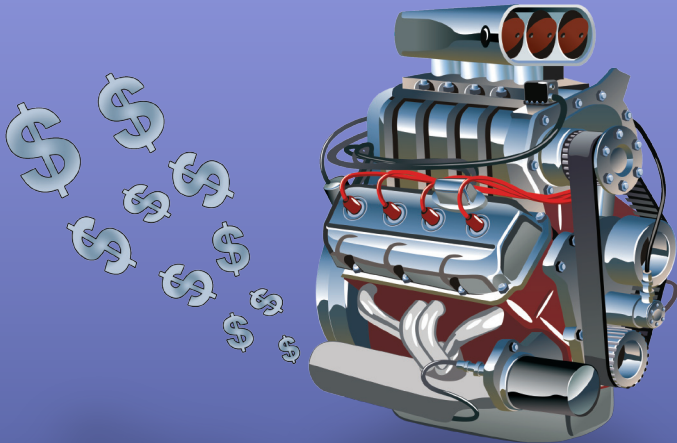


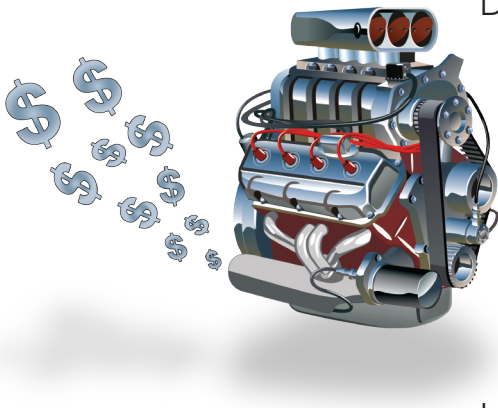
The New Revenue Engine



An Inside Look At How Leading BtoB Companies Are Improving Efficiency & Effectiveness By Building Shared Sales & Marketing Machines

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During the recession of 2001, most BtoB organizations responded to the spending slowdown by investing more in their sales infrastructure. The thinking, at the time, was investments in sales force automation tools would result in more accurate forecasting and a more efficient sales team. By fine tuning their sales engine, these companies believed they would enjoy consistent and sustainable revenue growth.

In the latter part of the decade, many of those same companies realized their sales engine needed fuel in order to keep the engine running. To feed their sales engine, they invested in lead generation programs to feed new prospects into their sales pipeline, with executives believing those new leads would magically funnel down to closed deals.

As we enter a new decade, the reality for most leading most BtoB organizations is that **a sales engine on its own is no longer sufficient** to drive a company's revenue growth, even with a flow of leads pouring into the tank.

The continued economic challenges, heightened competition and **a fundamental power shift from a sales-driven process to a buyer-driven process**, have combined to require

companies to develop a new revenue engine: one that keeps pace with the evolution of today's BtoB buyers.

For those cutting edge companies that have been ahead of the curve in building a new revenue engine, the results have been demonstrable across both top line and bottom line metrics, including:

- » **Lower Customer Acquisition Costs**—As a result of more effective marketing programs and more efficient sales efforts;
- » **Reduced Wasteful Spending**—Cold calling, direct mail pieces and other high cost lead generation tactics, which companies often turn to at the end of a quarter once they realize they aren't going to hit quota, are eliminated;
- » **More Predictability in Sales Forecasts**—The focus on lead qualification leads to repeatable, predictable processes and a steady stream of sales-ready prospects, higher close rates, and more consistent growth;
- » **Greater Pipeline Stability**—Sales teams are able to avoid the feast or famine routine of 100 deals closing in one quarter, while only 10 close the next.

Next Generation Revenue Generation

Staying in step with more efficient means of buying and selling, the new revenue engine requires “a combination of the art of collaborative selling coupled with the new culture of measurement,” as described by Anneke Seeley, co-author of the best-selling book “Sales 2.0: Improve Business Results Using Innovative Sales Practices and Technology.”

Seeley has defined Sales 2.0 as “a more effective and efficient way of buying and selling.”

She draws a correlation between Sales 2.0 practices and the emergence of the new revenue engine, where both marketing and sales will play an active and collaborative role transforming revenue generation into an “ongoing dialog with prospects and customers.”

In the new world of BtoB buying, Web 2.0 tools allow a buyer to research solutions online, collect feedback from peers via social networks, compare pricing and features and build a short list of preferred providers all before speaking to a single sales person. In this environment,

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--Barry Trailer, Managing Partner, CSO Insights

relationships between buyers and sellers are often formed without lunch dates, bakeoffs, RFPs or face-to-face meetings.

While some companies still have separate silos or garages where they tinker with their sales and marketing engines, cutting edge companies are already building **a combined revenue engine** which runs on a mixture of relevant dialog, timed to be in sync with a buyer's Web behavior and information needs.

“What we've been seeing over the past few years is that the boundaries between marketing and sales are becoming much more blurred than they've ever been in the past,” said Barry Trailer, Managing Partner of CSO Insights, a leading research firm which benchmarks sales and marketing effectiveness. “Now companies are **initiating buying cycles** long before the seller's even aware the process has begun. Where that typically starts is on the internet with prospects beginning their investigation. The Web site is usually owned by marketing, and the buying process has already begun there—so we begin to see this breakdown or fuzzy margin rather than this very clear cut line.”

Shifting From the Sales Pipeline to the Revenue Cycle

The traditional model of a linear pipeline that flows from left to right—where marketing has the initial contact with a new prospect before turning them over to sale—has experienced too many breakdowns due to the changes in the BtoB buying process. Trailer suggested the revenue cycle has become the more accurate model for how prospects engage and eventually become a customer.

“If we step back for a moment and instead of looking at the traditional assigning of sales and marketing roles, we look at generating revenue. What does that process really look like holistically?” Trailer said. “What we have begun to see are these areas of overlap with marketing

having a role before the prospect enters the pipeline, throughout the revenue process, and onward past the closing through customer care and support. We also see sales getting involved a little earlier in the process.”

The development of a combined sales and marketing funnel flowing only sales-ready leads is the foundation of the new

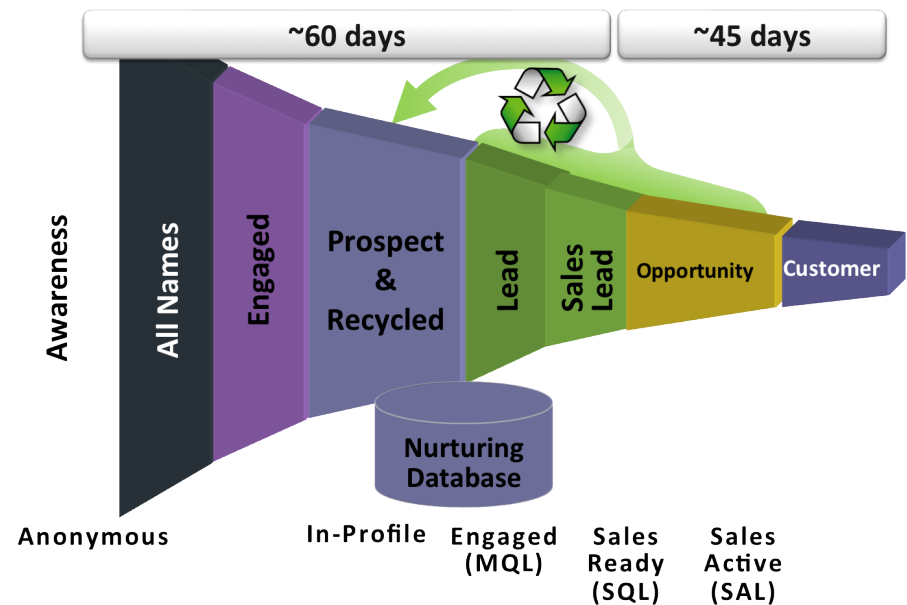
“Salespeople are looking for technologies to help them cast a broader net into a more defined or specific set of accounts or opportunities”

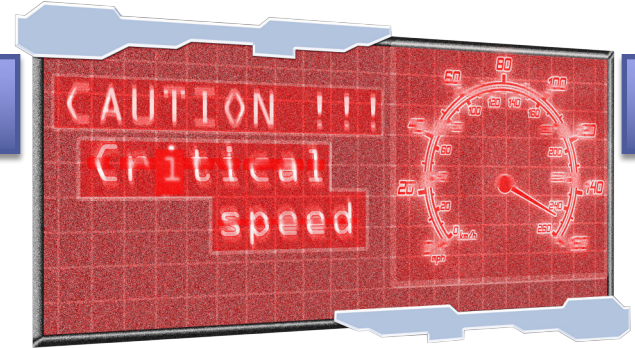
--Joe Galvin, VP, SiriusDecisions

revenue engine. However, the new revenue engine only runs properly within companies where sales and marketing executives are effectively aligned and contributing to the sales process in a shared fashion.

Joe Galvin, VP at leading sales and marketing research firm SiriusDecisions, has pointed out that in many fast-moving organizations the shared revenue engine model is welcomed by the sales team. “Salespeople are looking for technologies to help them cast a broader net into a more defined or specific set of accounts or opportunities,” Galvin said.

Marketing now has a role before the prospect enters the pipeline, throughout the revenue process, and onward past the closing through customer care and support.





Turbocharging The Engine

In order for the revenue engine to run smoothly and efficiently, companies need the ability to filter through the prospects in their pipeline to prioritize the leads that have the right demographic profile and that take the actions that demonstrate a propensity to make a purchase. With **lead scoring tools** in place, sales teams are more efficient because they are not wasting time trying to close leads that aren't ready to buy.

Recent research from IDC found that approximately 25% of sales' time is spent on unproductive prospecting. "Deploying a lead scoring process will increase lead quality,

enabling marketing and sales not only to better qualify and pursue hot leads, thereby increasing sales' efficiency and effectiveness, but also to better align with customers' needs in the buying process," pointed out Michael Gerard, Research Vice President at IDC.

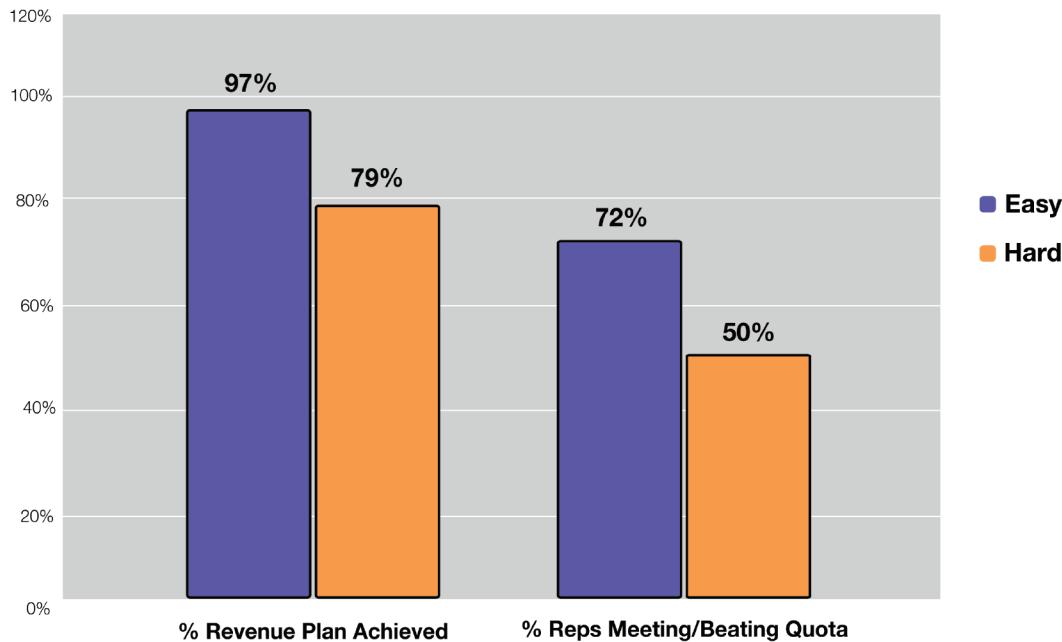
In addition, scoring helps marketing get better ROI out of its investment by identifying which new inquiries entering

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the funnel require further nurturing and education before they are ready to have a serious conversation with a sales rep. “Coordinating marketing and sales across this full revenue cycle enables marketing resources to focus on building higher quality relationships with prospects and ultimately higher quality leads for sales,” Gerard added.

How Easy is it to Get Access to Information About Prioritizing Sales Efforts?



Source: CSO Insights

By evaluating the demographic profiles of different prospects, companies are able to prioritize the leads that match the criteria for verticals, job titles, revenue etc. By adding in activity-based scores, companies are able to weigh which of the demographic fits are demonstrating real buying signals. For example, companies can weigh their scoring process by giving 1 point for visiting a single web page, but that score can increase to 7 points if the prospect visits multiple pages or signs up for a demo.



Maximizing Gas Mileage

An engine needs to be powerful but it also needs to run efficiently and ultimately should make economical sense. To maximize the ROI of marketing and sales, the new revenue engine must include parts and processes that enable **lead nurturing** programs to educate and warm up prospects which are not immediately ready to make a purchase.

IDC's Gerard has referred lead nurturing as "low-hanging fruit," for companies to improve their return on both sales and marketing spend. "An effective lead nurturing process will ensure consistent and high-value communication with prospects to increase the depth of the relationship, whether the prospect is an existing marketing lead or a recycled lead from sales that was not ready for deal closure," Gerard said.

Ideally, a single revenue engine facilitates the **recycling of leads**, where a prospect can be passed back to marketing if budgets are put on hold or other factors delay a purchase. Instead of putting that longer-term lead on the shelf and forgetting about it, companies with a

collaborative revenue engine are keeping that prospect warm with relevant content until they are ready to make a purchase.

In order for this cycle to run smoothly, the **hand-off process** between the sales and marketing teams is critical. “It is the hand-off process between marketing and sales where many revenue opportunities are lost and prospects perceptions of the organization are damaged,” Gerard said.

Lead nurturing programs help to establish a dialog with prospects and provide them information that speaks to their specific pain points. With automated nurturing programs in place, companies are able to shorten the sales cycle because prospects are better informed when it comes time to make a buying decision. IDC research shows companies spend \$12,500 per rep, per year on sales enablement. “There must be **alignment** in sales enablement, such as ensuring customers get the right content and assets—things such as collateral, online demos, white papers, case studies, references—at the right time.”

Reading The Gauge On Your Revenue Engine

Just as drivers need to keep an eye on their dashboard to see how their engines are running, BtoB executives are seeing significant payback from developing a common view of how their different sales and marketing investments are performing. This becomes even more important due to the expanding menu of media options which are influencing today's BtoB buyers.

The automation tools used by BtoB marketers were originally touted for enabling outreach such as email campaigns, but the next gen tools available provide intelligence and alerts which allow executives to better manage their revenue opportunities in real time. Borrowing a

Sales executives can now log into their CRM system and see "status updates" from their top leads, including any key actions their prospects may have taken which would indicate an increased buying interest.

Last Interesting Moment	Date	Status
Opened Find New Follow-up	5/19/2009 12:36 PM	Lead
Visited the Customer page	5/19/2009 9:06 PM	Lead
Visited the pricing page.	5/20/2009 9:00 AM	Lead
Repeat web visits in one	5/20/2009 9:05 AM	Customer
		Contacted

Name	Account	Last Interesting Moment
Nestor Smith	Hasidia Systems	Email: Opened Find New Customers Follow-up
Stephanie Jacobs	Idiophor Group	Web: Visited the Customer Testimonials page
Pattie Canady	Uninaut Enterprise	Web: Visited the pricing page
Gabriel	Educare	Web: Repeat web visits in o

page from popular social networks such as Facebook, sales executives can now log into their CRM system and see “**status updates**” from their top leads, including any key actions their prospects may have taken which would indicate an increased buying interest.

With activity tracking, **instant notifications**, visual displays and lead alerts, sales teams now have gauges synched to their revenue engines which allow them to start conversations with the right lead at the right time.

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Ardath Albee, Author of the Marketing Interactions blog and the new book “eMarketing Strategies for the Complex Sale,” predicted that the ability to turn insights into action will emerge as a competitive advantage for companies with a collaborative revenue engine. “Visibility is greatly enhanced across the entire process from lead generation to revenue, meaning everyone can see what’s happening, regardless of where the interactions initiate,” Albee said. “The ability to close the loop on this process plays a key role in unifying your marketing-to-sales efforts.”

A Look Behind The Curtain:

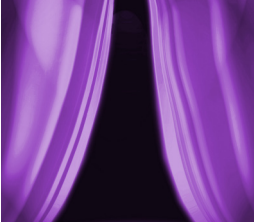
How A High Growth Company Tunes Its Revenue Engine

Founded in 2006, Marketo has quickly grown to more than 400 customers as of February 2010. The company was selected as one of JMP Securities' Hot 100 Best Privately Held Software Companies in May 2009 and completed a significant up-round series C financing from venture capital firm Mayfield Fund in September 2009. Exemplifying the company's growth curve and sales velocity, the company added **110 new customers** in the fourth quarter of 2009 alone.



Bill Binch, VP of Sales and Customer Success at Marketo, recently shared the **secret sauce** of how the revenue-focused marketing automation company aims to create a new customer every few days. Yet, despite Marketo's rapid sales growth, the company surprisingly spends far less on sales than its peers.

The common benchmark for sales to marketing spend is a 3 to 1 ratio; however Binch



revealed that Marketo runs on a 1:1 ratio. While marketing departments usually only source between 20% and 30% of the sales pipeline, Marketo's marketing team directly contributes a whopping 60%, which helps the company maintain lower customer acquisition costs to fuel bottom line performance as well as top line.

"We're spending more on marketing compared to other companies by quite a bit," Binch said. "But we balance that against sales costs, which are lower than our peers. Our marketing team is keeping our sales team fed with qualified leads. That's a great thing because it means our sales team is spending their days selling as opposed to prospecting, so our customer acquisition costs are low and our sales team is efficient."

The Automated Revenue Engine

In "drinking its own champagne" and using its own solution to power its internal revenue engine, Marketo has an automated process for efficiently moving prospects through the revenue cycle, which combines advanced elements of lead nurturing and lead scoring. "Once we source a lead it automatically goes into an automated nurturing program to process and respond based on the buyer behavior and their actions," Binch said. "Once that lead



achieves a threshold that we've set, it's pushed over to a Sales Development Rep inside their dashboard, which resides inside Salesforce CRM.”

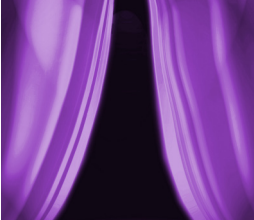
Binch explained that Marketo's automated revenue engine is able to run so efficiently largely because leads are progressed to the point of being sales-ready without human interaction. “What we've learned in today's buying world is marketers need to be able to react to a buyer's behavior.”

By reading and responding to buyer behavior, Binch said Marketo is able to **“have a conversation”** with prospects, rather than relying on sales scripts. “You really can't assume

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--Bill Binch, VP of Sales & Customer Success, Marketo

that you can script out and build a flow chart of how a buyer should buy. Instead you need to react based on demographics, buying behaviors and the activities of a prospect,” Binch said. “The Marketo lead management system helps marketers listen for what those buying behaviors are, so that you can drive your sales and quickly build and nurture your response for your prospect.”



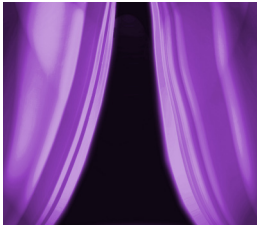
A key component to the automated process is Marketo's ability to prioritize its sales efforts by focusing on the leads that meet both **demographic and activity-based lead scoring** criteria. The company utilizes visual representations with Salesforce CRM for its Sales Development Reps, with stars showing a demographic fit and flames demonstrating increased activity.

"We would rather have the sales team calling on leads that are promising to become deals. Everyone gets followed up, but we use what we think is a smart and logical criteria for when and what the follow up is," Binch said.

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In addition to helping to prioritize the hottest leads, the scoring system helps to determine which prospects require further nurturing before they are ready for sales contact. Marketo has developed a **60 week process** to qualify and turn prospects into sales-ready leads. "We need to be able to quickly and crisply follow up on hot leads," Binch added. "However, we adjust the reaction based on the attributes of the prospect. With a prospect



that requests a free trial or clicks on contact me now, we reach out immediately. However, with lower priority leads we will continue to market to them and continue the conversations in an automated way.”



With **longer-term leads** which are not ready to make a purchase, Marketo has developed a “lead recycling” program which allows a sales rep to update the status of a lead from one of three choices: opportunity, disqualify or recycle. “If a account executive determines that a lead is a qualified prospect, but just not ready now, then the lead gets recycled into a nurturing campaign. The sales rep can determine how long prospect should be in the nurturing program based on the research they’ve done.”

Because Marketo invests more in marketing than most firms, the company goes to great lengths to make sure there are no breakdowns in its revenue engine which would cause prospects to leak out of its funnel. They company’s “**no lead left behind**” program has programmed alerts established for any sales-ready leads that have gone “untouched” for longer than 24 hours, with notifications going to the VPs as well as Marketo’s CEO.

Conclusion

The companies that emerge on the “fastest growing companies” lists over this next decade will be the organizations that can quickly and intelligently respond to the information needs of the new buyer. While inside relationships and sales expertise differentiated companies in the past, the Web 2.0 world dictates that leading edge companies have a collaborative revenue engine that crosses marketing and sales.

With an engine that combines the power of both disciplines, sales and marketing will fire on all cylinders and use automation tools to gather intelligence about prospects and then begin a relevant conversation that accelerates them through the buying process.

Companies with a new revenue engine will run more efficiently because their sales team will be focused on prospects that have been pre-qualified and are ready for sales engagement. Conversely, companies with sales and marketing operating in separate sales silos will have their reps wasting more time on prospecting rather than closing deals.

The new revenue engine will also drive a clearer ROI picture from the money these companies

invest in marketing and lead gen. Not only will they be able to develop a profile of prospects based on web activity, they will also have the ability to nurture new prospects by automating follow up with relevant content and establish triggers that determine when a prospect is ready for hand-off to sales.

Finally, these companies will emerge as more attractive options to investors and shareholders because they will have more predictive pipelines. The ability to identify behavioral patterns of buyers, combined with automation tools that systematically manage the handling and care of all leads, will help these firms deliver a consistent growth rather than sporadic spikes on a quarterly basis.

About Marketo



Marketo is the revenue-focused marketing automation company, revolutionizing how marketing and sales teams of all sizes sell and succeed at every stage of the revenue cycle. Delivered in the Marketing Cloud, Marketo's powerful and easy solutions provide the fastest time to value and ignite explosive revenue growth from the earliest stages of demand generation and lead management to the pursuit of revenue and customer loyalty.

Marketo Lead Management helps Marketers acquire, nurture and qualify more high quality sales leads with less effort, while Marketo Sales Insight helps Sales understand, prioritize and interact with the hottest leads and opportunities to close business faster. Known for providing breakthrough innovation and the utmost in usability, Marketo was voted 'Best Marketing Automation Application' and 'Best Mass Emails Solution' by Salesforce customers on the Force.com AppExchange. As of January 2010, more than 400 enterprise and mid-market clients in 14 countries have selected Marketo.

Learn more at www.marketo.com/demo.