Driving Revenue: Working the Numbers

By: Laura Patterson, President

Perhaps you have noticed the barrage of blogs, Web sites and road shows dedicated to the topic of marketing and revenue as though this were a new role for marketing In actuality, Phil Kotler articulated the responsibility of marketing to achieve profitable revenue growth derived from acquiring and retaining profitable customers in his 1999 book, *Kotler on Marketing: How to Create, Win, and Dominate Markets*. Marketing jointly and equally shares the responsibility for generating revenue with our very important partners in the sales organization.

Making marketing relevant to the business

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, we don't market to buckets of revenue. Focusing on revenue is an internal point of view and the job of marketing is to help the company be customer-centric and to focus on what customers need and want, how to engage them, and how to create the best customer experience. The questions that marketing needs to ask are: How many customer "deals" -- both net new and additional business from existing customers -- are needed to achieve the revenue target? And how many of these is marketing expected to drive? These are the questions that enable marketing to help the company acquire, keep and grow the value of profitable customers.

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.

Selecting marketing metrics

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 that 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 means 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 the creation of a marketing organization that is relevant, can measure its value, and more importantly affect revenue.