# The Strategy of Demand Generation

## Not a Numbers Game

An IRS white paper

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Demand Generation is strategic. Now you know in which direction this paper is going. It'll discuss where Demand Generation fits into a business and why it *must* be strategic to be of any value, why it's not just a numbers game.

**First**: what is Demand Generation? A useful definition is "the focus of targeted marketing programs to drive awareness and interest in a company's products and/or services". Fair enough, but two elements not covered by this definition are *measurement* of the results and *integration* of demand generation programmes into other activities.




**Second**: what should the results of Demand Generation marketing be? Awareness? Interest? Of course, but at IRS we believe it should go way further, to create *sales pipeline*. Let's view the sales cycle as a continuum of four stages.

1. Awareness
2. Interest
3. Desire
4. Action

Marketing rightly has a key role to play in 1 -3 - introducing, hand-holding, nurturing the customer to the point where he/she is a serious buying contender. At IRS, it's what we define as qualified pipeline, where the prospect qualifies himself in as a serious buying contender with an allocatable budget, the right level of decision-making authority, a genuine business need and a readiness to buy within a manageable timescale. As a marketing organisation, our role is to travel with the customer to that point and then to pass over to the sales expert to nurture further and complete the deal. Depending on order value, sales cycle time, competitive positioning and a number of other factors, the pipeline will be more-or-less representative of an eventual order book. So, aiming to fill the sales pipeline is critically important.

Not only do we as marketers deliver pipeline, but we are able to measure in £ the value sitting in that pipeline. From that value, we can deduce the eventual order book value and, from there, the company's sales performance. Now we can see how strategic demand generation truly is.

Incidentally, measuring the marketing-driven pipeline also enables us to assess the monetary value of the work that marketing has done. The current mantra that we should know the ROMI (Return on Marketing Investment) of a marketing campaign is justifiably the right way to go. By ascribing an order value to each pipeline entry, it is easy to aggregate the ROI on a campaign. You can't say the same about many other marketing programmes.

**Third:** It follows that, as demand generation is strategic and relates to eventual sales performance, it must be planned. It will reflect our company sales plan, product/service mix, new customer acquisition

model etc. In simple terms, in order to generate a sales performance consisting of sales types A, B and C in certain proportions, we should target our marketing campaigns in the same A,B, C proportions. A demand generation plan will always mirror the sales plan in value and customer/product profile terms.

So, ideally demand generation is planned in the same way as a sales plan. For example:

- How much of the annual target will be *existing* business , how much *new/existing* and how much *new/new*?

- We should use known conversion rates to plan demand generation targets:

**(SALES TARGET)** x **(RATIO OF MEETING:PROPOSAL)** x **(RATIO OF PROPOSAL:CLOSE) = TARGET DG VALUE**
**e.g. (£800,000)** x **(2:1)** x **(3:1)** = **(£4,800,000)**

- How many units/sales do we need, given average order value?
- What is the average/typical sales cycle?
- What is the seasonal effect, if any?
- What target organisations should we aim for?



Demand generation planning and performance now becomes very important to the sales success of the company and therefore to its bottom line. Any one campaign must integrate with others, to ensure the right business balance, as well as with sales resources that deliver the orders at the end of the day.

**Fourth:** Planning is all very well, but execution and performance become crucial as the plan unfolds. If demand generation campaigns or sales activity or market conditions or product shortcomings create a sub-par performance:

1. we need to know about it as soon as possible
2. we need corrective action to fix the problem.

Feedback and review are therefore central to a strategic demand generation programme. At IRS, we review weekly with our clients' sales and operational marketing teams, and then quarterly with senior managers. Through dashboard-type reports, performance is measured against plan and discrepancies are identified early, corrective action is implemented and problems are averted.

This paper encapsulates over 20 years of experience in the field of demand generation. I hope it re-emphasises why Demand Generation planning and investment should take account of the *value only* of the return, and not on the number of leads, appointments, records, campaign days or whatever. Any of these *number* measures is a vague proxy at best, and is misleading at worst. Above all it's the wrong focus, making it a *numbers* game, not a *value* play.

**Fifth:** Why not pay-per-lead? The plainest expression of the numbers game is the desire by some still to contract agencies on a *pay-per-lead* or *pay-per-appointment* basis. Sounds OK, if you're keen to get

your sales team out of the office and facing customers, where the imperative is to "just let our salesmen loose with a prospect and he'll sell him something, if it's there to be sold". So why indeed not? Well, you get what you pay for in this life, and of course you'll get numbers of leads or appointments, meetings across a desk with someone. But, for each one…

Is there a genuine sales opportunity there?
Does it fit into the company's desired business mix?
Is the meeting booked with a genuine decision-maker? Or is he a tyre-kicker?
Is there a budget for this product/service?
Is there a genuine business need?
Will the buying decision be made in a reasonable timescale?
In total, how much time has our sales executive wasted planning and travelling to un-qualified meeting?

In this age of advanced communications and social media, we can do better than that. Let's at least qualify the potency of each sales opportunity using the tools at our disposal. Let's not rush. Let's nurture the good opportunities and ditch the poor ones before we get to the meeting stage.

I guarantee you that sales productivity will sky-rocket as a result of a systematic and strategic demand generation programme. You can do the same with less, or you can do more with the same size team. It just takes time and planning, both of which are commodities that good marketers know how to manage well.

Demand Generation is not a numbers game. It's a value play.