# We are What We Measure

## The case for Sales Pipeline Value

An IRS white paper

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Many have been the surveys that explore what's expected by a company of its Marketing Department, what outputs the senior management value, what marketing should be doing day-in-day out. Top of the 'demand' list come Visibility, Sales Generation, Brand Leadership. In most board directives is the desire to maximise the *financial return* that marketing generates. Marketers call it ROMI, the return on marketing investment. Like any other company spend, it must be run up against the financial slide rule.

Unlike other company spends, it is often difficult to measure precisely. Because of its difficulty, it is beholden on Marketing to get on and do it.

One important area of marketing measurement is its ability to generate quality sales opportunities. A great sales opportunity is the very stuff of actionable marketing, exemplifying the sales-marketing partnership and stimulating a big round of applause from the company's management. At IRS too, it is music to our ears.

But how to measure a good sales opportunity? Easy, the answer is "It culminates in a good sale". Of course, the eventual measure is just that. But the timescale between first marketing contact and eventual sale could be months or years, too long to measure the effect and too distant to affect future marketing actions and focus. We don't have months or years to wait.



We therefore need to establish a *proxy* metric, one that we can agree represents true *value*, and that we can use to measure ROMI, to compare it to last year, to sales targets, to the company's bottom line and that gives us time to make changes to raise marketing effectiveness quickly. For a long time, technology marketers have been under pressure to employ *number of leads* as the proxy. You know the story, how many leads, how many meetings? How many to hand over to the sales team? What are our response rates? How many enquiries? Let's put the number into the monthly report.

Sure, there is *some* benefit in applying some of these metrics, to be able to assess the activity level, individual performance etc. If a finger needs to be pointed, it must be at our old friend the Scoreboard. We have for years been measuring the wrong thing (numbers of marketing outputs), when it is self-evident that return on marketing investment (ROMI) should reflect the *value* of potential sales. If it is so obvious, why do we still not do it?

I suggest that, because it's difficult, we step back from measuring proper ROMI. It's extremely hard, especially in high value long-cycle sales campaigns, to attribute originating marketing spend to eventual sale. Good CRM systems help, but attribution will inevitably be a judgement call. More often, we give up trying to measure.

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Here's a suggestion that we at IRS encourage in our clients' programmes – to use an accepted and immediately trackable measure, the Sales Pipeline Value (SPV). SPV is defined as coming from sales opportunities that are *accepted by sales management* as robust enough to warrant a place in the sales pipeline. Qualification criteria are placed on this acceptance by sales management themselves.

Typically, there will be stages before SPV acceptance into the Sales Pipeline. From first marketing contact, through follow-up calls, firm qualification of the opportunity, prospect nurture and eventual handover for sales follow-up, could be many steps. Highly structured organisations aggregate the value at each stage to measure the *marketing pipeline value (MPV)*.

From this point on, the sales team undertakes further qualification until a final SPV value is placed on the opportunity in the sales pipeline. The £ value is clearly the potential order amount, which should be known by this stage. This value can be overlaid with a % "write-down" depending on other criteria, such as sales stage, product and timescale. In net aggregate, in total or by sector or sales individual, the *potential order book* can be measured. This knowledge is highly valuable to the sales and senior management of the company to assess order coverage and to inform the rest of the business. Through regular monitoring, the SPV becomes an essential business lever.




Compare the Scoreboard approach. We have 120 leads, not sure of the quality, and 25 meetings booked. Can't accurately forecast this quarter's sales number, but based on experience… With qualified SPV, guesswork is a thing of the past.

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In summary, there are 5 good reasons to use SPV as a measurement of Marketing's ROMI in preference to all others:

1: it's a **measurement of sales**, the best proxy we can get within an actionable timescale. In a well-ordered business, it gets close to representing the future order book.

2: the pipeline contains **genuine, accepted sales** cases – no discussion. This means that everybody in the loop will agree to the robustness of the measurement and the eventual value to be generated. Senior management therefore have a higher level of confidence in the sales forecast.

3: SPV truly measures **marketing's contribution**, independent of the sales effort. Where there is a clear handover point from marketing to sales and an effective CRM system keeping track, marketing's efforts can be scrutinised without introducing other influences. Likewise, sales performance can be isolated.

4: **it's a number**. A number is unarguable, not subject to glossy representation or excuses. It can be compared to other numbers (targets, previous performance) and brings weight behind the measurement of ROMI.

5: **it's immediate**. Immediate credible feedback helps inform next-step activities and investments. If the results are good, let's step up the programme, if they're poor, let's step it back. In the long-term, if we experience an ongoing self-funding marketing programme with sales revenue paying for new marketing campaigns which themselves generate more new sales, we reach Nirvana.

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Above all, the increasing number of companies using SPV or a similar value measurement, experience higher sales productivity, through focus on what will really be delivered, and overall business efficiency through more accurate forecasting. At board level, the most challenging variable to manage is the sales forecast. As the man said, nothing happens until a sale is known, and the more precise the forecast, the better run will be the business. The happier will be its chief executive and its investors.

In Marketing, we are what we measure. Let's ensure that we're measuring the right thing.

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