a complete solution within that scope. One way to identify the necessary functions is to conceive of demand generation as an integrated process that conveys leads from their first contact with a company to their final delivery to sales departments. This lead management process has four main tasks:

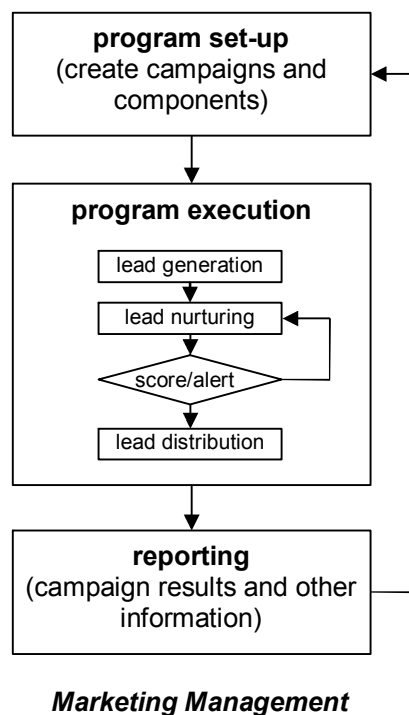
- *lead generation*, which creates and manages the initial contact with potential customers. This involves outbound email, direct mail and telemarketing campaigns, as well as capturing responses from those campaigns, advertising, trade shows, and other media.
- *lead nurturing*, which is the on-going interaction with leads to gather information about them, tell them about the company, and build a relationship. Automated lead nurturing campaigns are probably the most important feature of demand generation systems, because they are so difficult to execute without one.
- *lead scoring and alerts*, which continuously assess each lead to determine whether action is required. The actions may send the lead to sales for the first time, or send an alert about a lead that has already been transferred. Actions may remove the lead from nurturing campaigns or let the campaigns continue.
- *lead distribution*, which sends a qualified lead to sales. This is the end of formal lead development. However, the demand generation system will continue to monitor the lead after it has been sent to sales, and may continue to execute campaigns, update scores and issue alerts.



Lead Management

In addition to systematically processing of individual leads, demand generation systems are designed to systematize marketing management itself. This introduces higher-level tasks:

- *program set-up*, which includes setting up the system itself, defining the marketing campaigns, and creating marketing materials, lists, business rules, and other campaign components.
- *program execution*, which is the delivery of campaign messages, capturing responses, and following up as appropriate. These are the lead management tasks already described: lead generation, lead nurturing, lead scoring and alerts and lead distribution.
- *reporting*, which measures campaign results and other information. Knowledge gained from reporting helps marketers to improve future campaigns, creating a loop back to the start of the process.



System Features

Now that we understand the scope of demand management systems, we can turn our attention to features. The tasks within the lead management and marketing management processes determine system requirements. Features are how the vendors propose to meet them. Here is a quick look at their choices:

- *program set-up.* Initiating a demand generation campaign rarely involves more than assigning a name and ID. Some systems capture revenue goals and cost budgets, but the level of detail is usually limited. Where the systems do provide depth is content creation: every demand generation product includes features to create emails, Web landing pages and Web forms. Giving marketers the tools to do this for themselves, rather than relying on Web designers or IT staff, is a key benefit of these products. Every system can personalize its emails with data from the lead record; some can also personalize with data from other system tables. Some systems can also customize the marketing materials with text blocks or images selected by business rules. (Quick distinction: *personalization* is inserting data; *customization* is rule-driven.) The customization rules may be embedded within the content or be part of the campaign logic.

Once the campaign and its components are available, users must define how leads will flow into, within, and out of it. Flow is also ultimately based on rules, although systems vary greatly in how these are presented to the user. That is, some products ask users to write the rules directly (typically in a fill-in-the-blanks guided process) while others use flow charts and other graphical approaches that generate the underlying rules automatically. Systems also differ considerably in the complexity and scope of data available to their rules, how widely rules are shared, and in how they define relationships among campaigns. Most systems also employ rules within trigger events that react to lead behavior in real-time or near-real-time. Some are limited to predefined trigger events. Triggers may be part of a campaign or exist independently.

Systems also vary substantially in how they share marketing materials, rules, lists and other elements across campaigns. Sharing of basic marketing contents is common, but sharing of rules and lists is harder to find. Sharing allows a single change to update multiple programs, so it matters most to marketers who run many programs simultaneously and must keep them consistent.

Program set-up may also require modifying the underlying marketing database to capture lead information and to import data from other sources. This is another area where demand generation systems vary greatly: some only let users add fields to the lead table, while others can add fields anywhere and even create entirely new tables. These features are also most important to companies with advanced needs, such as tracking revenue or recording seminar attendance.

- *lead generation.* All demand generation systems lets users import names, create lists from names in the system, and send email campaigns to those names. In addition, they can all host the Web landing pages and forms used to capture campaign responses. Response tracking is usually quite robust, including the abilities to set cookies that track repeat visitors; to look up the company associated with a visitor's IP address (Web domain); to capture the referring Web page, search terms and campaign IDs; and to combine the cookie-based activity history with information provided by the lead itself. Most can track

visits to Web pages on the client's main Web site, in addition to pages hosted by the vendor itself.

Support for channels beyond email and Web pages is spotty. Some vendors have very little, while others provide extensive features to execute or integrate with direct mail, call centers, mobile phone messages, fax, online chat, RSS feeds, and seminars.

- *lead nurturing.* Lead nurturing or “drip marketing” campaigns are central to demand generation systems. A critical benefit of these programs is that they run unattended, so most of the work comes during the program set-up, when marketers create the rules and contents. Features critical for lead nurturing include: automated execution; sending a sequence of messages independently for each lead (rather than sending the same message to all leads in a mass mailing); and being able to change or terminate the sequence in response to lead behavior. All demand generation systems can do this, although the details vary greatly. In many cases, ease of use (that is, the time, effort and skill needed to set up a campaign) is a more important differentiator than actual system capabilities.
- *lead scoring and alerts.* All demand generation systems let users define scoring calculations to assign a numeric value or rank (hot, warm, cold) to each lead. The calculations draw on both profile data (provided directly by the lead, e.g. in registration forms or survey replies), and behaviors (observed data, such as emails opened or white papers downloaded). Calculations may be defined with standard system rules or through a special scorecard interface which is easier to follow. Some systems include advanced features such as limiting the number of points earned for a particular behavior, or reducing the point value of events as they age. But even simpler calculations are probably adequate for most purposes.

More fundamental differences include whether a lead can have multiple scores, for example reflecting propensity to purchase different products; whether the scores are calculated as part of a campaign flow or independently; and whether scores are updated as events occur or periodically. Alerts are similar to scores except that they test for conditions rather than doing calculations. Both alerts and score changes can trigger actions such as changing the campaign sequence, adding the lead to the sales automation system, or sending a message to an assigned salesperson.

- *lead distribution.* Once a campaign rule or lead score determines a lead should be sent to sales, the demand generation system does this automatically. The transmission could be as simple as sending an email or putting a list on an FTP site. But all demand generation systems offer direct integration with salesforce.com and sometimes with other sales automation and CRM products. This integration writes to an API provided by the sales automation vendor. It lets the demand generation system add new leads to the sales system, update data on existing leads, and assign tasks to sales representatives. Some demand generation systems will also assign a new lead to a specific sales person, although the process tends to be awkward (e.g., the demand generation rules must hard-code the

sales rep names, creating a list that could easily become outdated). Most vendors therefore let the sales automation system handle this task for itself and then import the results.

All demand generation products can automatically synchronize data with a sales automation system, meaning that changes in one system are reflected in the other. Data is usually sent to the sales automation system several times an hour, and sometimes instantly. (Whether real-time updates are possible depends on volume constraints imposed by the sales automation system, not the demand generation vendor.) Data is copied from the sales automation at similar intervals or less often, again depending in part on sales automation constraints. Because the demand generation systems capture a very detailed behavior history for each lead, they only send activity summaries to sales automation systems. Sales automation users who want to see the details can open a window that reads the demand generation data directly.

Setting up synchronization between demand generation and sales automation systems is fully automated in some products and partly automated in others. The practical difference is minimal since most clients will want to manually specify the fields to share and associated business rules. Setting up a new mapping generally takes under an hour even for a non-automated system, while planning for the mapping may take weeks.

- *reporting.* Basic demand generation reports show campaign activities including emails sent and responses received (emails opened, Web pages visited, etc.). All systems can provide these as well as profiles of leads in the database. But true performance measurement requires associating revenue with the campaigns. Since revenue is not captured directly by the demand generation system, it must be imported. Most demand generation products capture sales opportunity results from the sales automation system, and then attribute the revenue from those opportunities to campaigns that reached the associated leads. Since one opportunity may be related to multiple leads and campaigns, attribution can involve a number of choices. Some systems support sophisticated attribution approaches, while others do not. The systems may also import revenue from other sources, such as an accounting system, although this is rare. A few let users measure visits to Web pages that represent stages in a sales funnel: this allows value measures such as conversion rates, although it does not capture actual revenue.

Report formats in the most powerful demand generation systems include trend analyses, graphs, different aggregation levels (daily, weekly, monthly). Some systems let users select reports to appear in a custom dashboard. Some can automatically generate and email user-specified reports on a regular schedule. Demand generation systems generally do not give users direct access to the underlying data, for performance and security reasons. But some let users to customize existing reports by selecting the data elements, aggregation levels and universe of records to include.

Beyond the Features List

The features provided by demand generation systems are important. But *how* they deliver these features also affects their value to marketers. One critical factor—ease of use—has already been mentioned. It is especially important because many marketing departments have few internal technical resources and little budget to buy them externally. Other choices made by demand generation vendors are also designed to overcome resource limits:

- *hosted deployment.* Major demand generation systems are sold as a service, meaning clients share software that runs on servers managed by the vendor. This approach may or may not reduce actual costs (the point is hotly debated within the industry), but it definitely lets marketers to reduce their initial investment and pay for the service out of operational budgets rather than as a capital expenditure. At least equally important, it also minimizes the demand on the client's technical resources for deployment and maintenance.
- *limited complexity.* Demand generation systems have relatively simple data structures, integrate with relatively few data sources, and (like all software-as-a-service products) cannot be customized. This simplicity reduces costs and speeds deployment.
- *implementation support.* All demand generation vendors provide comprehensive support for system implementation and user training. This is essential to complement marketers' limited resources. Of course, since the systems are designed to be simple to install and operate, the actual amount of support required may be fairly small. Where vendors do differ is the support they provide for marketing execution. Some have extensive professional services offerings, while others rely on business partners. The distinction is important: implementation support is critical to clients' success; execution support is not.

The Final Question

Back to the original question: what is a demand generation system? We've given several answers:

- products that give marketers all the capabilities needed to manage leads from initial contact until they are turned over to sales.
- products that perform six major tasks: program set-up, lead generation, lead nurturing, scoring and alerts, lead distribution and reporting.
- product that meet marketers' needs through ease of use, hosted deployment, limited complexity and extensive support.

However you define them, demand generation systems are an important tool for helping marketers do their jobs more effectively. Now you can move on to the question that really matters: what can a demand generation system do for you?

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