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THE 4 PILLARS OF EFFECTIVE DEMAND GENERATION

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EXECUTIVE SUMMARY

Demand Generation is a full organizational discipline. This paper examines the overall discipline from a strategic standpoint. We look at the key factors which typically separate effective Demand Generation programs from their ineffective counterparts. We also address the foundation of an effective Demand Generation strategy and offer some tactical recommendations within each of the four strategic pillars (Process, People, Content and Analytics). Key takeaways include:

- As of last year, most enterprise Demand Gen programs (58.5%) are considered ineffective against targeted business objectives.
- Only 2.8% of enterprise Demand Gen programs are exceeding expectations.
- B2B Demand Gen programs that employ predictive analytics are 4 times more likely to meet or exceed expectations than their counterparts that don't.
- Customer-centricity is a crucial success factor for enterprise Demand Gen program.
- The digital revolution has greatly changed purchase processes and decision making for products/services with complex sales cycles.

- A blended Marketing/Sales organizational model is more advantageous than a traditional siloed functional model for achieving Demand Gen cost and revenue targets.
- Effective content generally requires a disciplined communications strategy to every persona of the Buyer Team at each customer touchpoint
- The structured data your company collects from every touchpoint interaction is a valuable strategic asset that can dramatically improve your Demand Gen ROI if leveraged correctly.
- Demand Gen technologies continue to evolve and expand.
- While Demand Gen technologies can greatly improve the speed, quality and overall efficiency of your Demand Gen programs, they should be considered tools to execute your strategy rather than a strategic pillar unto themselves.

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WHAT IS DEMAND GENERATION?

While the digital revolution has largely been a boon for marketers, it has also presented clear challenges in recent years. Specifically, how do you differentiate yourself from your competitors, stand out from the crowd and identify your business as a leader in a competitive marketplace? For a growing number of companies, particularly those with a long sales cycle, the answer to the puzzle has been Demand Generation.

In theory, Demand Generation is "the focus of targeted marketing programs to drive awareness and interest in a company's products and/or services." The scope of the discipline includes:

- **Brand Building Campaigns**
- **Content Rich Inbound Marketing** (Social Media, Blogs, eBooks, Podcasts, etc.)
- **Specialized Outbound Marketing**

Demand Generation defines your organization's personal relationship with your leads, prospects and customers. However, unlike traditional lead generation and customer acquisition programs, the objective of Demand Generation is to build and nurture key prospect and customer relationships for the long term.

An ideal Demand Generation platform establishes your organization as the expert in your line of business. Your customers turn (and return) to you for solutions to their most difficult challenges and purchase decisions. They also trumpet your products and services within their peer circles.

From a P&L standpoint: the net effects of an effective Demand Generation program are two-fold:

1. It increases the lifetime value (LTV) of your customers.
2. It decreases the cost to acquire new customers (CAC). In addition, an effective Demand Generation also increases market share over time.

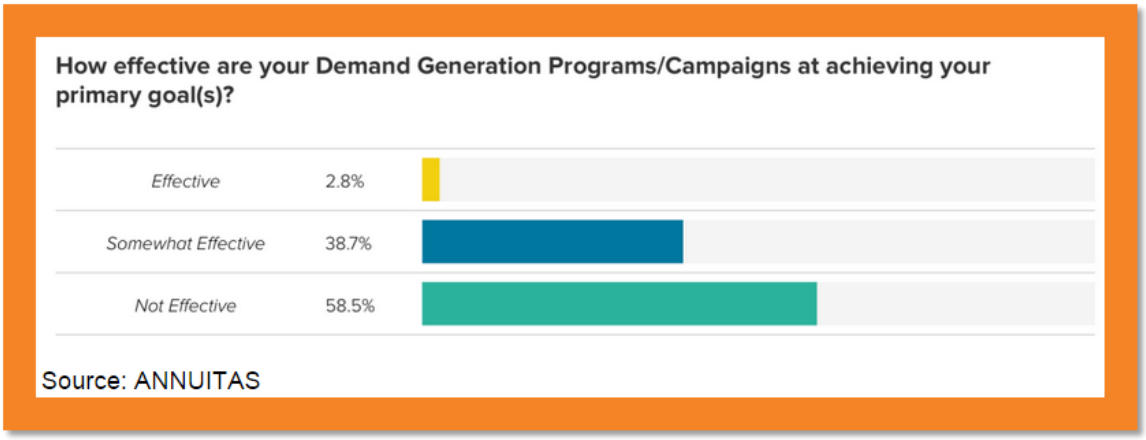
Several early adopters and innovators have been very successful with their Demand Generation efforts. For example, companies like Five9 and HubSpot have firmly established themselves as leaders in their respective B2B marketing service categories largely due to their well-executed Demand Generation programs. Consequently, many other companies (across a vast ray of industries) have jumped on the Demand Generation bandwagon in recent years.

EFFECTIVE DEMAND GEN REQUIRES A COMPREHENSIVE BUSINESS STRATEGY

In aggregate, are Demand Generation programs delivering better results than traditional lead generation campaigns? More to the point, have the adopters generated an increase in lead quality, conversion rates and an improved marketing ROI?

The answer to these questions really depends on with whom you talk. For example, the 2016 Annuitas benchmarking survey of 100 B2B enterprise marketers indicates that only 2.8% of the respondents believe that their Demand Generation programs are very effective. Conversely, a whopping 58.5% of the respondents said that their programs are largely ineffective:

B2B DEMAND GENERATION EFFECTIVENESS



In contrast, a recent survey by Demand Metric reveals another side to the story. While only 30% of study participants report having a B2B demand generation process that meets their objectives, respondents with advanced business analytics capabilities report significantly better results. Indeed, "when predictive analytics are applied, process performance soars, effectively meeting the objectives set for it over half of the time."

B2B DEMAND GEN EFFECTIVENESS: WITH AND WITHOUT PREDICITIVE ANALYTICS

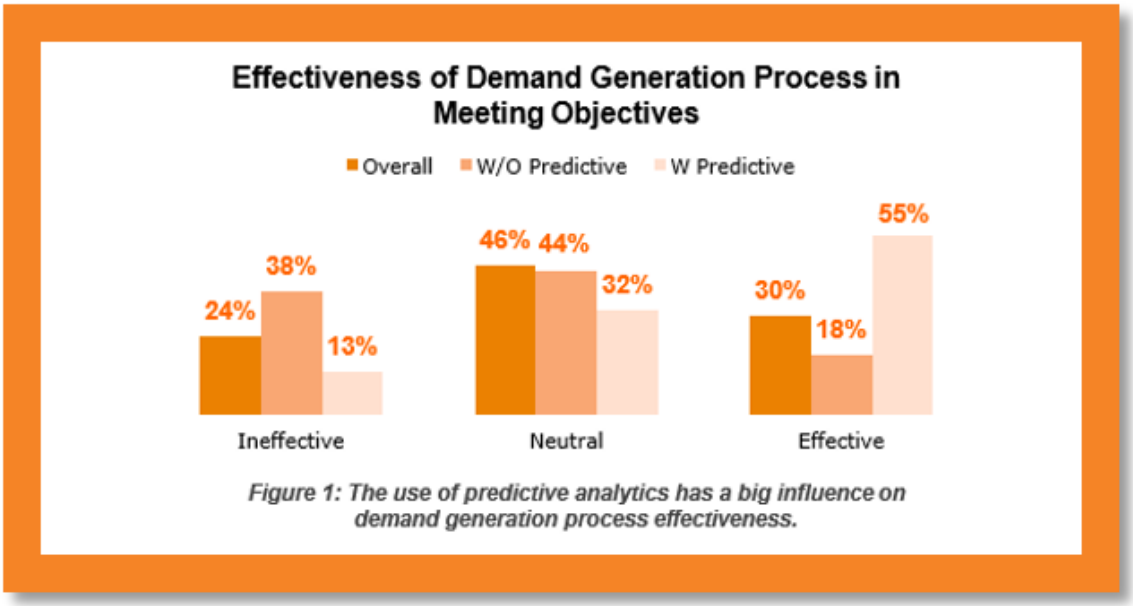


Figure 1: The use of predictive analytics has a big influence on demand generation process effectiveness.

The Demand Metric survey results suggest that many marketers aren't completely engaged in the full discipline of Demand Generation. While the Effectiveness Rate for companies that apply analytics is significantly better than their peers who don't (55% vs 18%), even that figure seems disappointing. Obviously, for most of the marketers polled in both surveys, something seems to be lacking or missing in their Demand Generation formulas. In our experience, there seem to be two additional critical factors that many organizations overlook or completely ignore when they decide to adopt demand generation methods: organizational structure and process management.

For your Demand Generation program to be truly effective, your organization needs to be structured around your customer rather than your products or services. As Erin Kelley of Annuatas noted a couple years back, "If you don't know your buyers inside and out, there is little guarantee that your demand generation programs will work in the way you expected."

It's our belief that many companies that experience failing or below expectation results from their Demand Generation efforts haven't fully embraced the Demand Gen concept as an over-arching business strategy. Like any key strategic initiative, your Demand Generation strategy requires a clear commitment from C-Level leaders and buy-in from every layer of subordinate management to truly be successful.

WHERE MANY ORGANIZATIONS GO WRONG

Industry analysts predict that Demand Generation budgets will continue their upward trend. According to the 2017 Demand Generation Benchmark Report, two-thirds (67%) of marketers expected to increase their budgets last year. Furthermore, one-third (33%) of marketers anticipated a rise of 20% or more. Similar budgetary increases are also expected for 2018. Consequently, it's a near certainty that CEOs and CFOs will soon begin to demand better results from their Demand Generation investments. If marketers continue to under-perform, you can bet that heads will start to roll.

That said, blame for ineffective Demand Generation programs shouldn't be solely directed at Marketing and Sales executives. We'd argue that many organizations have attached themselves to the DG buzzword without understanding the full nature of the discipline. Consequently, it seems that many companies focus on tactics while missing the big picture.

For example, when C-Level professionals are asked, "What exactly does Demand Generation entail?" Many of them will point to content creation or marketing automation (or a combination of the two). Better yet, scour job boards and you'll find several Manager / Director level positions entailed with the responsibility of "Leading" Demand Generation efforts within companies large and medium and small alike.

We believe that tactically reliant Demand Generation recipes are almost certainly destined for failure. In our experience, we've found that tactical proficiency is only one factor in becoming an effective Demand Generation marketer. You must realize that Demand Generation is a complete business discipline. Ergo, for a company to be truly effective in the discipline it must embrace Demand Generation as an overall business strategy. For the strategy to succeed, your company must first become a customer-centric organization. As we've learned over the years, this often requires a measurable degree of organizational restructuring, realignment of departmental duties, disciplined communications and a commitment to enterprise analytics.

Effective Demand Generation is an enterprise-wide endeavor. It requires a firm foundation built upon each of the four strategic pillars:

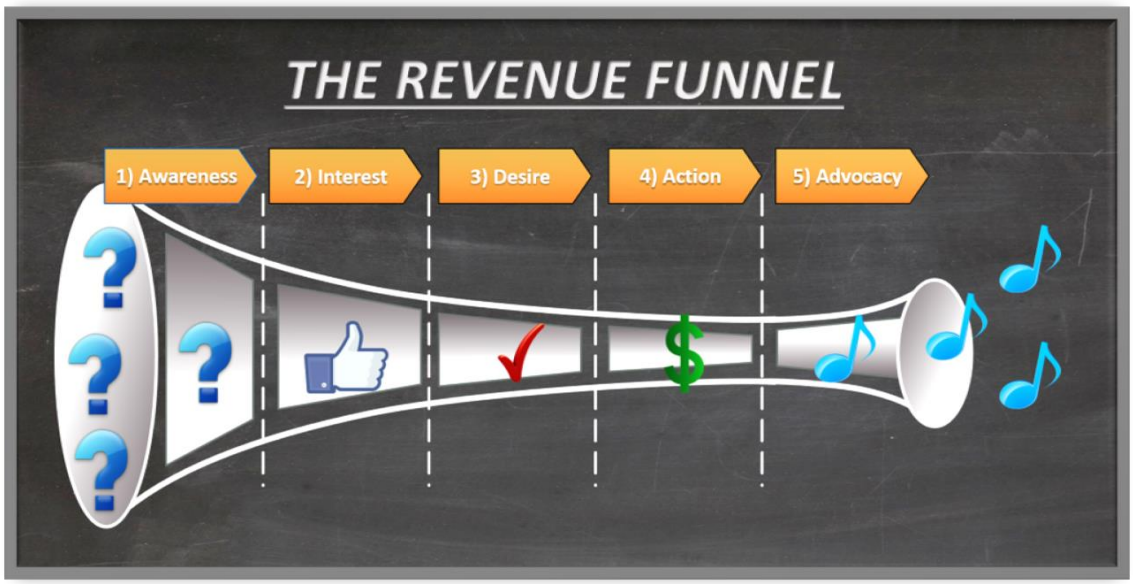
Whether your company is new to the discipline or you're a seasoned player, you need to ensure that you're executing the fundamentals efficiently and effectively in each of the four key areas. Otherwise, you're likely to be steamrolled by your competition.

Next, we'll address the four strategic pillars of successful enterprise Demand Generation programs and examine some of the fundamental tactics that distinguish the champions from the also rans.

PILLAR #1: YOUR PROCESS

Demand Generation defines your organization's personal relationship with your leads, prospects and customers. Every touch-point offers an opportunity to strengthen your relationship with your customer. Consequently, your organization needs to be structured around your customer rather than your products or services to fully optimize your Demand Generation efforts.

Unlike traditional Lead Generation programs where interested (warm) prospects were turned over to a sales professional to close deals, Demand Generation programs nurture the relationship through the entirety of the Revenue Funnel. In other words, you're not just looking to close a deal. Instead, you're seeking to establish long-term relationships with your buyers where satisfied customers become loyalists and loyalists become vocal brand advocates.

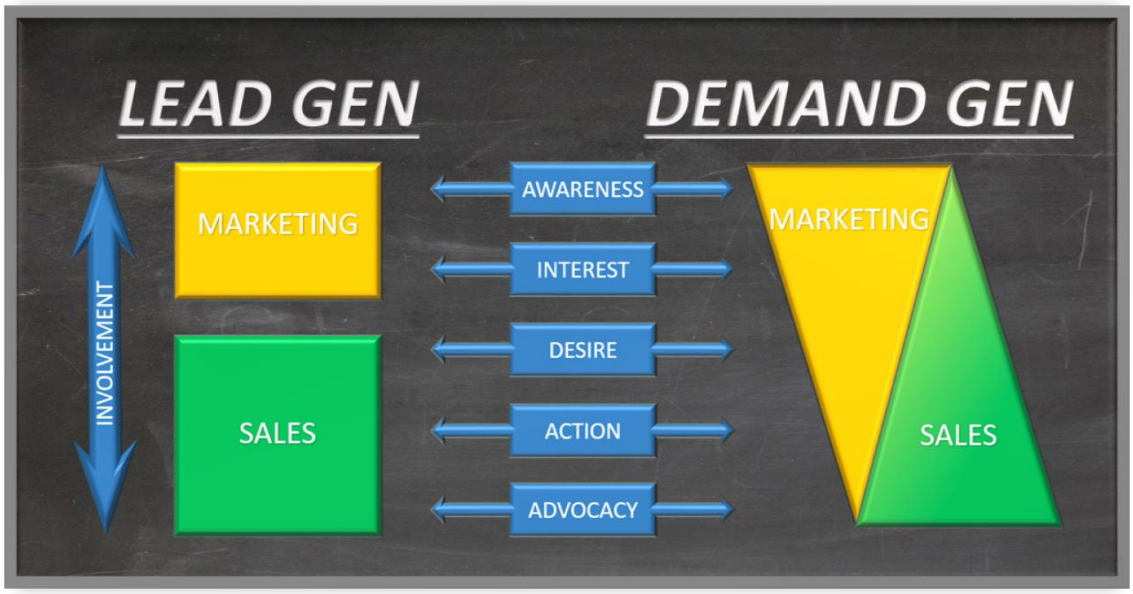


So why is having a dynamic, ongoing relationship with your customers so important these days? First and foremost, the digital revolution has dramatically altered buying processes and decision making over the last few years. In effect, customers are more knowledgeable and better informed than ever before. They're turning to friends, colleagues and other key influencers to research their purchases long before they ever engage with your sales team.

Recent studies by Forrester Research, DemandGen and CSO Insights all reveal some startling figures that support this claim. For instance:

- 74% of business buyers conduct more than half of their research online before making an offline purchase. – Forrester
- 72% of buyers turn to peers for relevant content when researching purchasing decisions. – DemandGen
- Companies with superior Demand Gen platforms generate 50% more sales-qualified leads and a 33% lower cost per lead – CSO Insights

These figures indicate that your customers' needs and buying patterns must be at the center of your Demand Generation strategy. The stats also suggest that you need to actively engage with customers at every point in the revenue funnel principally on their terms.



An effective demand generation process does just that. It more closely aligns your Marketing and Sales functions and it creates a seamless buying process that eliminates the gap between Interest and Desire.

PILLAR #2: YOUR PEOPLE

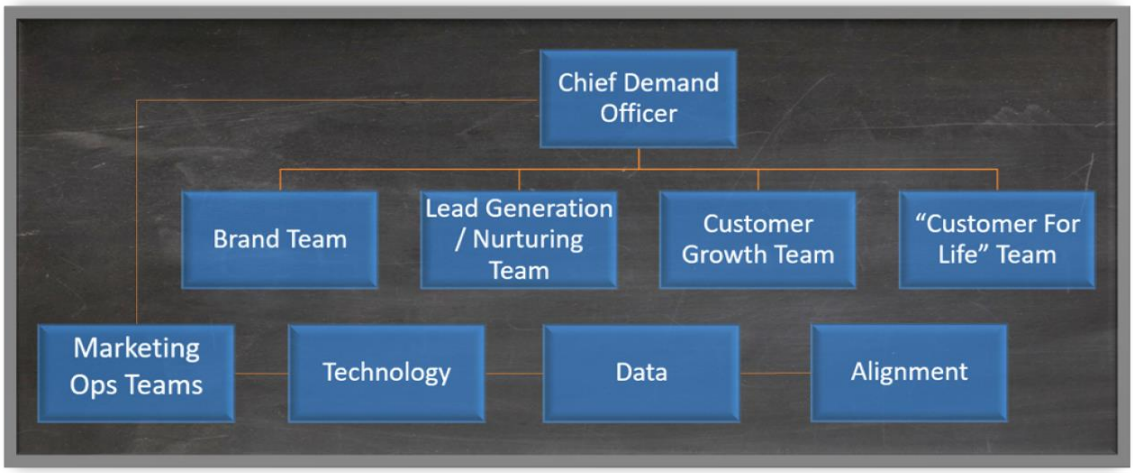
Traditional business models typically view Marketing as a cost silo and Sales as a revenue silo. Effective Demand Generation generally requires a blended model approach. In our experiences, we've found that a combined marketing/sales organizational model, built around the touch-points in the revenue funnel, typically works best.

For startup companies, adopting a blended organizational model is usually a relatively easy task. Conversely, established businesses with traditional lead generation models seem to experience difficulties. To be successful, you will most likely need to change the skill-set of your personnel, the reward structure based on changes in goals and performance metrics and the organizational structure to align to the buyers' purchase path. This requires a shift away from the traditional way of thinking of both marketing and sales.

It's important to remember that organizational change Is difficult and that people sometimes resist the efforts. Your marketing personnel and your sales team need both support and leadership to make the strategic shift pay off. Consequently, clear communication of your overall mission, vision and objectives from the top down are critical for transition.

As we mentioned earlier, effective Demand Generation processes bridge the gap between marketing and sales. Over the years, we've found organizations that appoint a C-Level leader to oversee the whole process are generally more successful than their peers who draw territorial lines between marketing and sales functions. Therefore, we strongly urge our clients to appoint a "Chief Demand Officer" (or a Chief Revenue Officer if you prefer), who owns the he entire Customer Life Cycle.

The CDO/CRO leads a team that is responsible for meeting the revenue objectives for your products or services. Their functional org chart generally looks something like this:



The CDO/CRO's functional teams exist to create awareness, nurture prospects, close sales, up sell, cross sell and strengthen relationships. Support staff (Marketing Ops) support the entire organization. Along with traditional sales and conversion metrics, two critical financial measurements tie the teams' activities together:

- **$CPC** ($ Cost per Customer - The total amount spent to establish, build and maintain a customer relationship)
- **$LTV** ($ Lifetime Value - Total revenue generated from an individual customer relationship)

Again, we stress that effective Demand Generation is built around customer-centric strategies rather than product-centric strategies. Customer needs, preferences and behavior should drive activities. Organizing your people around the customer generally improves your ability to execute and typically streamlines your operating costs in the long run.

PILLAR #3: YOUR CONTENT

Once you've fully committed to a customer-centric business model, it's time to turn your attention to your content strategy. Like every marketing program, success is a matter of being in the right place at the right time with the right solution. An ideal Demand Generation program establishes your organization as the expert in your business category of business. Therefore, every interaction with your prospects and customers should affirm and strengthen the perception that you are the leading solution in your category.

First and foremost, you need to find and target the best touch points to engage customers. This isn't an exact science. Tactics vary by industry and product type. Additionally, every business has varying strengths and deficiencies. Therefore, we strongly suggest you begin with best practices that seem to fit your model. Test them out for yourself and quickly adapt and expand the ones that seem most promising. Here are some basic tactics to consider through the various stages of the revenue funnel:

With this model in mind, here are our five fundamental recommendations for developing an effective content strategy:

1. **Ensure That Your Branding Is Consistent!**
   Brand consistency is crucial for success! Consistency is the key to building awareness. It also builds momentum through the other four stages of the revenue funnel. Effective branding delivers economic, experiential and

emotional value to your customers. It encourages repeat purchases and drives advocacy.

Keep in mind that your company or product logo alone does not equal your brand! Branding is a blend of art and science and includes several very important elements. Among the most important:

- Pitch (what you tell the world about you)
- Voice (purposeful and consistent word / prose styles)
- Visualization (consistency and differentiation)
- Expertise (leadership)
- Execution (quality of your product or service)

Your brand should resonate through each and every touch point with clarity. This includes your advertising, your direct marketing materials, your content programs as well as your presentations, product demos and one-on-one interactions with prospects and customers.

2. **Emphasize Digital Content/Digital Distribution!**
The traditional purchase decision journey is losing its relevance. Most customers no longer follow a linear path to purchase. In fact, Google Mobile Insights recently revealed that 76% of people who conduct a product search on their smartphone visit a business within 24 hours & 28% of those searches result in a purchase!

It's obvious that technology is influencing each stage of the journey. Furthermore, the rise of social media coupled with mobile and targeted messaging has created new and very influential touch points. The decision journey is now a cyclical loop with customer brand advocates playing a substantial role in the buying process.

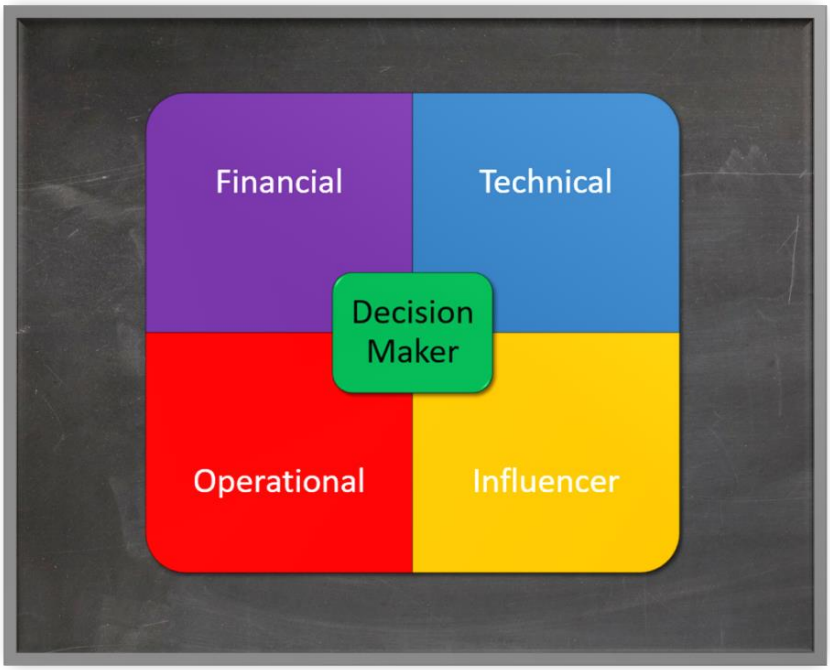
The bottom line: digital largely influences and drives decision making these days!

3. **Target Messaging To EACH Member of The Buyer Team!**

Take a step back and examine your company's definition of a customer. If you're focusing your full attention on the Decision Maker, you're likely costing yourself business.

A recent DemandGen survey reveals that nurturing the full Buyer Team relationship produces a 20% increase in overall sales conversions! This means that the person who signs the deal with your company generally pays attention to the thoughts and opinions of their peers, direct reports and outside influences before making their purchase decision.

In effect, customer behavior is the aggregate of all buyer team interactions. Audience segmentation and tailored messaging strengthen the overall buyer team relationship and generally improve conversion rates.



4. **Don't Underestimate the Importance of Influencers!**
   As TapInfluence notes, Influencer Marketing is a strategy that "focuses on using key leaders to drive your brand's message to the larger market." Rather than marketing directly to prospects, you instead inspire, hire, and/or pay key Influencers to advocate on your behalf.

Influencer marketing generally pays substantial dividends on a relatively modest investment. A recent Nielson/TapInfluence study indicates that Influencer marketing content delivers a Return on Investment (ROI) 11 times higher than traditional forms of digital marketing. Additionally, Influencers generally create their own content and/or integrate your talking points into their delivery feeds. This means that Influencers expand your organization's digital content capabilities and help with SEO (search engine optimization) to a certain degree.

5. **Ensure That Campaign Tracking / Performance Measurement Is a Top Priority!** Demand Generation is an outcome-driven discipline. It's about pipeline contribution, customer lifetime value and increasing your company's market share. If you're spending time or money to create content, we presume you want to spend both wisely. Therefore, be certain that you track and measure all of your related marketing and sales activities to a granular level.

   An additional note on the subject of performance measurement: it's a myth that content programs cannot be quantified or effectively analyzed. Frankly, digital content offers a wealth of data when the programs are executed properly. As a result, Demand Generation is an ideal pairing for predictive analytics.

   Remember that we now live in an era where Big Data is now accessible and actionable to a great degree. That said, it takes the right tools and the right skill sets to organize, access and analyze the wealth of information that content programs create.

PILLAR #4: ANALYTICS

Although it doesn't directly appear on your balance sheet, your company's structured data is an extremely important and valuable business asset. To a large degree, your ability to access, analyze and interpret the data generated through all your customer interactions drives the effectiveness of your Demand Generation campaigns. As a recent report by DemandMetric/Radius demonstrates:

- Over 50% of companies with an ineffective Demand Generation process indicate their customer data richness is lacking.
- 47% of ineffective companies reported severe data accuracy issues.
- Marketers who have adopted predictive analytics are much more likely to also have an effective Demand Generation process.
- Over 90% percent of companies with effective Demand Generation processes are able to use their customer and prospect data to execute various marketing campaigns.

We recommend that you take stock of your data as early as possible! Missing, inaccurate or poor data quality impedes effective Demand Generation as well as the successful application of predictive analytics. You may wish to consider a full audit of your CRM applications, gathering and storage systems, personnel, as well as the depth, accuracy and quality of your structured data. That way you can quickly begin to harness your assets and pull together an action plan to address your deficiencies.

A real opportunity exists in most industries to develop a sizable competitive advantage through structured data. Believe it or not, the DemandMetric/Radius report suggests that only 44% of CMO's understand predictive analytics well. Furthermore, only 11% of those that do understand predictive analytics have implemented or are using predictive analytics for Demand Generation activities. Even more surprising, only 55% of companies that employ predictive modeling are using their data to find new revenue opportunities!

We'll state once again: Demand Generation programs are an ideal pairing for predictive analytics. Even if you're a very lean organization, commercial solutions do exist to help integrate predictive analytics into the process. If your current Demand Generation campaigns are yielding less than desired results, chances are there's room for improvement if you unlock the full power stored within your enterprise data systems.

Effective Demand Generation is an enterprise-wide endeavor. It requires a firm foundation built upon each of the four strategic pillars we described above. Whether your company is new to the discipline or you're a seasoned player, you need to ensure that you're executing the fundamentals efficiently and effectively. Otherwise, you're likely to be steamrolled by your competition.

CONCLUSIONS

Here are a few of the key lessons we've learned over the years for building, launching and managing an effective enterprise Demand Generation program:

1. START WELL

- **Strategic Planning is Critical**
  The most ineffective Demand Generation processes experience difficulties in the early phases of the process, particularly with top-of-funnel activities.
- **Nurture Your Data**
  It is impossible to make up for lack of robust data and poor data quality later in the funnel without somehow obtaining missing contact information and other data that indicates lead quality or propensity to purchase.
- **Leverage Third Party Data**
  Most marketers understand the tradeoff between the quantity of leads collected and the amount of information leads are asked to provide. A better solution than simply elongating landing page forms exists in the form of third-party, supplemental data that marketers should investigate.

2. TARGETING DRIVES RESULTS

- **People, Process and Content Come First**
  Despite what you might have heard, Demand Generation is not about marketing automation. Demand Generation is a strategy that Engages, Nurtures and Converts your Buyers. The tools, data and technology for doing so are accessible to anyone that has the will to do it. Marketing automation is simply a tool that, when used effectively, can drive engagement.
- **Every Touchpoint Offers Insight**
  To get the highest possible return on investment, you must segment your data to profile your best customers and then go find more like them.
- **Conversion Shouldn't Be Your Only Objective**
  Segmenting can point you toward new revenue opportunities with new or current customers and guide future sales and marketing investments.

3. PREDICT YOUR FUTURE

- **It's a Myth That Content Programs Can't Be Quantified**

The reality is that the Demand Generation process is an ideal pairing for predictive analytics.

- **The Impact of Predictive Analytics Is Dramatic**
  Predictive analytics provide a powerful lever for improving demand generation process effectiveness.
- **Hire Qualified Personnel for Decision Support Roles**
  While commercial solutions exist to help integrate predictive analytics into the process, they are quite complex. Predictive analytics is to many marketers the equivalent of theoretical physics: only a few, highly educated specialists can understand or apply it.

4. PREPARE FOR CHANGE

- **Demand Generation Is an Organizational Undertaking**
  You will most likely need to change the skill-set of your personnel, the reward structure based on changes in goals and performance metrics, the organizational structure to align to the Buyers purchase path and the traditional way of thinking of both marketing and sales.
- **Understand That Change Is Hard and People Will Resist**
  Your Buyers, marketing personnel and sales team need support and leadership in order to make Strategic Demand Generation pay off.
- **Leverage Change Management Best Practices**
  Change Management is key to implementing and adopting a Strategic Demand Generation Mindset.

You may be wondering why we didn't list technology (e.g. automation systems, adaptive control technology, CRM systems, etc.) as a fifth pillar. While the right technology certainly speeds delivery, improves effectiveness and can also lower costs, we believe that technology systems are complementary tools to each of the four pillars we've described in this paper.

ADDITIONAL RESOURCES

- *Annuitas* 2016 Demand Generation Survey Benchmarking Report (Full Version)
- *Demand Metric* 2016 B2B Demand Gen Predictive Analytics Benchmark Report
- *Forrester* Research and Insights
- *Tapinfluence* Resource Library
- Miller Heiman Group's *CSO Insights*

ABOUT CHI RHO CONSULTING

Chi Rho Consulting is a strategic consultancy that specializes in Strategic Planning, Venture Capital, Demand Generation, Business Analytics and Marketing for startups and expansion stage organizations. We are based in suburban Atlanta, Georgia (USA) and serve select clients throughout the United States, Europe and Asia. Our strategic advisory services help clients develop viable business models, establish efficient operations and create profitable revenue streams.

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