Making Demand Generation Measure Up

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In the 2006 Conference Board CEO Challenge Survey, U.S. CEOs of companies indicated that sustained and steady top-line growth is their #1 concern. The study authors wrote that the results suggested that CEOs believe that marketing isn't working and that they see their company spending more on marketing and accomplishing less. If that is the case, we are failing at our primary responsibility to the company. In his book, *Kotler on Marketing,* Phil Kotler declared that the primary role of marketing is achieving profitable revenue growth and that marketing is the art of finding, developing and profiting from market opportunities.

The 21st Century necessitates marketing to serve as a catalyst for creating customer value. To be successful Marketing must renew its emphasis on identifying, evaluating and selecting ideal market opportunities and then developing the strategies for achieving leadership in these target markets. Marketing must help the business identify growth paths, understand what customers want to buy, define how the business define the products to bring to market, position those products in the marketplace, and finally stimulate demand for them. An organization's success rests on marketing's ability to perform better at the first of its three roles, finding market opportunities. It is a crucial responsibility with financial implications. Marketing's ability to identify profitable growth areas and fuel demand enables the sales organization to be more efficient and effective ultimately reducing the cost of acquiring customers and the time to sale and improving the value of the initial sale. Therefore the leadership team should expect Marketing to ensure its demand generation initiatives measure up by reducing the cost of customer acquisition and increasing the rate of customer acquisition. To achieve these outcomes, Marketing must design demand generation initiatives that help businesses attract better customers.

The terms demand generation and lead generation are often used interchangeably, but one is actually a subset of the other. The focus of demand generation is to determine and implement the best methods to influence the market's perceptions about the product or service being offered. All aspects of marketing from segmentation, to positioning, to opportunity development and qualification, etc are included in the scope of demand generation. Opportunity development or lead generation is just one aspect of demand generation and it refers to the creation of new prospects or leads through a variety of marketing activities. Various studies suggest a significant portion, as much as 40 percent of a company's marketing budget is spent on the singular pursuit of generating new leads. Such a significant investment warrants monitoring and measuring, so it's no wonder Marketing is being asked to be more accountable for this money.

Unfortunately, most companies admit their results are often focused on the quantity rather than quality of leads, which leads to two key questions most every member of the C-suite asks:

1. What steps can Marketing take to be more effective at demand generation?
2. What metrics should we monitor when it comes to demand generation and opportunity/lead development?

In September, the Aberdeen Group surveyed over 600 companies to identify the strategies, capabilities, and enables that Best-in-Class demand generation. They found that when it comes to demand generation, Best-in-Class companies leverage process, alignment, knowledge, and technology better than average and laggard companies. Here are five immediate steps any company can take on each of these fronts to improve its demand generation prowess:

1. Formalize your demand generation process in order to ensure opportunities don't fall into a black hole. Develop and document processes for opportunity development, qualification and nurturing as well as processes to pass opportunities back and forth between the sales and marketing organizations.
2. Align marketing and sales around a common set of goals and objectives.
3. Structure the organization and dedicate resources for supporting, maintaining and improving demand generation.
4. Use technology to enable your company to segment and target opportunities with personalized and customized messaging.
5. Enable access to customer and market data for analysis and planning and disseminate knowledge about customers, campaigns, and performance through the marketing and sales ranks.

Once you have the foundation for success in place, you can truly begin to measure performance and payback. There are a number of important metrics related to finding and acquiring customers and we've mentioned three of the most important: the cost of acquiring customers, the time to sale or rate of customer acquisition, and the value of the initial sale. These are among the reasons companies invest in marketing.

To affect these, marketing will need to figure out which channels deliver the best results. This is a relatively daunting task and the October 29th issue of Forbes included an article that explored just how extensive an undertaking this effort can be. The article delved into the work Nissan has been doing to figure out which communication channels drive people to dealerships. Nissan North America similar to many companies is trying to make marketing more science than art as it determines how it should divvy up the $930 million it spends to advertise each of its Nissan and Infiniti vehicles across 36 media outlets--from roadside billboards to e-mail pitches. Using years of Nissan's consumer research, the company built a computer model comparing the relationship of each phase of their "purchase funnel"--from awareness to purchase consideration to a transaction--to the phase before it. The model enables Nissan to predict how many consumers who say they are considering the brand early in the shopping process will eventually buy a Nissan. Nissan is refining the analytical tool to help plot the best way to reach car buyers and, when necessary, to quickly change important campaigns and media plans, if necessary midcourse.

As a result of this effort, Nissan claims it has been able to slash its per-vehicle advertising cost by 35% over the past five years. The company takes a disciplined approach to demand generation. After it buys ad time and space for an individual campaign, Nissan measures consumer attitudes and purchase intentions every week while the ads run. It conducts a ten-minute online survey of a sample of its target audience and divides them into two groups, those who have seen ads and those who've missed them. It then asks if they have surfed the Internet for car information, visited a dealership or taken a test drive, among other questions. It also finds out where people have seen the ads--on TV, in print, online (or in some combination of these). The company then compares the answers of one group with the other. The differences are attributed to exposure to the campaign. This helps Nissan learn which marketing vehicles had the greatest impact on affecting consumer behavior and as a result figure out how to allocate its money. And the company can now calculate payback by type of media outlet.

The Nissan example provides an excellent illustration of how an effort in marketing accountability and marketing performance management can make a difference. It didn't happen overnight. Nissan has been on the journey at least two years but the bottom line results are making the undertaking worthwhile. While not every company has the resources of Nissan, every company can measure whether its demand generation and opportunity development efforts are moving the needle. From the quantity and quality of leads, to the conversion rates through each stage of the buying process and the time to close, to the number of quotes or proposals and ultimately to the number of new customers acquired, to the order value compared to the cost per lead and customer, marketing can measure whether its demand generation and lead creation programs are achieving the desired results. Now is as good as anytime to begin.