Why does sales fail to hit their quota even though marketing is reaching their lead generation goals?

A practical guide to aligning your marketing and sales teams for achieving sustainable business growth

Key takeaways:

01. **How better alignment of marketing and sales metrics can boost productivity and efficiency**

02. **Focus marketing and sales metrics to achieve common revenue goals**

03. **Combining marketing and sales efforts is the critical aspect for developing successful lead generation and customer acquisition strategies**

MARKETING AND SALES TEAMS MUST PURSUE COMMON GOALS

Despite the fact that marketing and sales professionals must work together to achieve the ultimate goal of increasing revenue, too many organizations' marketing and sales departments actually operate in silos, with misaligned metrics leading to disconnects and inefficiencies. In order to prevent this silo effect, forward-thinking companies gear their marketing strategies toward sales-related targets. When the metrics are integrated, and marketing and sales exchange data between departments, sales reps can better identify exactly know how many target qualified leads they need to hit their quota. In turn, this allows marketers to focus their efforts on what it takes to produce the required amount of leads.

Such an approach can definitely pay off. Recent studies demonstrate that top companies with strongly aligned sales and marketing departments achieve a 20% annual growth rate, while companies with poor sales and marketing alignment observe a 4% decline in revenue.

Properly synergizing marketing and sales may sound easier than it really is. The alignment process involves a number of crucial aspects that businesses need to consider in order to achieve the best results. So, where do we start?

32%

Companies that optimize their marketing / sales relationship increase revenue 32% faster

87%

87% of companies missing their revenue targets report poor alignment of marketing and sales

75%

75% of top-performing organizations have strong alignment between sales and marketing

ACTIONABLE INSIGHT:

25-50% of organizations do not have a documented Service Level Agreement between sales and marketing departments which results in a significant decline in revenue.

Create an internal sales and marketing Service Level Agreement (SLA) and ensure that marketing and sales have a common definition of key terms, e.g. Lead, MQL, SQL, etc., as well as scoring criteria that should be applied to leads before hand-over to sales. Also, set common goals: sales funnel alignment, joint activities, etc.

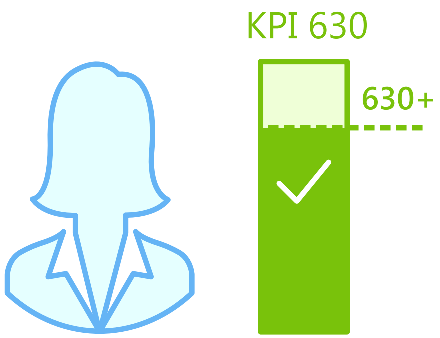
PRO TIP:

Only 1 in 2 companies have a formal definition of a qualified lead. Before becoming closely aligned, marketing and sales must agree on what they consider to be a target and qualified lead, or a marketing qualified lead (MQL). Once defined, calculate and share each team's performance metrics and evaluate the results of the two departments on a weekly basis. If the sales team provides better feedback, this will help marketers better understand their target audience and prioritize their efforts by focusing on the quality of leads, not only quantity.

A UNIFIED LEAD-TO-REVENUE PIPELINE TO SYNERGIZE MARKETING AND SALES EFFORTS

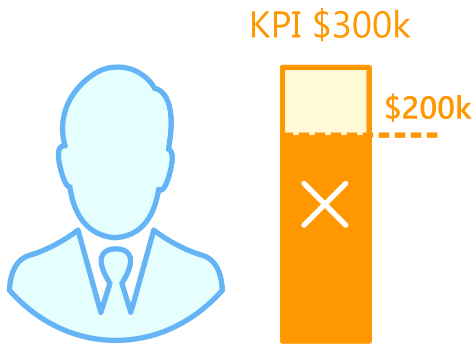
As the digital age matures and the global economy continues to open, companies can work in many segments, industries, geographies and channels. Efficiently calculating metrics for key business divisions has become a real challenge. However, even given the large number of variables, planning isn't rocket science. Let's review a practical case with simple math to calculate proper metrics for both marketing and sales departments in order to drive their activities towards common revenue goals.

PRACTICAL CASE



Jane is a marketing manager and a lead generation specialist. Her quarterly goal is to generate 407 qualified leads.

Last Quarter Jane reached her target and generated 407+ highly qualified leads.



John is a sales representative. John works with midsize clients and his quarterly quota is $300K.

John failed to reach his quota and generated only $200K last Quarter.

WHERE'S THE FLAW?

Although Jane has successfully reached her goal by generating over 407 leads, about 80% of them were small companies, 5% - large organizations and only 15% were midsize companies, which John could work with.

The question is what did Jane miss here? Jane has never had her metrics set by a specific segment. In other words, her metrics have not been well aligned with sales and the revenue goals, which resulted in a disproportionate number of target contacts for John to work with.

ALIGNING MARKETING AND SALES METRICS — WHERE TO START?

PRACTICAL CASE

So how do we figure out the necessary number of leads Jane needs to generate for John to be able to meet his quota and generate the forecasted revenue?

First, we need to identify our revenue goals and analyze the revenue forecast by segments in order to determine what place midsize organizations take in this structure. Jane works with John's sales team which has three sales reps - one for each segment: large organizations, midsize companies and small businesses. The table below highlights expected revenue received from each of this segments.

As we already know John works with midsize companies, they generate about 30% of the company's revenue. With an average deal size of $30K, John needs to sign an average of 10 contracts (i.e. attract new clients) per Quarter. While the origin of this number seems to be transparent, John still doesn't know how many leads he needs to should work with in order to make quota for the Quarter. Generally, John only works with those leads that were handed off to sales by Jane, who has her own metrics to follow, which are not well correlated with John's needs.

	Small	Middle	Large
% of revenue generated from new business by segment	10 %	**30%**	60%
New business revenue target per Quarter	$ 150 000	**$ 300 000**	$ 750 000
Average deal by segment	$ 10 000	**$ 30 000**	$ 250 000
Number of deals to be closed quarterly	15	**10**	3
Number of total MQLs needed per segment per Quarter	?	**?**	?

PRO TIP:

In order to streamline the cross-departmental processes, marketing and sales professionals should align their metrics in terms of the number of MQLs needed to achieve revenue targets. For more sophisticated alignment, it is vital to know this number for each segment, industry, geography your company works with. With this information in place, marketing professionals can intelligently plan campaigns and budgets towards reaching various target audiences.

MANAGING A SINGLE LEAD-TO-REVENUE PIPELINE

PRACTICAL CASE

If Jane teams up with the sales team to analyze pipeline conversion rates, she will be able to calculate the number of leads she needs to generate for each segment to achieve the revenue goals. With the company's current conversion rates Jane needs to deliver 143 midsize MQLs to enable John make his quota.

This model equips Jane with necessary knowledge of her key metrics by each segment, so she can adjust her marketing activities and enable her team to always hit their targets.

What is more, as a smart and diligent sales rep John doesn't want prospects that are not yet ready to buy to be lost in the pipeline. Stats show that 80% of prospects marked as bad leads by sales reps will make a purchase within the next 24 months. John hands those leads back to Jane to run a lead nurturing campaign, and in time these leads may very well come back as sales-ready opportunities. Such effective collaboration between John and Jane makes it much easier for both of them to get the best results with minimal efforts.

Pipeline stages / conversion rates	Quantity of leads per segment: Small	Middle	Large
MQL	220	**143**	44
MQL to SQL conv = 30%			
SQL	66	**43**	13
SQL to Opportunity conv = 70%			
Opportunities	46	**30**	9
Opportunity to Proposal conv = 60%			
Proposal	28	**18**	6
Proposal to Contracting conv = 60%			
Contracting	17	**11**	3
Contracting to Deal conv = 90%			
Deal	**15**	**10**	**3**

DO NOT OVERLOAD YOUR SALES PIPELINE

If your marketers are not only meeting but exceeding their lead generation targets, it might be a challenge for your sales reps to effectively manage all the leads they get (not a bad problem to have, but one that needs to be solved). Consequently, an overload like this may result in missing prospects and a potential decline in profits. A well-defined process for working with leads is another result of coordinated marketing and sales efforts.

Assuming that 1 sales rep can process 120 MQL per month.

Week 1	Week 2	Week 3	Week 4
30	10	20	**60**

Week 1	Week 2	Week 3	Week 4
30	30	30	30

ACTIONABLE INSIGHT:

If you follow up with web leads within 5 minutes, you're 9x more likely to convert them. You probably don't want to sit around and wait for leads to appear in your CRM, but neither would you prefer to be instantly "overloaded" with them and miss out on good opportunities.

For this purpose, coordinate with your marketing department so that they can plan their lead generation activities in order to have a constant and predictable lead flow to prevent your sales reps from being overwhelmed.

PRO TIP:

By using a single unified automation system for intelligent lead management and distribution, marketing and sales teams are able to not only stay on the same track in terms of metrics and goals, but they can gain an unprecedented level of agility to instantly alter their processes if something needs to be adjusted.

LEVERAGING INTELLIGENT CRM TOOLS TO BOOST CUSTOMER ACQUISITION

With all the challenges that come along with complex omnichannel buying cycles, businesses need tools that leave no lead behind. Forward thinking companies turn to agile and intelligent CRM tools to equip themselves with advanced yet easy-to-use tools to optimize day-to-day operations and effortlessly adjust marketing and sales processes.

Intelligent CRM systems enable more precise and effective customer segmentation and management as well as provide companies with an ability to automatically assign new leads to the most relevant segment. For instance, next-generation CRM systems will track prospects' website session parameters, buying behavior, similar contact details and profile data in order to assign them to the most relevant group. In addition, next-generation intelligent CRM tools will provide automated lead scoring, as well as maintain constant dialogue with your customer database through intelligent nurturing campaigns. This gives sales reps much higher chances to convert leads into opportunities and closed deals.

46%

Only 46% of sales reps consider their pipeline accurate

47%

Nurtured leads make 47% larger purchases than non-nurtured leads

451%

Businesses that use marketing automation to nurture prospects experience a 451% increase in qualified leads

44%

Only 44% of companies use any kind of lead scoring system, and fewer than 20 percent of companies have effective lead-nurturing programs

ACTIONABLE INSIGHT:

By leveraging intelligent segmentation with next-gen automation tools, marketers can define how to alter their strategies, track customer preferences, determine what drives them to choose your company, and figure out what marketing channels are most likely to be effective. This knowledge enables organizations to better focus their efforts and increase the sophistication and efficiency of the lead-to-revenue cycle.

PRO TIP:

Empower your marketing and sales teams with a shared technology platform and business automation tools to enable them to map out the entire customer journey – from lead generation to deal closure. Using a single tool for managing a lead-to-revenue pipeline is the first step towards getting marketing and sales on the same page.

Conclusion

Today's demanding and digitally-empowered buyers are extremely well-informed about the products and services they need, which makes it more difficult for a sales person to secure their time or attract their attention. In today's fast-paced digital environment, your future customers need to learn more about your brand long before you make the first phone call ... this is where marketing comes into play.

Marketing and sales teams can no longer simply focus on their isolated goals, instead they must pursue common objectives and shared company goals. For this purpose, marketing metrics must be well-aligned with sales quotas, and sales teams should make their sales pipelines transparent to continuously analyze leads and provide feedback to marketing.

Aligning marketing and sales is a complex organizational process, but businesses can take advantage of modern technology solutions, which enable sharing of data across departments, automate core business processes and streamline collaboration. The alignment of sales and marketing is well worth the effort and in today's agile marketplace it is the only way to achieve success and maintain revenue growth.

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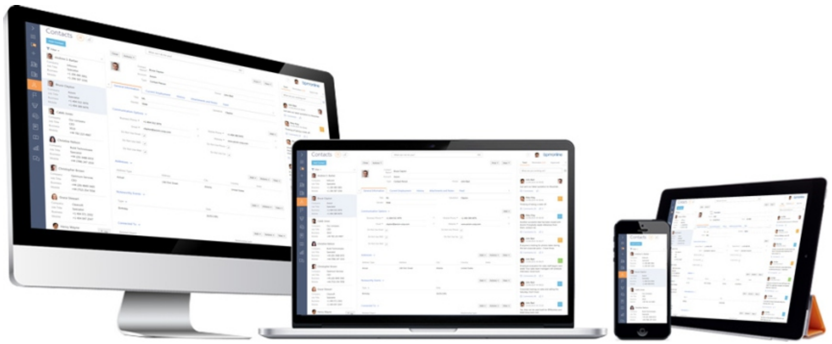

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US:+1 617 765 7997
UK: +44 20 3384 0040

Australia: +61 261 452 888
Singapore: +65 9060 0275

www.bpmonline.com
info@bpmonline.com