



A Focus On Revenue Is Not New Marketing Thinking

By Laura Patterson

Peter Drucker is attributed with saying that —Business has only two basic functions – marketing and innovation. Why is marketing so important? Perhaps the answer lies in Phil Kotler’s point of view that:

Marketing has the main responsibility for achieving profitable revenue growth derived from acquiring and retaining profitable customers.

Marketing jointly and equally shares the responsibility for generating revenue with our very important partners in the sales organization. I confess. I’m confused by the recent emphasis on Marketing being focused on revenue. We now have blogs, websites and roadshows dedicated to the topic of marketing and revenue. Hasn’t Marketing always been focused on revenue? I mean, isn’t that the job, growing the top line? Did I miss something over the past 30 years?

Maybe the reason for the recent surge is that so many marketers have focused on generating awareness and leads without real clarity around how investments in these efforts drive revenue. Today’s executives expect more than awareness and a higher number of qualified leads from marketing – they want a measurable return on their marketing investment and they want marketing to be able to communicate how it is relevant. Perhaps, the microscopic scrutiny on marketing that has put marketing in the hot seat has also brought the topic of revenue generation into sharper focus.

But here’s the rub and the trap. As a marketer, when was the last time you marketed to a bucket of revenue? This is not the question you should ask. The questions to ask are: how many customer “deals”, both net new and additional business from existing customers, constitute this number? And how many of these is Marketing expected to drive? Why? Because as marketers our job to help the company acquire, keep and grow the value of profitable customers. This approach allows Marketing to help the organization take a customer-centric approach rather than focus on an internal revenue number.

To make this approach work, Marketing needs to translate the revenue number into how many customers and which ones. Ideally marketing should be informing our respective organizations which customers and prospects to target because as marketers we are the ones who are supposed to identifying the best customer and market opportunities from our customer and market segmentation and sizing efforts.

Armed with information about the state and size of the target market, their needs and wants, and how our offer best meets these needs and wants, we can develop strategies and programs designed to connect with these customers, increase and accelerate their consideration, and motivate their conversion to purchase.

Now as a marketer, you can go about setting marketing key performance indicators and program performance targets that will enable you to measure Marketing's impact on revenue. For example, let's say you need some number of net new customers for a business unit by the end of the year. Before you can set a target for the number of customer deals Marketing will generate, you will need to know the typical sales cycle type and cost to acquire a net new customer for this business unit. This information can then be used to establish a target number for marketing qualified leads, the cost per lead and a target conversion rate for how many of these will be accepted by sales. And before you establish these numbers you will most likely want to set a performance range for how many customers/prospects a program will enable you to connect with and a target conversion rate and cost for these.

Driving revenue for the business takes working the numbers, then tracking and reporting on the performance to the numbers. Taking a customer-centric view rather than an internally oriented revenue-centric view and "doing the math" facilitates creating a marketing organization that is relevant, can measure its value, and more importantly affect revenue.

What do you think? Do we need a return to the fundamentals? Or are you as surprised as me about all this talk about something that should not need to be said? What do you think is happening to our profession?

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