Designing The Demand Center

It All Starts with a Demand Gen Audit
Chief Marketing Officers are now struggling to fully leverage their resources, produce measurable results, and play a more strategic role in their enterprises. Marketing managers, in turn, are struggling to implement campaigns, monitor and measure outcomes, and drive continual performance improvement.

To address these challenges, a growing number of marketers are embracing the concept of a “Demand Center.” Research firm SiriusDecisions defines it as “a hub of shared marketing services, infrastructure and process that enables organizations to bring programs to market by leveraging key corporate assets and best practices.” More powerful still is the opportunity this approach creates to strengthen measurement and reporting, manage demand with precision, and leverage buyer insight to generate new opportunities for growth.

The promise of the Demand Center is that it can become a Command Center – mission control for marketing excellence. It drives new levels of predictability and performance.

Under this new approach, marketing can actively acquire insights into the behavior, priorities and propensities of targeted prospects. Moreover, it can leverage those insights to guide prospects through a decision cycle to a point of sales readiness. This sets the stage for superior sales results. Finally, marketers can monitor and measure progress through a rigorous “quant model” – a dashboard view of the key performance indicators and interdependent conversions associated with revenue growth.

To achieve success with this new approach, you will first need to know where you stand. You’ll need a Demand Gen Audit – a benchmarking and assessment exercise designed to evaluate your current marketing practices and identify gaps relative to best practice in the field. The audit should also reveal what’s necessary to implement an appropriate demand generation architecture for your company. Ultimately, the engagement should reveal what actions will be necessary to ensure your marketing organization has a more strategic and visible impact on the enterprise.
As discussed in our prior paper *(The Demand Center Breakthrough: How B2B Marketers are Transforming Demand Generation and Reaching New Levels of Performance)*, B2B marketers are in danger of being overwhelmed by advances and innovations in their field – trends driving new demands in terms of method, talent and technology. But, more importantly, C-Suite and Board expectations are rising to new levels. Marketing leaders are now expected to actively report on performance and deliver predictable results.

If marketers are to succeed in this new environment, they must get out of the tactical weeds and act more strategically, manage their investments with increasing precision, monitor and measure their activities with exceptional rigor, drive continual improvement, and harness the powerful capabilities associated with new marketing and sales automation technology. Marketing executives, however, are struggling on several fronts.

- **Marketing resources tend to be widely dispersed and decentralized so their organizations are constantly reinventing the wheel.** They are unable to leverage their strategies, skills and campaigns across multiple geographies and customer groups. Few are sharing or applying best practices – much less the next practices that will differentiate the organization in today’s hyper-competitive markets.

- **Marketing teams are unable to effectively align and collaborate with sales teams – and other groups within the enterprise – to reach desired objectives.** As a result, they are unable to consistently nurture and produce a sufficient number of “sales ready” leads.

- **Marketing organizations are constantly reacting to events as opposed to driving, influencing and shaping them.** They are engaging in marketing activities that reflect what they’ve done in the past – or merely trying to keep pace with the fads and fashions of the moment. The demands of successful B2B marketing in this transformational era are starting to eclipse their internal capabilities and capacities.
• **Marketing lacks credible measurement and reporting systems.** Marketers are often unable to track conversion rates and measure investment returns with any precision. In the absence of visibility and predictability, marketing executives are unable to effectively defend (much less increase) their budgets.

If marketing executives are to survive and succeed in this moment of onrushing change, they’ll need new approaches that enable them to embrace it and get out in front of it.
To address these new demands and complexities, a growing number of companies – such as Cisco, IBM and SAP as well as fast-growth firms such as Kalido and Cast Iron Systems – are embracing the Demand Center approach.

Marketing executives at such companies are developing new centers of excellence that are capable of marshaling and leveraging their resources far more effectively than they have in the past. But they are also increasing their insight into operations and performance, hindsight that drives learning and improvement, and foresight that guides their actions and helps them attain new levels of predictability.

The Demand Center offers a new direction. Much like the command centers associated with the military, the Demand Center’s operations revolve around three key factors: inputs, processes and outputs.

In both cases, the inputs are information or intelligence. Military planners want “sitreps” (situation reports) and “progresps” (progress reports) from the field; marketers want reports on inquiries, responses, conversions, leads and other factors. They want insight into the status and progress of their programs, campaigns and interactions – helping them determine which actions deliver the best outcomes.
Process is the means by which inputs are translated into decisions. Military planners and leaders must determine how best to accomplish a mission – what strategies and tactics represent the best possible moves. Marketing decision makers, meanwhile, draw on their inputs – reports and analysis – to refine their own strategies and tactics. They can determine what campaigns are performing best and what actions must be taken to produce more conversions throughout the stages of a demand creation funnel.

Outputs refer to actions. Military leaders may issue orders or provide guidance to the field. Marketing leaders can also provide valuable guidance – to both the marketing and sales teams – based on their finding and analysis. They can initiate new campaigns, outreach efforts and interaction tactics. They can test and measure. Indeed, marketers can refine their campaigns – or scale them up – based on prior results.

While the parallels between military and marketing command centers are far from perfect, the organizational metaphor provides much-needed clarity. In order to meet today’s growing expectations and deliver results, B2B marketing executives are seeking a new approach – one that offers a superior way to gather information and insights, make intelligent and forward-looking decisions, and take swift, coordinated and consistent action. The search is inexorably leading them to the Demand Center.
The single most compelling and important element of the Demand Center concept is its promise of bringing new levels of predictability to marketing. If marketers can actively monitor, measure and influence the linkage between actions and outcomes, they become far more strategic and valuable to their enterprises.

As a marketer, you can make marketing performance clear, visible and predictable. You can manage and influence “cause and effect,” as well as measure marketing’s impact on revenue – its overall return on investment.

The Demand Center “quant model” also revolves around capturing marketing's contribution to the sales pipeline and closed business – typically running between 20% and 40% based on a company's particular circumstance.

But leading indicators of performance typically are tied to conversion rates at various stages of a buyer's decision process. Let’s consider what we call the Cascade of Conversions – series of interdependent conversions that must be managed throughout a demand creation funnel to close deals and generate revenue.
Drawing on best practices research from SiriusDecisions, Eloqua and MarketOne, we can analyze the demand creation metrics – the key performance indicators – that leading marketers are now using to manage operations and measure progress:

- **Touches to Inquiry.** We measure inquiries in terms of raw responses. How many prospective buyers raised their hands to demonstrate interest in your marketing outreach efforts? Inquiry rates can be tracked by looking at campaigns focused on net new prospects as well as cross-sell/up-sell campaigns directed at existing customers. “These numbers will become especially critical when working your funnel backward from bottom to top,” according to SiriusDecisions. You’ll want to know if you are generating enough inquiries to produce the number of deals you are targeting. Response rates generally hover between 1% and 5%. To increase response rates, it’s critical to know your audience, tailor your messages and market in multiple channels.

- **Inquiry to Marketing Qualified Lead (MQL).** Drawing on raw inquiries, marketers are in a position to nurture leads to a point of sales readiness. The objective is to take actions that thoroughly qualify the lead and meet standards that have been jointly set with sales. This may include additional digital interactions (white paper downloads, webinar attendance, site click-throughs, etc.) and/or conversations with a tele-services team. The inquiry becomes an MQL when it is...
considered ready for a handoff to sales. While organizations with strong marketing processes have been found to produce an average 5.8% conversion at this stage, best practice firms are reaching conversion rates of 10%, according to SirusDecisions. These leading marketers tend to have highly targeted marketing approaches, advanced lead scoring models and nurturing programs. Critical in this process is creating a dialogue with prospective buyers, recognizing their particular personas, needs and interests – and then engaging them with highly relevant content and communication.

**Top Tip:**
Create an agreement between sales and marketing that defines lead criteria and acceptance process. A written agreement between sales and marketing leaders can have a dramatic effect on the way MQLs convert to SALs.

**Top Tip:**
Did you know 50% of all marketing leads are rejected or abandoned by sales? A marketing services audit can identify key systems or processes not effectively catching these leads and nurturing them.

- **MQL to Sales Accepted Lead (SAL).** Once marketing deems a lead qualified, it will transfer that lead to sales for acceptance. At this point, sales – whether inside, field or channel – must make a determination whether the lead meets agreed-upon criteria. Service level agreements should establish the definition of a lead for both functions. Sales, however, may reject the lead if it doesn’t meet this definition. It may be declined, for instance, if it doesn’t meet expected thresholds or is misrouted. If appropriate, rejected leads can be moved back into high end of the funnel for further nurturing and possible resubmission. Sales, for its part, must agree to take certain actions within a given timeframe as part of its agreement with marketing. Organizations should plan to reach conversion rates of 90% or higher at this stage. Lower conversions may indicate a failure of sales and marketing to achieve clarity and consensus around the definition of a lead.

- **SAL to Sales Qualified Lead (SQL).** When sales accepts a lead, it must take action to determine whether it can be considered an opportunity. Through a series of interactions (on the telephone, via the Web or face-to-face), the sales team will gather evidence to establish whether the prospect can be moved to the sales pipeline. The lead should be handed back to marketing if it doesn’t meet criteria of for becoming an opportunity. (It becomes forecastable, according to standard practice, when a deal is expected to close within 90 days or less.) According to SiriusDecisions, best in class marketing organizations see conversion rates in this stage of nearly 61%. Recognizing that many (or most) of these prospects will buy eventually, rejected leads generally should be moved back up the funnel for additional nurturing – avoiding the “leaky funnel” problem.
**SQL to Close.** While management responsibility over the late stages of the funnel obviously lies with sales, marketing needs to track these conversions and seek ways to provide support. Only by understanding final sales results relative to marketing investments can the marketing organization truly measure its overarching impact on revenue. And only by remaining committed to sales success in the late stage of the funnel can marketing determine what types of support – such as tools, collateral and presentation content – it might create to help increase conversions. The difference that marketing can make at this stage can be substantial. However, these late stage conversion rates are also highly influenced by activities in earlier stages – activities designed to ensure only qualified leads are passed forward.

Sales, meantime, can have visibility into the buyer’s intent and take appropriate action if the buyer is not responding. While average organizations see roughly 23% conversion rates at this stage, best in class companies experience conversions of 31%, reports SiriusDecisions. **Top Tip.** Closed loop campaign reporting and dashboards are critical to help you measure your return on marketing investment. A measurement and reporting audit can identify key metrics that need to be tracked.

This demand center quant model represents a revolutionary advance in the B2B marketing strategy and process. Marketing, which once relied on extremely subjective measures of performance, now has a systemized approach that can help it justify investments and track the return on them. By applying this model, marketing knows its contribution to the sales pipeline. The team can measure conversion rates at every stage of the funnel, identify gaps and refine its efforts to achieve superior results.

Marketers also can gather and aggregate other key marketing metrics that help deepen understanding of progress and performance. They can draw these metrics from varying systems and roll them up into actionable reports.

But marketing organizations probably won’t be able to master the quant model – or continue to master it into the future – if they are organized in a conventional fashion. They must have best in class talent, technology and practices in place to remain best in class – and these are a lot of demands to meet.
The Demand Center approach represents a path for ensuring that marketing assets, resources and capabilities are fully leveraged and coordinated. Without it, marketing organizations are liable to be overwhelmed by the challenge of rapid and continual change. Lacking the foresight, agility and discipline of their advanced rivals, conventional marketing organizations will fall further and further behind.
One company that has done a particularly effective job of applying this approach is enterprise software giant SAP. Some of the company’s most significant leaps in demand generation performance came when it decided to commit to the small and mid-sized enterprise (SME) market.

With the move to the SME market, SAP’s Web-based marketing became critical. “It was the only way to communicate with millions of potential customers,” explains Shawn Burns, global vice president of online marketing and demand generation in a presentation at the DemandGen Summit. “The Web is the largest force we have in terms of a growth engine.” However, the company also recognizes the Web as a powerful means of guiding prospects through a buying process and driving down the cost of sales, he adds.

SAP’s online marketing group organizes around three key factors:

• Drive to Web Site
• Convert to Lead
• Qualify and Sell

What SAP has learned is that these are each specialized roles requiring specialized skills. While online advertising, search marketing and email marketing drive awareness and traffic, the group depends on content, events and offers to convert prospects to a lead. Finally, SAP relies heavily on telemarketing teams to qualify and sell.

SAP focuses on monetizing its marketing activities to remain relevant. “We must identify metrics that link to pipeline, revenue and cost savings,” Burns says. “We need to monetize key metrics that executive leaders can look at and understand...”

In its top level marketing dashboards, the online team recognizes four key performance indicators:

1] Traffic (as measured by visits to the Web site, landing pages, etc.);
2] Engagement (as measured by time on-site, click-throughs, etc.);
3] Level one leads (which correspond to marketing qualified leads); and
4] Level two leads (which correspond to sales qualified leads).
“If I don’t hit quarterly targets, we have a problem,” says Burns. “Everybody looks at the dashboard....Transparency is our best friend and our worst friend.”

SAP is actively relying on agencies and other marketing partners such as MarketOne to reach its objectives throughout the process. Agencies provide vital capabilities and insights that enable the company to generate new and rich campaigns while engaging in new initiatives such as social media marketing. They bring new ideas and tactics. But they also help to fulfill the company’s commitment to avoid the leaky funnel problem: “No lead left behind.”

Burns further notes that online marketing has revived skills and capabilities that were extremely relevant in the direct mail era. Database marketing expertise helps him answer his three most important questions: Who is coming to the Web site? How do we get them to convert? What is the total cost of deal close?

He also notes that analysts, statisticians and targeting experts are becoming increasingly critical – eclipsing creatives, techies and project managers in terms of their importance to online marketing teams.

Further, Burns focuses on his finding that “the TeleWeb is non-linear.” He once believed – on the advice of consultants – that Web-based engagement and teleservices and sales were discrete activities performed at a specific points in the buying decision. No more. Burns now points to the dynamic and discontinuous interplay of digital and human interactions in the buyer’s decision cycle. Now a site visit can trigger an inbound call which initiates the sharing of a specific piece of content and transfer to a specific nurturing program or a real-time demo.

“This is non-linear,” he says. “This puts a content need on all Web sites that was previously not there. The Web is not about a static piece of content we build, get approved and then launch...” He explains that he has to create a whole new set of rich content that addresses the particular needs of the tele-management team and then train its members on the content’s role, value and proper application. “Understanding the ‘push-pull’ environment helps to focus resources,” he adds.
Finally, Burns notes that his organization’s success has depended on critical analysis of the latest applications, tools and trends. Whether the tactic of the moment is RSS, YouTube or social networking, he gives his team experts 90 days to evaluate and make a decision whether a specific tactic will drive results in the company’s pipeline.

By coordinating SAP’s global marketing efforts in the SME arena, Burns demonstrates the power of the Demand Center approach. By smartly leveraging his external marketing partners, he shows that an integrated services organization – or hub – can have an enormous impact on the sales pipeline and cost of sales.
Organizations exploring the Demand Center approach ultimately must determine how they will implement it. They essentially have three implementation options:

- **Demand Center as In-House Initiative.** Under this scenario, the marketing organization keeps virtually all activities associated with the approach under its direct and immediate control. By reorganizing in a more centralized fashion, marketing expects to gain enough control over options that it can keep up with the growing demands associated with talent, technology and method. Companies that traditionally have resisted outsourcing activities to partners may gravitate to this approach. But it’s unclear whether they will be able to keep up with today’s marketing innovations. Given the advances in areas such as search engine marketing, social media marketing and marketing automation, they may find themselves severely tested by rapid change.

- **Demand Center as Managed Service.** Under this scenario, marketing organizations delegate a vast proportion of their existing activities. That may include areas such as digital marketing, social media marketing and tele-services. Indeed, they may look to an outside service provider (or providers) to generate inquires and manage them to the point of sales acceptance. That would allow marketing to turn its attention to other strategic concerns. Marketers could, for instance, spend more time identifying new markets and determining how to further penetrate existing ones. They also could concentrate on developing new and compelling campaigns without having to manage campaign execution. The mechanics of demand creation would no longer be their central challenge.
• **Demand Center as Blended Solution.** Under this scenario, the marketing organization would selectively outsource particular activities – whether campaign execution, content creation, tele-services outreach, data services, or system management and maintenance. After carefully analyzing the core strengths of their organizations relative to those of their potential partners, marketing decision makers could delegate only those activities that might be more effectively performed by partners. Over time, organizations might decide to outsource more activities to outside partners – or bring others back in-house – based on performance. What’s clear is that outside parties would be directly accountable to marketing decision-makers – held to account through service level agreements that define performance expectations.

To determine which approach makes the most sense for your enterprise, it’s critical to begin with an evaluation of where you stand now relative to where you want to go next, your core strengths and key limitations, your gaps and your goals.
Drawing on benchmarks and best practices from the field of B2B marketing, MarketOne has developed the Demand Gen Audit to help marketing organizations determine how to invest for maximum results in today’s fast-moving environment.

The engagement is designed to: assess the current state of operations (strengths and limitations – where a marketing organization stands relative to industry benchmarks and best practices); clarify the future state that the organizations intends to reach; lay out the various options in terms of the Demand Center implementation; and identify the hurdles and stumbling blocks (performance gaps) that stand in the way of the organization achieving its business objectives.

Divided up into seven Demand Gen “Audit Modules,” the engagement covers the key factors that must be addressed to successfully adopt the Demand Center approach. The Demand Gen Audit, which is conducted through a series of workshops, covers:

- **Sales and Marketing Alignment.** To determine the state of collaboration, consensus and workflows between the sales and marketing functions, we probe into the key indicators of alignment/ misalignment. We explore lead definition, service level agreements and levels
of integration between the two functions. We identify expectations in relation to current realities and introduce best practices that have strengthened alignment in other situations.

- **Marketing Services.** Recognizing that companies must engage their prospective customers in a complex, multi-channel, multi-touch environment, we assess the different media and channels that are being deployed. We evaluate how well these approaches are performing relative to the company’s goals around lead generation, lead nurturing and lead scoring.

- **Tele-Services.** Here, we look at the incorporation of human engagement in the demand creation process. How are tele-services capabilities deployed to engage, nurture and qualify prospects? What’s working well? What gaps exist?

- **Marketing Asset Management.** To build trust and engage prospective buyers in today’s noisy marketplace, it’s vital to have relevant content and communications that speak to their particular concerns, interests and priorities. Here, we evaluate the current state of content, tools and other assets in terms of supporting marketing and selling efforts – and identify opportunities for improvement.

- **Data Governance.** The marketing database is one of the most underrated and undervalued elements of the marketing infrastructure. But marketers increasingly grasp the value of sound data management with respect to generating relevant campaigns, communications and interactions that generate superior response. Here, we examine data structures, taxonomy and quality to ensure it’s accurate and accessible for campaign purposes.

- **Demand Generation Systems.** Whether the concern is around marketing, automation, sales automation or the integration of the two, there’s clearly a great deal of movement on the demand technology front. The audit will evaluate the company’s status relative to industry standards and best practices – identifying possible opportunities for further leveraging existing technology and incorporating valuable new tools.

- **Measurement and Reporting.** As they say, what gets measured gets managed. Indeed, it’s also critical to have powerful dashboards, scorecards, reporting and measurement systems in order to track
progress and build credibility for marketing investments. We’ll evaluate existing measurement approaches and lay the foundation for instrumenting marketing operations for superior performance.

Deliverables from the audit and process review include a report and presentation that capture where a company stands on each factor relative to average and best practice firms. Through multi-dimensional radar charts, companies also gain a perspective of where they stand relative to their own goals and objectives.

Upon completion of the Demand Gen Audit, companies will have deep understanding of the opportunities, challenges, tradeoffs and payoffs associated moving in this direction. They’ll have a thorough assessment of the varying implementation options – and a deeper grasp of which moves are right for them.
Waves of innovation are now rolling through the world of B2B marketing. The question for senior marketers is whether they intend to catch them or drown in them.

What seems increasingly clear is that marketers must move beyond the status quo of dispersed, decentralized and reactive marketing. Instead, they can embrace an approach that values visibility, accountability and predictability. They can marshal and leverage their resources to full effect by embracing the Demand Center approach.

To be sure, they’ll have to make difficult choices with respect to what to keep in-house and what (if they so choose) to outsource. But if they take the time and invest the resources to thoroughly assess their situation relative to industry standards and their own objectives, they’ll be in a strong position to make successful decisions. B2B marketing is moving to the next level. Marketers are relentlessly pursuing excellence in their field. Will you be joining them in this pursuit?
MarketOne helps marketers deliver measurable growth with its Demand Center consulting and execution services. Based on a rigorous quantitative model, all components of a client’s demand generation system are integrated, optimized and benchmarked. We can manage the entire lead lifecycle, from initial account profiling through to demand generation, nurturing programs and event recruitment. With operational centers in Boston, London, Tokyo, the Caribbean, and South America, MarketOne’s reach is truly global. For more information, visit www.marketone.com.