Revealing Marketing's Influence on Revenue and What You Need to Know About Attribution

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"Half the money I spend on advertising is wasted; the trouble is I don't know which half."

— John Wanamaker, Founder of Wanamaker's Department Stores

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Executive Summary

With nearly 60 percent of marketers reporting that they are delivering at least 20 percent of company revenue[1], marketing leaders are looking for more effective ways to use data to measure their return on marketing investment (ROMI) and validate these numbers.

Achieving these metrics isn't easy with the tools marketing leaders most often have at their disposal: Google Analytics and a Marketing Automation platform. By introducing a Business Intelligence (BI) solution, marketers are more easily able to analyze their end-to-end funnel, from first Web visit to closed won opportunity.

By explaining why typical solutions don't provide end-to-end metrics, defining the metrics marketing leaders should be measuring, and describing how to make a case for a BI tool in your organization, this paper will provide a brief primer on proving marketing's true influence on pipeline and revenue.

The Problem in a Nutshell

B2B marketing was a much simpler proposition twenty years ago: attend events and trade shows, create advertising campaigns that build brand awareness and, ideally, these activities would generate leads for sales. Do that with some success and your job was done. Converting leads into revenue was the responsibility of the sales team.

But the world has changed. 65% of B2B marketing leaders indicate that their ability to secure their marketing budget each year is being increasingly tied to ROI.[2] As a result, nearly 40% of these marketing leaders now attempt to measure the ROI of their marketing efforts as well as Marketing's contribution to revenue.[3]

Modern B2B marketers can ill-afford to be in the position of Mr. Wanamaker. You cannot manage what you cannot measure.

How the Buying Cycle has Evolved

In the nineties, Sales guided prospects through 90-95% of the buying cycle. But the Internet has changed all that. In the modern B2B buying cycle, the prospect is nearly 60% through before they even have, or desire, their first contact with Sales.[4]

The prospect has become self-guided and self-educated about the product or service through a wide variety of marketing-created content. This includes traditional offline advertising, of course, but also online content such as white papers, case studies, video customer testimonials, blog posts, social networking, product specification sheets, webinars, and online product and/or service demonstration videos, to mention just a few types of marketing-driven Web-based content.

The Revenue Marketing Journey

Revenue Marketing™ is an approach to marketing that is focused on transforming marketing organizations from cost centers to revenue centers.

The Pedowitz Group developed a four-stage model called The Revenue Marketing Journey™ that provides a framework for understanding the stages of transformation and helps companies understand where they are today on that journey and where they need to go.

Traditional > Lead Generation > Demand Generation > Revenue Marketing
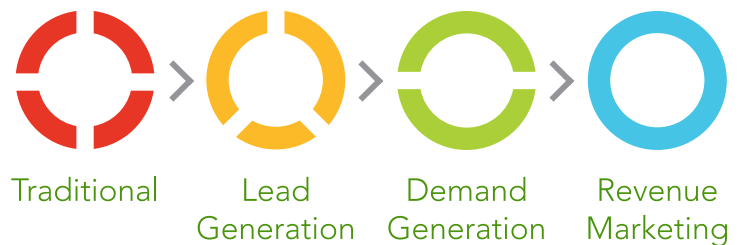
As an organization progresses through this journey, being able to determine Marketing's influence on revenue becomes paramount to success. In addition, marketers learn to adapt their interactions with prospects based on what stage of the buying cycle the prospects are in.

SiriusDecisions®

A recent study by SiriusDecisions reveals that approximately

60%

of the B2B buyer's journey is completed online on their own.[5]

While the buying cycle stages are largely unchanged – awareness, interest, development, negotiation and acceptance (or AIDNA) – Marketing's role in the process has expanded greatly.

Marketing's Influence Now Extends Throughout the Buying Cycle

| Awareness | Interest | Development | Negotiation | Acceptance |
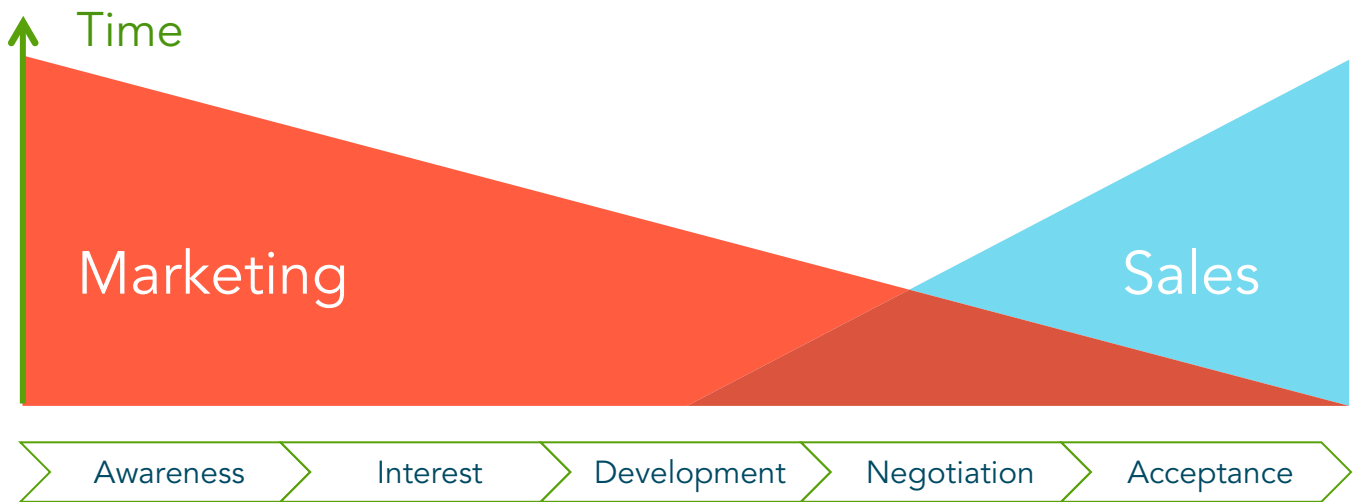
Indeed, as the graphic above illustrates, even after a prospective customer has engaged with sales, she continues to engage with marketing-created content throughout each remaining stage of the buying cycle.

Marketing Budgets Jump in Response to this Transformation

Companies have responded to these changes by increasing marketing funds to develop more and more marketing content. Gartner estimates marketing budgets grew over 8% in 2014 compared to the previous year. Digital marketing budgets grew even faster – 10% in 2014 after a 20% increase in 2013.[6]

This growing library of content goes into Sales' arsenal and on the company Web site at the same time. Increasingly, Marketing is also creating offers for redistribution on social media, as well as through offline channels such as tradeshows, billboards, and store signage.

With an increased budget comes increased responsibility. CMOs are now being held accountable for their marketing efforts and for results.

In response, more and more marketing leaders are looking for tested and true measures and tools to help them get credit for all the work they're doing to influence pipeline and revenue.

The Right Way Forward?

Many marketing leaders take a diversified portfolio approach to develop the right combination of advertising, campaigns, and content. They engage in a number of different types of marketing endeavors and a wide range of efforts within each campaign type in order to reduce the risk of a single poor-performing effort sinking the overall performance of their aggregated efforts.

Many of these same marketing leaders measure their success in terms of activities not results – opens, clicks, visits, etc. In other words, they measure their outreach and spend, but not the actual impact on revenue.

Sidestep the Wanamaker Dilemma

While Wanamaker made his famous statement in the 19th century, too many 21st century marketers continue to face the same dilemma of failing to understand which of their marketing efforts are producing the greatest return.

The results that B2B marketing leaders should be focused on include the number of Marketing Qualified Leads (MQLs) delivered to Sales, the number of Sales Qualified Leads (SQLs), the amount of Marketing influenced pipeline, and the amount of Marketing influenced revenue.

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To achieve these results Marketing must leverage an ever-increasing portfolio of content and programs, including inbound, outbound, social and events.

For marketing leaders eager to be measured by their results, understanding the individual performance of each marketing effort in their marketing mix is appealing because it permits them to test "moonshots". Further, they can hit their goals more consistently by eliminating costly and ineffective programs whilst investing more in the ones that return greater and faster results.

Don't be Misled by Half-Measures

In the award-winning TV drama *Breaking Bad*, Mike the Cleaner famously gives a long speech about the dangers of half-measures. Many marketers would do well to heed his advice.

In order to accurately gauge the impact of each marketing effort or campaign, one must look at all the touches experienced by a prospect or the prospect account that resulted in a sale. That means identifying all the contacts associated with an opportunity and every engagement those contacts had with marketing and sales throughout the buying cycle.

This can be very challenging in the absence of a proper BI solution. A common approach is to apply one of the following approaches to attribution, but both of these approaches have dangerous limitations in a B2B context:

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HALF MEASURES

Last Touch Marketing Attribution

One way to measure the accountability of each marketing effort in the marketing mix is by last touch marketing attribution (LTMA). This method assigns 100% of the revenue associated with each opportunity to the most recent sales or marketing effort that touched the prospect before the opportunity was created: that is, the last touch.

Naturally since Sales' presence is more heavily felt near the end of the B2B buying cycle LTMA tends to over-emphasize Sales' influence on revenue and, to a lesser extent, Sales' contribution to pipeline.

First Touch Marketing Attribution

An alternative approach is to measure accountability via first touch marketing attribution (FTMA). This method assigns 100% of the revenue to the lead source that accounted for the opportunity's very first touch as a prospect or lead. This approach tends to over-emphasize Marketing's role in the generation of pipeline and revenue, as well as lead generating programs as opposed to lead-maturing programs.

Display	Natural Search	Paid Search	Social

But relying on LTMA or FTMA is really the lazy approach.

The life of a lead is more nuanced than either of these two approaches describes. As most B2B marketers know, the journey of an opportunity typically has multiple touches as it is coaxed from one stage to the next and, ultimately, into a closed-won opportunity and booked revenue. Limiting your pipeline and revenue analysis to simply FTMA or LTMA is a half-measure that can get you into a lot of trouble.

In *Breaking Bad*, Mike's failure to avoid half-measures had very serious consequences. Likewise, relying on half-measures like FTMA or LTMA may impact one's marketing budget and may impair recognition of marketing's influence on revenue.

Multi-touch Marketing Attribution

Accounting for all the touches and dividing up the revenue among each touch without double counting for revenue may sound challenging but it's not if you start simply.

Later, you may choose to implement a *Most Influential Multi-touch* approach where the advertising type with the highest number of touches within the right target accounts, industry segments or buy types, gets 100% of the revenue attributed, but in the beginning the best practice is to start out with an even touch approach where each touch gets one equal part of the generated revenue.

For example, if an opportunity had eight touches that included two separate emails (each one generating an online form submission), then emails would get assigned 25% of the revenue generated by that opportunity (notice that each email gets 12.5% or 1/8 of attribution, but email as a channel type gets 25% attribution).

With the right BI solution, this model is easy to implement.

So-called Opportunity Analyzers Fall Short

Although most Marketing Automation tools provide attribution reports, these reports only show marketing programs that touched individual opportunities. They fall short in allowing you to see the impact across multiple opportunities or across multiple contacts within the same opportunity.

Marketing Automation tools also lack data integration capabilities and, as a result, you are not able to bring in data from offline channels nor can you easily connect marketing efforts to revenue data from your financial systems.

Therefore, seeing your overall impact on revenue, analyzing marketing influence at departmental levels within a single account, or identifying cross-sell and upsell opportunities that were directly or indirectly influenced by marketing efforts is practically impossible.

What About Those Web Site Visitors?

Google Analytics is an important marketing analytics tool, great for analyzing visits to your Web site, identifying high performing content, and segmenting visits, but it falls short in terms of closed-loop reporting.

While you can tie the behavior on your site to specific AdWords campaigns and identify campaigns that yield most form submissions, there is no direct connection from Pay-Per-Click (PPC) to revenue. Google Analytics alone can't tell you which AdWords campaigns yielded more revenue.

Without end-to-end reporting on revenue, you cannot truly measure the ROI of your online advertising campaigns.

Get Started with Revenue Marketing Analytics™

You need big picture marketing. It's easy to get started, especially if you start simply. Best practice dictates that you focus on your largest investments first.

For example, if events are the largest line item in your marketing budget, analyze the leads and opportunities that were sourced directly from events (marketing contribution to pipeline and revenue) as well as those that were influenced by event-related efforts and activities.

This will help you understand right away whether your events budget is justified. Use this information to establish cost-per-sale metrics for events overall as well as for each event.

With the cost-per-sale for events as your benchmark move onto the next largest channel in your marketing budget that contributed to revenue. For example, if that is PPC then the next questions to ask are:

- What is PPC's contribution to pipeline and revenue?
- How does it compare to events?

If it's lower than events, instead of prioritizing events over PPC, first analyze events by regions and use the insights to lobby for increase in funding for the right events.

You may also want to use sales cycle acceleration as an added measure, so you not only look at the impact of marketing to revenue, but also consider the time in which this impact is typically achieved. Does PPC move leads through the funnel faster, or do events? This way, when you lobby for more funding, you can articulate your decisions more strategically.

Strategic Decisions Only Come with a Solid BI Platform

These kinds of strategic and actionable decisions are only achievable with a solid business intelligence (BI) and analytics platform.

A proper BI solution empowers you to look at your marketing in a big picture kind of way so you can address attribution matters such as: marketing attribution on bottom line revenue and its impact on sales velocity, the right campaign mix for each type of buyer, and the optimized number of touches for creating sales-qualified leads or for upsell-ready customers.

No marketer wants to work through dozens and dozens of spreadsheets in order to be able to see the single campaign that really worked – yet still be left wondering what else might have been part of the big picture that made that campaign so successful.

Marketing Automation tools give you part of the picture, but they often leave non-digital and offline activities out. They also only measure part of marketing's impact: the part that influenced a single opportunity. Web analytics tools create checks and balances for your Web site, but leave you wondering about the changes that really contributed to revenue.

With the right Cloud BI and Analytics solution, you get the whole picture. You know what to do to meet your revenue goals – quickly – and without having to work too hard to make decisions.

Choosing a Solid BI Platform: A Nine Point Cheat Sheet

Use the following checklist of key BI platform capabilities to compare BI platforms. A BI platform that has all nine capabilities is, at present, fairly rare, but a solid BI platform will include the majority of the capabilities on this list.

The BI and analytics platform that's **best for you** will have more of the capabilities that are most important to your business.

Look for BI platforms that permit you to:

1 Conduct analysis using multiple attribution models

BI platforms that offer multiple attribution models are incredibly powerful and useful. First Touch and Last Touch are easy to set-up but can over-emphasize the influence of a low-impact early touch point or give too much credit to Sales for closing the deal.

Multi-Touch is a much better solution – as we saw earlier in this white paper – even if it's a linear distribution.

Attribution models with time-decay settings offer a more nuanced view of influence. The touch points that are closest to sales close date get more credit and the ones that are furthest back in time get less credit. This attribution is best used in competitive markets and for complex products where the marketer really wants to identify the programs that are most effective towards the end of the sales cycle.

2 Measure attribution across offline as well as online channels

Most BI platforms have few problems incorporating online data from marketing automation or Web analytics platforms, but they are too often unable to import data from offline channels.

Many businesses have significant offline marketing and/or advertising activities. Giving credit to offline efforts such as direct mail, events, and POS systems is crucial for an accurate attribution model for any business actively employing offline marketing efforts to generate leads.

3 Apply attribution analysis across one, all or a subset of opportunities

Unlike Marketing Automation tools that only look at attribution in the context of a single sales opportunity, a solid BI platform should permit you to analyze attribution across all your opportunities.

Unlike attribution analysis of a single opportunity, which is not a good representation of overall trends, having an aggregated view of attribution across all opportunities helps the marketer determine how their programs are performing when placed in various positions, such as first touch, second touch, third touch, or last touch or, indeed, in different sequences. With this information, you can set up the optimal sequence of efforts and interactions that maximizes revenue.

4 Measure marketing's impact on booked revenue, not just sales-reported revenue

Marketing attribution is often seen in the context of revenue. Unfortunately the term 'revenue' is misused in most marketing ROI discussions.

Revenue is actually recorded in your financial or bookings system and not in your CRM system. To determine Marketing's actual contribution to revenue your marketing campaigns must be synchronized with bookings not just so-called "closed won" opportunities.

This feature is especially important when you have the head of Finance involved in the Marketing ROI discussions. It's also important for companies who only recognize revenue once product is shipped and received by the customer or with B2C companies that must handle returns.
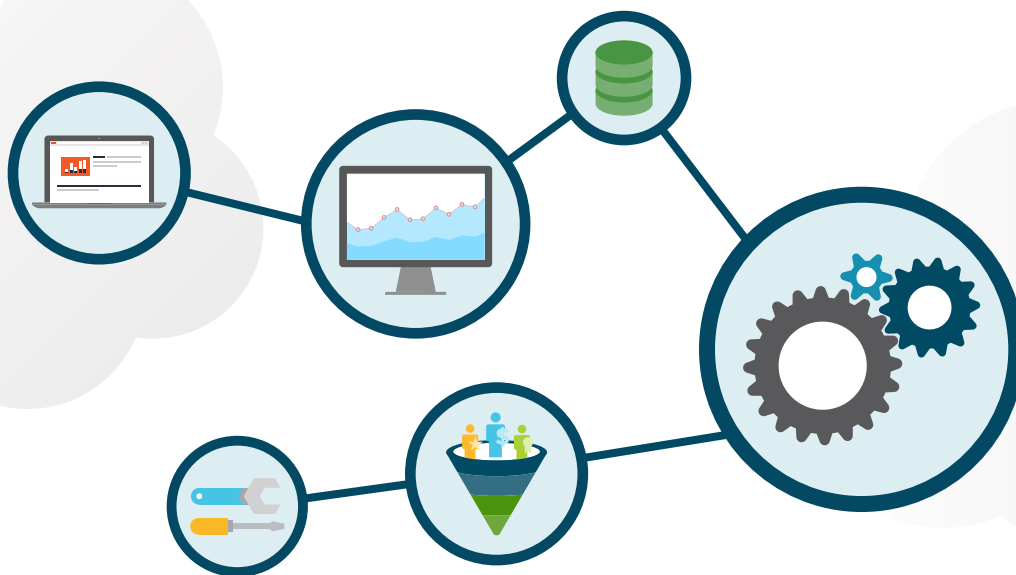
5 Analyze attribution across multiple dimensions

A common limitation of many attribution analyzers is that they only track marketing's contribution on generated opportunities. While this is often the most important dimension, it is not the only one.

A solid BI framework offers a more nuanced look at Marketing's influence on pipeline and revenue. For example, it will tell you which marketing efforts help deals close more quickly and with higher velocity. It will show you Marketing's impact on different customer segments, for example, large customers vs. smaller ones or customers from different regions.

The ability to slice and dice marketing's influence across multiple dimensions is also incredibly helpful as you develop your marketing plans and design your campaign strategies.

6 Determine marketing's impact on all contacts within an account

Most companies have multiple parties involved in B2B purchase decisions.

Relating the engagement of all the people in the buying cycle to the marketing programs that touched them helps marketers see how their campaigns are influencing each decision maker. These insights prove especially useful when developing an effective content strategy.

Most CRM or Marketing Automation systems lack this level of analysis but a BI platform can easily do this.

7
Measure attribution using lifetime customer value

If generating repeat sales from your existing customer base is important, you will need a BI platform that can track cross-sell and upsell revenue and the marketing influence on these opportunities. This will help you track your marketing costs against the lifetime value of the customer. This is especially important for companies with a large inventory of products and services to sell.

8
Enable self-service and data discovery

Out of the box dashboards and canned reports are a great starting point, but marketers also need a BI platform that enables data exploration and visual discovery capabilities.

Users should be able to create their own visualizations, drill into details and slice and dice the data so that patterns, key trends and outliers are easily surfaced.

Ideally, the analytics tool will guide the user's experience by autosuggesting the appropriate visualizations, chart types, facts and attributes that will offer you the greatest insight into the matter you're analyzing.

These features are especially important if the volume and richness of your data is high. They're also important if you want to enable your marketing team to be more data-driven without requiring them to acquire new technical skills.

9
Establish attribution as a single, trusted source of truth

Today's multi-disciplinary sales and marketing organizations are composed of team members not just from Sales and Marketing but also, in many different large corporate organizations, from Digital, Brand, Product, Inbound/Channel Telesales, Services and Partners.

With such a diverse group, it is critical to have mutually agreed-upon attribution rules, metrics and KPIs.

A proper BI and analytics platform helps you create a single, trusted view of information that keeps the entire team of campaign managers, digital marketers, marketing operations, as well as sales and service teams, in alignment and agreement.

Establishing this agreement helps prevent arguments about which team deserves more credit for influencing pipeline and revenue.

Having established attribution rules as a single source of truth is also critical when Marketing must prove its value to the business in terms of the net new deals it has created and cross and upsell opportunities it has influenced.

Don't Settle for Half-Measures

Finding the right BI and analytics platform is easier than most people think.

And with the right platform in place, you'll be able to get started analyzing Marketing's influence on pipeline and revenue in no time.

About The Pedowitz Group

The Pedowitz Group, an Inc. 500 company, is the world's largest full-service Revenue Marketing Agency. A two time Pacesetter winner, The Pedowitz Group helps global clients transform their marketing organizations from cost centers to revenue centers by assessing and optimizing six controls: strategy, people, process, technology, content and results. Learn more at pedowitzgroup.com and join the conversation on Twitter @RevenueMarketer.

About Birst

Birst is the global leader in Cloud BI and Analytics. The company helps organizations make thousands of decisions better, every day, for every person. Birst's patent-pending 2-tier data analytics and BI platform enables enterprises to create a trusted source of data, place it in the context of key business users and then enable business users up and down the organization to report and analyze the information using world-class BI tools. Thousands of the most demanding businesses trust Birst Cloud BI to make metric-driven business execution a reality. Learn more at birst.com and join the conversation on Twitter @BirstBI.

Differences Between the B2C and the B2B Buying Cycle

As you research the right marketing analytic framework, it's important to understand the buying process. Understanding the B2B buying process can be enhanced through comparison to the B2C buying process.

There are some important differences, as the table below makes clear:

General Differences Between B2C and B2B Sales

	B2C	B2B
Purchase Process	Direct, impulsive, quick	Long, phased (consideration, research, selection, purchase)
Nature of Purchase	Emotional (status, desire, price)	Rationale (business value)
Touch Points	One (typically)	Multiple
Nature of Buying Cycle	Simple	Complex
Duration of Buying Cycle	Short (Days, Hours, Minutes)	Long (Weeks, Months, Years)
Decision-Makers	One with few influencers	One with many influencers
Funding	Cash, Credit Card/Discretionary	Purchase Order, Budget/Planned
E-Commerce Friendly	Yes	No. Typically requires face-to-face
Size of Deal	Lower value (typically)	Higher value (typically)
Sales Process	Product-driven	Value-driven
Market	Large, diverse	Small, targeted
Facilitated By	800 numbers, online shopping carts, retail POS, money-back guarantees, free trial period, discounts, sales incentives	Sales, demonstrations, contracts, purchase orders, white papers, case studies, webinars

If you appreciate how the B2B buying process has more influencers, is more value-driven, and is a much longer sales process, you will also appreciate the value of applying, for example, a multi-touch revenue attribution framework for B2B marketing analytics. A FTMA or LTMA model, on the other hand, may work just fine with many B2C offerings.

[1] *State of B2B Lead Nurturing Survey, Bizo*
http://media.bizo.com/www/marketing/WP/Bizo_WP-Oracle_State-of-B2B-Lead-Nurturing.pdf

[2] *2011 Marketing ROI & Measurement Study*, Lenskold Group.

[3] *2013 Lead Generation Marketing Effectiveness Study*, Lenskold Group/Pedowitz Group, November 2013.

[4] "[A 2012] Corporate Executive Board study of more than 1,400 B2B customers found that those customers completed, on average, nearly 60% of a typical purchasing decision—researching solutions, ranking options, setting requirements, benchmarking pricing, and so on—before even having a conversation with a supplier"; *The End of Solution Sales,* article, Harvard Business Review, July 2012, by Brent Adamson, Matthew Dixon and Nicolas Toman.

[5] SiriusDecisions, "Three Myths of the 67% Statistic", 2012.

[6] *Digital Marketing Budgets Increase, Reflecting Focus on Customer Experience,* Gartner's Digital Marketing Spending Survey, 9 January 2014.

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