



DEVELOPING A BUSINESS CASE FOR MARKETING AUTOMATION:

Quantifying Benefits and Predicting Improvements

Introduction

You've evaluated all of your marketing automation options, and now it's time to convince management that this investment is worthwhile.

Having worked with a number of marketers facing this task, there's one thing we know for certain: using the website ROI calculator du jour is not going to help. Why not? First, most companies today lack the organizational alignment and processes required to yield exceptional results from a software tool alone. But most ROI tools assume you've got people and process nailed down, so it'll just be a matter of optimizing your funnel and tweaking MQL, SAL, and SQL.

We've learned that you need to do more than calculate conversion rates. To build a business case, you need to ensure that your company is ready to enter the world of marketing automation.

Building a Business Case

In today's world of budget cuts and scrutiny, the best way to ensure your own success is to have an air-tight business case. And you need to be willing to stand behind it.

Sales organizations are now competing in a new world, where the buyer has more control than ever. Effective marketing programs that nurture the customer, score leads, and measure results are quickly becoming table stakes in almost every industry.

To show your executive team how marketing automation can ultimately help your business see results, there are a few items to keep in mind as you build your case. This whitepaper goes into detail about the critical pillars of marketing automation success, and will help you begin building your business case.

The Need for Organizational Alignment

The first step of marketing automation readiness is strategic alignment between sales and marketing. For example, what are the primary objectives of your sales organization? How will the marketing team support those objectives? Achieving alignment between marketing and sales departments is the largest opportunity for improving business performance today. When marketing and sales teams align around a single revenue cycle, they can create dramatic improvements in marketing ROI, sales productivity, and, most importantly, top-line growth.

Ask yourself: is your sales team looking to expand into new markets or to harvest existing accounts? The marketing efforts and tactics needed to support these two cases are completely different, and won't be accounted for by an online ROI tool. As with any business case, you'll need documented buy-in from all stakeholders, which means that everyone's objectives must be aligned. What is the problem you're trying to solve?

The next step is to discuss and resolve any issues that might arise from a new set of processes and systems. Before you can make a case for marketing automation, for example, you'll need agreement on what a sales-ready lead is, and how to manage leads and contacts across the enterprise. Again, without a clear understanding of these issues, how will you ever get the results you want?

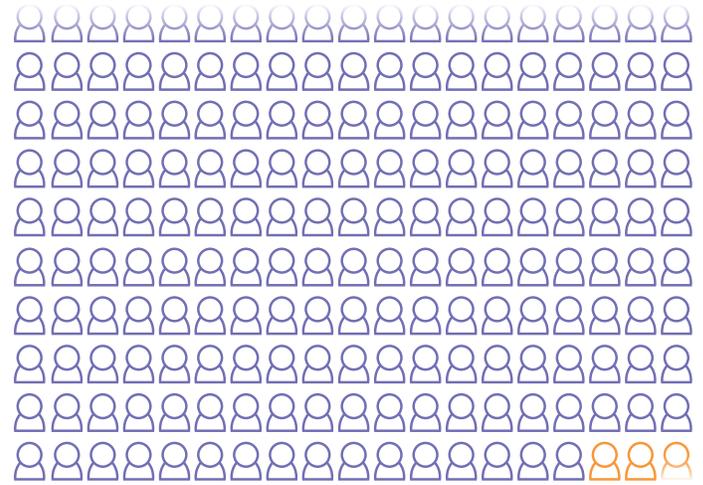
Quantifying Benefits

Once you've clearly identified and aligned your strategies and objectives, you're ready to start quantifying the potential benefits of your marketing automation solution. One challenge here is that many organizations are low on the marketing automation maturity continuum, meaning that they're still using marketing automation as a glorified email system. In fact, very few marketing organizations even have the metrics or data to identify marketing's contribution to revenue, let alone predict future contributions. Best in class companies, on the other hand, are benefiting significantly from their investment. With marketing automation, marketers can tie program investment to actual business results.

The good news is that if you're able to identify metrics like deliverability rates, opens, clicks, and (most importantly) your sales close/win rate, you're halfway there. The key is being able to determine your Net Close Rate, or the rate at which leads enter your funnel and convert to revenue. This is your baseline to the business case.

Net Close Rate is calculated by determining how many touches your digital marketing team has attempted (e.g. emails sent) and how many of those convert into closed/won opportunities. Sirius Decisions estimates that the average B2B company closes 2.8 out of every 1,000 inquiries.

Average B2B Company: 2.8/1,000 Inquiries



Once you're able to baseline your Net Close Rate, you can start looking at how your marketing efforts, and in turn your marketing automation solution, can be optimized to drive a higher Net Close Rate. We've seen this rate vary quite a bit with some best in class companies—as high as 22 closed/won out of a 1,000, down to below 1/1,000. This is exactly why you need to know your baseline—a realistic prediction for your company can't be based off another company's stats. If you're at 2.8/1,000 today, and your business case suggests you can get to 3.8/1,000, that would be a pretty conservative improvement. In that example, if your average deal size is \$1,000, your incremental benefit would be \$1,000 for every 1,000 inquiries your digital marketing team can generate.

As we've said, the math is pretty simple. But what happens if half the revenue being generated by sales is new business, and the other half is renewal business? What are the different marketing tactics used for each strategy, and what are the corresponding Net Close Rates? This complexity will extend across different product families and divisions. Your business case needs to account for these nuances, because senior management will certainly expect that *you* have accounted for them.

Predicting Improvements

The next challenge is justifying the improvements you're predicting. While moving from a 2.8 to a 3.8 Net Close Rate sounds great, your leadership team will also want to know:

1. Are there companies similar to ours who are successfully using marketing automation?
2. What adjustments will be required of our teams in order to benefit?
3. Is marketing willing to take a seat at the revenue table and be accountable?

Provide benchmarks and proxies to ensure your business case is tight. Benchmarks are either third-party industry reports that substantiate your recommendation, or another (similar) company who has achieved benefits with a similar project. Most of the time, you'll find that benchmark data doesn't give you the whole picture. Proxies, on the other hand, will allow you to compare apples to apples. For example, you might not know the number of inquiries used in a case study to determine the conversion rate or Net Close Rate, but you do know how many inquiries you have. Use that number as a proxy or plug, creating reasonable comparisons and calculations.

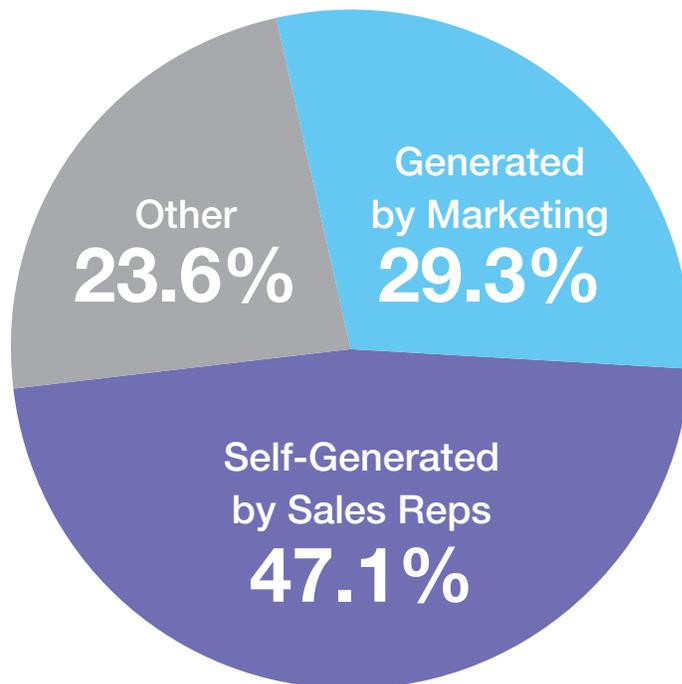
A peer analysis is a great way to summarize how your company compares to others, and how it compares to the third-party benchmark you've provided. Pick a very similar peer, to make sure you're still comparing apples to apples. More importantly, select a peer group that your leadership views as valid (competitors are especially great if you can find the data). While most companies view their business as unique, companies within the same industries typically market themselves similarly, and see similar results with marketing automation.

When comparing your company to another, try to use metrics that represent the lowest common denominator, like deliverability rates, calls-to-action (CTAs), and close rates. Don't get caught up on MQLs, SALs, and SQLs. Those metrics are used to define your funnel, but they don't define a customer experience that can be measured and improved over time. As your journey takes you closer to true revenue performance marketing, you can start using more sophisticated metrics to measure your funnel.

The Word from Sales

Although today's marketer under pressure from many sources, the most pressure comes from sales. Sales is also undergoing a transformation, as prospects are typically 70% through their buying process before a salesperson is even aware of a prospect's interest.

Sales is struggling to win in this new digital world and will turn to marketing for help! According to a recent study published by CSO Insights, marketing generates only 29.3% of all sales leads. As a result, in many sales organizations today, the sales team itself is still generating about 50% of the leads they work!



CONCLUSION

The majority of this ebook focused on revenue enhancement benefits, and that's for a good reason. But we all understand that revenue is not the only area in which you'll benefit from a marketing automation solution. Think of the measurable benefits, from the initial inquiry to the sale, as rungs on a "measurement ladder". The goal is to reach the highest possible rung on the ladder, achieving both quantifiable and qualitative benefits. But with an eye on limiting scope and effort, start with the low hanging fruit—in other words, *revenue*.

Remember, when presenting your business case, less is more. Be concise and limit the length of your deliverable. If your leadership team has questions, they will ask.

Marketo (NASDAQ: MKTO) provides the leading marketing software for companies of all sizes to build and sustain engaging customer relationships. Spanning today's digital, social, mobile and offline channels, Marketo's® customer engagement platform powers a set of breakthrough applications to help marketers tackle all aspects of digital marketing from the planning and orchestration of marketing activities to the delivery of personalized interactions that can be optimized in real-time. Marketo's applications are known for their ease-of-use, and are complemented by the Marketing Nation™, a thriving network of more than 250 third-party solutions through our LaunchPoint™ ecosystem and over 40,000 marketers who share and learn from each other to grow their collective marketing expertise. The result for modern marketers is unprecedented agility and superior results. Headquartered in San Mateo, CA with offices in Europe, Australia and a joint-venture in Japan, Marketo serves as a strategic marketing partner to more than 3,000 large enterprises and fast-growing small companies across a wide variety of industries. For more information, visit www.marketo.com.

