THE RPM READINESS GUIDE

Insights To Determine Whether Your Organization Is Prepared For **Revenue Performance Management** And Best Practices To Start You On The Right Path To A Successful Journey

- ➡ DOES AN ORGANIZATION NEED TO BE BIG TO BE READY FOR RPM?
- ➡ THE PEOPLE POWER BEHIND RPM SUCCESS
- ➡ THE POTENTIAL PAYOFFS OF AN RPM JOURNEY

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EXECUTIVE SUMMARY

The concept of Revenue Performance Management (RPM) was introduced less than two years ago, but it has already generated a significant mix of interest, buzz, hype and even some confusion.

The interest generated by the new category is understandable because the majority of marketers are now being challenged to demonstrate and increase their contribution to revenue. Therefore, in name alone, RPM is causing curious executives to investigate how they can improve their measurement capabilities and support their influence on top-line growth.

In addition to the primary need to justify marketing spend, progressive companies are seeing RPM as a potential competitive differentiator in a business climate where organic growth is often a rare commodity. Just as CEOs are looking to drive innovation in areas such as product development and supply chains, many are realizing the need for a game-changing solution to **improve the efficiency of marketing investments** and **accelerate the velocity of sales cycles.**

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The buzz around RPM has been heightened by industry data and case studies, which demonstrate that revenue-focused marketing organizations are outperforming the field. According to the *2011 Lenskold Group Lead Generation Marketing ROI Study*, companies outgrowing their competitors were much **more likely to report marketing contribution to senior management** than companies with the same or slower growth.

The report also found a double-digit difference in companies reporting total sales contributed by marketing (38% vs. 23%) and revenue contributed by marketing (30% vs. 18%). In addition, the Lenskold Group report found higher growth companies are more likely to report marketing-generated revenue to senior management (38% vs. 26%).

While RPM is a new model and offers great potential for marketing, there is danger that the new category will be hyped too quickly and cause confusion and unrealistic expectations for new adopters. With any game-changing approach to conventional business models, there are some companies who rush to adopt new tools and processes before they have the right foundation in place.

The reality is RPM is **not just about deploying technology**. In order to effectively embark on the journey toward a successful RPM strategy, companies need to **prepare new approaches, processes and tools** to analyze, measure and improve all the factors that influence top line growth.

Another reason there is understandable confusion around RPM is because many marketers are still trying to get their arms around demand generation and how to fully utilize marketing automation. Carlos Hidalgo, CEO of process management consultancy The Annuitas Group, points out that many marketing executives realize the need for **deeper revenue intelligence**, but aren't prepared for the next step. "I have seen that many CMOs and marketing executives now understand that their roles have changed and that they need to begin to demonstrate their contribution to pipeline," Hidalgo said.

"While there is this realization, I think many are still looking at how they can do this consistently."

This E-book will help educate companies on the foundational aspects of RPM and provide guidance to help organizations determine whether or not they are ready to adopt RPM tools and processes. In addition to helping companies analyze their RPM readiness, the E-book will also offer insights into the powerful payoffs RPM approaches can provide when rolled out properly.

Thirty-eight percent (38%) of higher growth companies are more likely to report marketing-generated revenue to senior management than others (26%).

-2011 Lenskold Group Lead Generation Marketing ROI Study

WHAT YOU NEED TO KNOW ABOUT RPM

Industry estimates still put adoption of marketing automation solutions at less than 10%, but these tools have actually been available for more than a decade. While many companies are still catching on to the benefits of automation, there is already a growing group of early marketing automation adopters who have progressively graduated to more sophisticated uses of these tools and established well-defined demand generation strategies.

Because many of these leaders in leaders marketing automation are the same companies that are now blazing the trail for revenue measurement and management, many industry analysts are pointing to RPM as the advanced class or **next generation of marketing automation and demand generation.**

For those marketers still using manual tools or basic email systems to deliver and measure their marketing campaigns, measurement and analysis is usually limited to tracking opens and clicks. After graduating to a marketing automation system, companies typically add web intelligence to the mix to track visits, traffic sources, lead costs and prospect activity.

Companies that are ready to adopt an RPM plan are typically **asking more complex questions** and looking for measurement analysis to support those questions. For example, rather than simply focusing on how to generate more leads or close more deals, RPM adopters are looking at deeper issues such as:

- **Should we invest more in sales or marketing?**
- **How do we optimize revenue investments?**
- **Where is our next revenue opportunity?**

CASE IN POINT:
HOW RPM RESHAPES THE SALES & MARKETING PLAN

One early adopter of RPM tools and tactics recently shared how the model changed the way the company's team approached 2012 planning. "We said we are going to **grow 30%** and that was our first target," the executive said. "Then we had to do a revenue plan."

In order to support that revenue plan the company had to ask questions including:

- **How much is going to come from our installed base?**
- **How much from net new business?**
- **What does that look like monthly, quarterly and annually?**

"We did some pretty extensive **financial modeling** that gave us a top-down growth number as well as a bottom-up of the performance and effectiveness we would need to get there," the executive noted. "We know what rate are our leads converting to new deals and then how many leads will marketing need to generate to support that revenue goal."

RPM enables organizations to define investment level needs, understand lead conversion rates and support revenue goals.

"We now know the variables in terms of what all of our teams need to deliver to reach our goal, as well as what our investment levels need to be in both marketing and sales to support that revenue growth figure. That is what RPM does, it **makes planning more scientific and predictable** across our company."

WHY YOU NEED TO START STUDYING THE RPM ROADMAP

At the same time, there are market dynamics that are accelerating the need for deeper intelligence into the factors driving revenue. Not only is growth more elusive for many companies, but buying behavior has also become harder to track so companies are quickly looking for analytics and insights that can **help identify the triggers that accelerate prospects** through the sales cycle as efficiently as possibly.

The combination of these business realities and market forces, has made companies realize they need to **apply the same measurement and precision to marketing as they do to sales, finance, supply chain and other key departments** and disciplines within the enterprise.

"Every marketer knows they have to be reporting information to senior management and the challenge is what to report on," said David Lewis, President of Silicon Valley-based marketing consultancy DemandGen International. "Some marketers are reporting campaign metrics such as open rates, and click-through rates, but that is analogous to a CFO talking about how much someone spent at a dinner. It is so granular, but irrelevant to operational and financial metrics. There is no equivalent to GAAP for marketing. RPM is giving the marketer **the framework to come to the boardroom table** and have a conversation about contribution to revenue. It brings the conversation up to what ultimately matters and brings value to the firm."

THE NEW REALITIES OF REVENUE CONTRIBUTION TRACKING

Not all companies are ready to embark on an RPM journey today, but it is critical to start preparing for the transformation just to keep up with the changing realities of business and buying behavior. Illustrating these new realities, consider the following stats from a Demand Gen Report survey:

- **42% of CEOs are now actively tracking marketing's impact on revenue;**
- **53% of marketing departments are now responsible for a revenue goal; and**
- **Marketing departments currently responsible for a revenue goal reported 5 to 10 points higher in key performance indicators (KPIs).**

The survey also showed marketers are not content with their current revenue measurement capabilities, with more than half of respondents indicating they are planning to add tools and processes the provide deeper intelligence around factors such as campaign influence/attribution, predictability of lead conversion and trends over time.

Lewis points to two basic principles that separate RPM from traditional marketing principles:

- **A FOCUS ON THE ENTIRE SALES & MARKETING FUNNEL**: While companies tend to focus only top of the funnel activity such as clicks and lead volume, progressive organizations are **measuring the conversion of leads at key stages** and developing forecasts for how leads will ultimately convert to qualified leads, opportunities and closed deals. Ultimately, Lewis said, this model allows companies to forecast and predict how their pipelines will perform over time.

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- **THE ESTABLISHMENT OF NEW VALUE METRICS**: As companies apply RPM tools and processes, they typically expand their focus beyond activity metrics and look at the real value to the business. Because RPM often integrate sales and marketing measurement, companies look more at the total investment put out and what return was yielded from it. The goal of these new metrics is to add the ability to look at trends over time, rather than simply tracking individual campaigns. As an example, some leading RPM adopters are starting to track **"Days Leads Outstanding"** (DLOs) to examine trends over time and find that sales cycles are lengthening.

ARE YOU READY FOR RPM — WHAT ARE THE COMMON CHARACTERISTICS?

For companies that are in the early stages of rolling out a marketing automation system, aligning their sales and marketing teams or still establishing processes for lead management, the likelihood is they may not be ready to take on the advanced analytics and measurement involved with RPM.

It is critical that companies realize RPM is not a silver bullet to magically make up for underperforming sales team or disjointed marketing messaging. Companies can't skip over the foundational stages of developing strategies and best practices for demand generation and advance to RPM.

In fact, market leaders have pointed out that RPM is actually the evolution of advanced demand generation. Companies that graduated beyond the basic measurement of clicks and visits and are starting to look at the conversion rates from inquiries to sales opportunities are more likely candidates to successfully adopt RPM.

A successful RPM adoption requires a company to integrate key corporate functions and data that are crucial to drive top line growth, and eliminate operational silos.

A successful RPM adoption requires a company to **integrate key corporate functions and data** that are crucial to drive top line growth, and eliminate operational silos. A core trait among RPM early adopters is a **well-defined revenue process**. This system enables organizations to govern how multiple functions across the revenue cycle – including marketing, insides sales & sales – are measuring and following the strategy with great precision. This is perhaps the most important part of the RPM strategy because each of these steps in revenue cycle are linked together and governed by service level agreements (SLAs).

Before embarking on the RPM journey, companies should **consider the maturity of their marketing and sales organizations**, as well as their organizational processes and skillsets.

DOES AN ORGANIZATION NEED TO BE BIG TO BE READY FOR RPM?

Common organizational characteristics of RPM users:

- ✓ **Successfully adopted sales force automation system such as Salesforce.com, Oracle or Microsoft;**
- ✓ **Defined sales pipeline metrics and process;**
- ✓ **Marketing automation in place and has integrated the system with CRM/SFA tools, with accurate records and reporting;**
- ✓ **Standardized definition for qualified lead and established processes for lead management;**
- ✓ **Clean and up-to-date contact database;**
- ✓ **Some form of lead scoring system/process in place;**
- ✓ **Marketing ops role or staffer in place.**

A company does not need all of the above characteristics in place to start an RPM initiative, but they do need to acknowledge the current strengths and limitations of their organization.

An organization does not need to be large in order to be ready for RPM. In fact, in studying the landscape of early adopters, a more common attribute of revenue-focused organizations is the company's growth rate. Small and mid-sized companies are frequently just as committed to predictable growth and are adopting RPM.

Additionally, industry experts point out that many of the early adopters of RPM have been smaller-venture backed firms with aggressive growth strategies. These firms understand they need to be measuring every aspect of their business, and rather than just being valued on traditional balance sheet, they are reporting on the performance and efficiency of their pipelines.

These high growth firms are not only showing how much revenue they closed in a quarter, they are able to drill down deeper and demonstrate:

- **The conversion rates of leads at various stages within their funnel, providing a level of predictability for future revenue performance;**
- **The velocity at which those deals are closing; as well as**
- **How their pipeline metrics compare to other companies by stage type.**

THE PEOPLE POWER BEHIND RPM SUCCESS

In addition to having the right technology and processes in place, another of the key considerations is having the right staffing and skill sets to support the advanced approach of RPM.

Industry insiders point to a dedicated **marketing operations** staffer as a must-have for companies embarking on an RPM journey. Still a relatively new discipline, marketing ops staffers are typically responsible for the processes, technology, metrics and best practices within marketing. Analyst firm IDC points out that the marketing ops role "enables an organization to run the marketing function as a fully accountable business. Marketing operations is about performance, financial management, strategic planning, marketing resource and skills assessment and management."

Where traditional marketing staffers have backgrounds in PR, creative and branding, marketing ops experts often have skills and experience in IT, web development, finance or sales.

The role of marketing operations is critical to the success of RPM, centered on financial management, strategic planning, marketing resource and skills assessment.

While many progressive companies are beginning to appoint Chief Revenue Officers to drive their revenue strategy and form revenue steering committees, industry insiders stress that marketing operations personnel are typically the key stakeholders for RPM. "Every marketing organization needs a Marketing Ops person," said Lewis. "This is like the CFO of the Marketing Department. If they don't have that person whose charter and responsibility is for RPM, they won't get there."

Illustrating the growing influence of the marketing operations role, **MOCCA**, an association for Marketing Operations professionals formed by some of the earliest entrants into the field, has grown to more than 800 members from nearly 300 organizations.

THE POTENTIAL PAYOFFS OF AN RPM JOURNEY

Because RPM is still a new category, its important for new adopters to set reasonable expectations. For those companies with mature operational processes and skillsets, though, the early results around RPM have been impressive.

These companies have not only reported revenue growth that far-outpaced the overall market, they are also able to show how that growth was supported with increased conversion rates at stages of the pipeline.

For companies considering an RPM journey, industry experts suggest focusing on the following five KPIs, or revenue performance indicators (RPIs):

1. REACH

Reach describes the potential audience that can be targeted through sales and marketing communication channels. Reach signifies the total number of contacts that are associated with active or potential revenue cycles, which is critical to plans to increase value. Many companies reach their buyers with email as a primary communication channel. As a result, reach often hinges on the size and cleanliness of a company's email database, as well as a reduction in hard "bounce backs" and global unsubscribes.

As a model for measuring reach, a company could consider:

- **For period X what is my average database & funnel growth rate?**
- **For month X what is the inflow and outflow of names in my database & funnel?**
- **Then, for month X what is my funnel reach by stage?**

The Reach RPI helps executives better allocate resources towards database growth versus engagement/campaigning. Drilling down in this indicator allows users to compare the volume of leads and opportunities in the revenue cycle against earlier time periods, and assess whether this volume is enough to meet forward revenue target goals.

2. VALUE

Value is the total revenue expected from the current lead inventory in the end-to-end revenue pipeline. Assessing the value of an extended revenue pipeline from prospect to closed revenue provides insight into whether future revenue target goals can be met with existing opportunities.

The Value RPI helps executives understand the revenue dollars associated with each stage of the revenue cycle – from clicks all the way to closed deals. It answers the question "Are my sales and marketing investments creating revenue opportunities?"

3. CONVERSION

Conversion is the proportion of leads that progress through the sales and marketing funnel at key stages, from marketing qualified to sales opportunity to close. This gives sales and marketing leaders a sense for their ability to progress leads through their revenue engine. Is marketing and sales efficient? It answers the question – "what percent of interested prospects will become closed deals?"

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Conversion as a revenue performance indicator is a metric that most marketing leaders crave. Marketing is constantly seeking benchmark comparisons as well as best practice guidance on how to correctly calculate conversion rates. Any software solution has to provide dashboards to show TRUE conversion – meaning, it accurately shows how many leads from a given period converted through the funnel. So marketing and sales can see which stages of the funnel are operating at peak efficiency. A conversion indicator basically answers two questions:

- **How are my conversion rates trending over time, by revenue cycle stage?**
- **How do those rates stack up against other companies in a benchmark index (i.e., how are we performing versus others)?**

4. VELOCITY

Velocity is the average time it takes for potential buyers to reach an end point in the revenue cycle. If the time it takes to bring a prospect to the closed revenue stage is increasing, there could be opportunities to improve sales and marketing efficiency at a particular stage of your revenue cycle.

Velocity is an important efficiency metric as well – the longer your revenue cycle, the fewer opportunities your sales team can close in a given period of time. It is likely that executives would want to have this trend analyzed in detail and ask their revenue steering committee or marketing operations team drill into underlying data to investigate velocity by deal size, region, product SKU or lead source. Because velocity is measured in number of days, the RPI line in this chart is the inverse of all others – meaning, the higher it goes, the slower your revenue cycle (and the worse you are performing).

5. RETURN

Return represents the return on sales and marketing investment. It is the quotient of the profit of a portfolio of campaigns to the cost investment in those campaigns. For optimal reporting on return, the organization should define and implement a consistent campaign cost allocation approach for all campaign types.

Managers at high-growth companies insist on seeing a single dashboard view of the demand chain, or at least just a handful of dashboards that allow for reporting on where to allocate resources to stimulate measurable and sustained revenue growth.

CONCLUSION: THE FUTURE OF REVENUE PERFORMANCE

Just as early adopters of marketing automation have realized significant value simply from tracking the digital behavior of their prospects, the trailblazers for RPM are already demonstrating that the migration to deeper analysis of the entire revenue picture can have significant business benefits.

"Unlike the accounting department, marketing hasn't the equivalent of a general ledger or P&L report to bring to the table," Lewis said. "Until very recently marketers haven't had well-defined metrics for tracking the health of their business. As we work with marketers on **building dashboards** that are relevant to C-level meetings, they realize it is less about click through rates and open rates and more about how marketing is **contributing to revenue performance**."

However, while most experts agree RPM represents another game-changing approach for companies to help drive efficient growth, they stress it is important that companies have a clear picture of what RPM is and is not. **RPM is NOT just about automation**, or technology, but an entirely new approach to customer relationship building.

For those companies with mature operational pipeline processes and the right skill sets in place, RPM represents the next stage of visibility into the entire buying process. Advanced companies are able to utilize this intelligence to **optimize those interactions** by

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providing value at every possible intersection, and enable revenue predictability and more rapid growth.

Over time, these **new data sets provide a predictive capability**, allowing companies to map the velocity of deals and then forecast their pipeline beyond the most immediate quarter.

Bringing a deeper level of measurement to revenue management, RPM adopters essentially have a more powerful lens to identify the important characteristics of their revenue process and analyze the deep details that were missed before.

By providing the tools and process to **instrument the complete sales and marketing process**, RPM also enables the discipline to manage it, understand it, and eventually predict variables in sales outcomes. The RPM value proposition is a single view of the sales pipeline that shows which marketing and sales activities produce profitable revenue.

ABOUT

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ABOUT ELOQUA

Eloqua helps clients dramatically accelerate revenue growth through Revenue Performance Management. Eloqua provides powerful business insight to inform marketing and sales decisions today that drive revenue growth tomorrow. The company's mission is to make its customers the fastest growing companies on Earth. Thousands of sales and marketing professionals rely on the marketing automation power of Eloqua to improve demand generation and lead management while driving more qualified leads. Eloqua's customers include Adobe, AON, Dow Jones, ADP, Fidelity Investments, Polycom, and National Instruments. The company is headquartered in Vienna, Virginia, with offices in Toronto, London, Singapore and throughout North America.

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ABOUT DEMAND GEN REPORT

Demand Gen Report is a targeted e-media publication spotlighting the strategies and solutions that help companies better align their sales and marketing organizations, and ultimately, drive growth. A key component of our coverage focuses on the sales and marketing automation tools that enable companies to better measure and manage their multi-channel demand generation efforts.