An IRSMarketing White Paper

We are What We Measure

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Many have been the surveys that report on what a company expects of its Marketing Department, what outputs the senior management truly value. Top of the list come Brand Visibility, Sales Generation, Brand Leadership. In boardrooms, there is always the desire to maximise the ROI that marketing generates.

Marketers call it ROMI, the return on marketing investment. Like any other company spend, it must be run up against the financial slide rule. Unlike other investments, it's hard to measure precisely, so it's down to Marketing to do the measuring.

Generating quality sales pipeline is a strategic role of marketing. A great sales opportunity is the very stuff of actionable marketing, exemplifying the sales-marketing partnership and stimulating a big round of applause from the company's management. At IRS, we love it too.

But how to measure a good sales opportunity? Easy, the answer is "It culminates in a good sale". Of course, the eventual measure is just that. But the timescale between first marketing contact and eventual sale could be months or years, too long to measure the effect and too distant to affect future marketing actions and focus. We don't have months or years to wait.

So, there's a need to establish a ***proxy*** measure, one that we can agree represents true *value.* A slide-rule that measures ROMI, compares it to last year, to sales targets, to the company's bottom line and that gives us time to make changes to enhance marketing effectiveness quickly. But what proxy?

For a long time, technology marketers have been under pressure to employ ***number of leads*** as the proxy. You know the story, how many leads, how many meetings? How many to hand over to the sales team? What are our response rates? How many enquiries? Let's put the number into the monthly report.

Sure, there is *some* benefit in applying some of these metrics, to be able to assess the activity level, individual performance etc.

But, if a finger needs to be pointed, it must be at the Scoreboard itself. We have for years been measuring the wrong thing (***numbers*** of marketing outputs), when it is self-evident that return on marketing investment (ROMI) should reflect the ***value*** of potential sales. If it is so obvious, why do we still not do it?

Here's a suggestion that we at IRS encourage in our clients' programmes – to use an accepted and immediately trackable measure. **Sales Pipeline Value** (SPV) comes from sales opportunities that are *accepted by sales management* as robust enough to warrant a place in the sales pipeline. Qualification criteria are placed on this acceptance by sales management themselves. The result is the closest proxy to the actual sale that we have, and forms the basis of company forecasts, resource plans and budgets.

SPV acceptance into the Sales Pipeline goes through stages. From first marketing contact, through follow-up calls, firm qualification of the opportunity, prospect nurture and eventual handover for sales follow-up could be many steps. Highly structured organisations aggregate the value at each stage to measure the *marketing pipeline value (MPV)*.

From this point on, the sales team undertakes further qualification until a final SPV value is placed on the opportunity in the sales pipeline. The £ value is clearly the potential order amount, which should be known by this stage. This value can be overlaid with a % “write-down” depending on other criteria, such as probability, sales stage, product and timescale. In net aggregate the potential order book can be measured. This knowledge is highly valuable to the sales and senior management of the company to assess order coverage and to inform the rest of the business. Through regular monitoring, the SPV becomes an essential business lever.

Compare the Scoreboard approach. We have 120 leads, not sure of the quality, and 25 meetings booked. Can’t accurately forecast this quarter’s sales number, but based on experience, we guesstimate such-and-such… With qualified SPV, guesswork is a thing of the past.

In summary, there are 5 good reasons to use SPV in preference to all others:

1. it’s a **measurement of sales**, the best proxy we can get within an actionable timescale. In a well-ordered business, it gets close to representing the future order book.

2. the pipeline contains **genuine, accepted sales** cases – no discussion. This means that everybody in the loop will agree to the robustness of the measurement and the eventual value to be generated. Senior management therefore have a higher level of confidence in the sales forecast.

3. SPV truly measures **marketing’s contribution**, independent of the sales effort. Where there is a clear handover point from marketing to sales and an effective CRM system keeping track, marketing’s efforts can be scrutinised without introducing other influences. Likewise, sales performance can be isolated.

4. **it’s a number**. A number is unarguable, not subject to glossy representation or excuses. It can be compared to other numbers (targets, previous performance) and brings weight behind the measurement of ROMI.

5. **it’s immediate**. Immediate credible feedback helps inform next-step activities and investments. If the results are good, let’s step up the programme, if they’re poor, let’s step it back. In the long-term, if we experience an ongoing self-funding marketing programme with sales revenue paying for new marketing campaigns which themselves generate more new sales, we reach Nirvana.

Above all, the increasing number of companies using SPV or a similar value measurement, experience higher sales productivity (Forrester, 2016) through focusing on what will really be delivered, and overall business efficiency through more accurate forecasting. At board level, the most challenging variable to manage is the sales forecast. As the man said, nothing happens until a sale is known, and the more precise the forecast, the better run will be the business. The happier will be its chief executive and its investors.

In Marketing, we are what we measure. Let’s ensure that we’re measuring the right thing.

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