A B2B MARKETING RESOURCE

How to Prove Marketing ROI

CaliberMind

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Setting the Scene

I want to know, by channel, for every dollar I put into marketing, how many do I get out in bookings?

To the CEO, this seemed like a very reasonable request. He couldn't understand why we couldn't look this up in a system and tell him the numbers by channel. His financial background had tidied up the world into balance sheets that tied out to the penny, and to him, there were no gray areas when it came to spending money.

There was a massive gap between how he thought of the world and how complex B2B sales cycles work.

I believe he's since burned through eight CMOs. This isn't a coincidence.

Fortunately, most CEOs are more receptive to the idea that marketers deal in a lot of gray areas and that sometimes estimates are the best we can do. From what we've experienced, this requires marketers to meet them halfway by measuring what they can and managing their budget responsibly by common business standards.

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What Makes Understanding Marketing ROI So Hard (& How Do We Fix It?)

B2B marketers selling technology understand that we can't draw a straight line from an ad impression to a closed-won opportunity. As of 2019, each opportunity had a buyer committee of 8-10 people. With a softened economy, we've seen that buyer committee inflate dramatically. Most opportunities over $10,000 need buy-in from the CFO now, which has introduced more friction to the buying cycle – and more personas to win over. Because of this, our sales cycles are lengthening, which means more touchpoints (the vast majority of them digital) are needed to convince a prospect to become a customer.

For those of you downloading this guide hoping for a silver bullet or single metric to convince the C-Suite and board that your ROI is stellar, I have bad news:

> *There is no silver bullet.*

And CEOs and boards looking for the magic number to judge marketing by are always going to be disappointed.

Your success isn't just tied to your ability to find equations to prove ROI. Your success depends on your ability to educate up about the realities of marketing data.

The good news is that this guide is developed to help you find proxies for marketing ROI and educate those around you that every B2B marketing department is faced with multiple truths:

- The buyer journey is not linear. Personas will engage, disengage, and re-engage multiple times before ever talking to sales.
- The most critical brand engagements a marketer orchestrates are often impossible to track.
- More than 80% of the buyer journey takes place online or through peer networks – before anyone engages with sales.
- Multiple tactics are needed to stay top of mind across multiple personas - marketers can't just get really good at one or two things and scale a business.
- Marketing doesn't stop at a closed-won opportunity.

As a marketer, you know these truths and are thinking through how to overcome them every day. However, we often forget to educate or market to internal stakeholders along the way. Succeeding at proving marketing ROI has everything to do with executing an internal education campaign.

You Can Lead a Horse to Water...

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In our experience, the most difficult executives to win over to a best-case estimate of marketing investment fall into two camps:

1. Leaders with a programming or computer science background

2. Leaders from an accounting or finance background

The first group tends to have deep faith in our ability to track everything one-for-one that takes place on a digital platform. They aren't up to date on the complexities introduced by GDPR, privacy-first design, and increasingly cautious buyers who are technologically savvy. They tend to rely on their experience with programming or QA work that involves known variables and being able to program a specific outcome. Unfortunately, (or fortunately, if you're looking at it from the perspective of a buyer) marketers have little control over what we can legally get out of the information being passed to our server or a third-party server.

But, the good news is that they'll typically understand the limitations once explained, especially if you back it up with third-party articles detailing the specifics.

The second group is a little more difficult to navigate in our experience. Their career has prepared them for fiscal responsibility, which often translates into a very linear worldview. They want to know for every investment exactly how much they will get out of it - because that's how they're used to balancing the books. They may want to stick to single-touch attribution and view sales associated with a single influential point in time, and it will be our job, together, to educate them about the realities of marketing and why it's a bad idea to correlate 100% of a campaign's value with a single point in time.

However, there are common business concepts that are broadly accepted and can work to your advantage. If we accept that the board and our peers need a correlation from spend to return, then we can use things like customer acquisition cost and digital spend to pipeline and bookings to estimate return on investment using concepts that are broadly accepted by the B2B community.

But before we go there, let’s talk about internal campaigns and how they relate to your team’s success.

Internal (Education) Campaigns

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If you listen to the political pundits, you don't need a statement to be based in fact for it to be believed. The statement needs to be believable and repeated. I'm not encouraging you to stray from what the data tells you - far from it. I am letting you know that you'll need to repeat yourself. A lot.

The same CEO mentioned in the introduction came to our department one week after a major event and asked how much revenue it brought in.

Our average sales cycle was 6-9 months.

Clearly, there was a big gap between the CEO's expectations and reality. But that responsibility can't squarely land on the CEO's shoulders. It was our job in marketing to spend the months leading up to this major event educating up about which metrics could be expected and when.

When it comes to a long SaaS sales cycle and tradeshow outcomes, the following expectations should be set (this is an example and is meant to be updated to reflect your team's processes and stats):

- It will take 2-3 days from the event to know how many qualified leads are being passed to sales.
- It will take 2 weeks (on average) for the sales team to follow up on these leads.
- It will take a month to know how many meetings we'll secure with fresh prospects and how much pipeline influence we can credit to the tradeshow on already in-flight deals and existing customers.
- It will take 4 months to know how much net new pipeline we sourced from the event.
- It will take up to 9 months to know how much net new bookings we saw from the event.

Communications should be sent well in advance of the event to set expectations. And repeated closer to the event. Weekly updates post-event should be sent out in the first month to report leading indicators and all the while we should be setting expectations that future updates will come out in quarterly announcements.

How you deliver these updates will depend on your organization. Some companies live on Slack, others email, and others have weekly all-hands meetings that make an ideal venue for a 5-minute speaking slot. Use whatever channels work best for your organization. Heck, we use multiple channels.

There are several benefits to adding an internal communication plan to every major investment:

- Results timelines are clear - and it's easy to point to an announcement when someone asks a question instead of repeating yourself even more than planned
- Key team members get positive exposure to the rest of the company
- Upper management has more visibility into what all marketing does to help the organization
- You'll build the reputation of a transparent organization, which builds cross-functional trust

That last bullet point only works if your team is brutally honest when an initiative falls flat and uses these failures as a learning opportunity. In my experience, failing honestly is just as important as celebrating successes when it comes to building trust across the organization.

Reporting ROI

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In our Board Reporting for B2B CMOs certification, we recommend sticking to high-level marketing output in executive meetings and speaking to the initiatives and tactics that drive those outcomes. This guide's talk track will emphasize the same approach.

We realize that marketers working at a private equity-backed company will be obligated to perform monthly and quarterly status updates per a private equity investor's specifications. There isn't really a way around catering to the board, and we don't recommend deviating from what they request. But we're certain you'll notice a lot of the core concepts in this guide.

Our outline includes report line items that are only possible with a healthy investment in marketing data infrastructure, and we realize that prioritizing the budget for analytics isn't always a reality for B2B marketers. We'll call out substitutions where we can.

Our goal with these metrics is to prove that "marketing is working" and demonstrate a positive overall impact on the business.

Pre-Meeting Prep

We recommend that you get familiar with some funnel statistics for your organization because the sales team will use them to convince the rest of the C-suite that marketing needs to increase lead production (see the CMO's Guide to Unlocking the Funnel to understand how to win a funnel debate). These are my first must-know stats any time I walk into a new company:

(Continued on the next page)

- Average time from First Touch to Close
- Average sales cycle (also known as the number of days from an opportunity create date or opportunity qualified date to opportunity close date)
- ASP or average sales price
- Pipeline coverage rates

Please work with finance and sales operations to understand how your organization defines each of these metrics.

The reason why we suggest memorizing them is that if you know a quota, you can back into how much pipeline you need to help generate by multiplying the quota by the pipeline coverage rate. You can also understand what kind of headstart you need to get on bookings quota if you understand the time from opportunity open to close and the time from first touch to close.

For example, if my average sales cycle is six months and it usually takes a month between lead generation and meeting creation, I know that I need to generate pipeline now to impact the bookings number two quarters into the future. What I do today can't impact the current quarter's number. I also know that I need four times the bookings quota in pipeline those two quarters out to hit my number. In other words:

4 x bookings quota in Q3 = pipeline needed now

When you understand timelines, you'll know what you can and can't control.

Customer Acquisition Cost (CAC)

It is critical to meet with finance prior to reporting this metric and making sure your analyst uses the same definition and reports the same results that the rest of the business does. Because this metric also includes salary information, they may need to get the total investment in sales and marketing in summarized format (no line-item details) from finance, or you may need to get the number from finance directly.

Usually, this metric is calculated as follows:

(Sales Expenses + Marketing Expenses) / # Customers Acquired

Again, salary and compensation data is typically included in the numerator. We caution against inventing a new metric without sign-off from finance or the CEO, and if you do invent a metric, don't use the same title or acronym. One of the quickest ways to lose trust with the executive team is to look like you're out of touch with how the business defines and uses core metrics.

Marketing Influence on Pipeline & Bookings

One of the harder truths to swallow as a new marketing leader is the realization that your team is held just as (or even more) accountable for hitting or missing a quarterly quota than the sales team.

With the dozens of interactions marketing creates on behalf of the brand with each prospect, it's difficult to tie pipeline and bookings dollars to these interactions. The closest proxy we have today is multi-touch attribution.

The eye-roll "multi-touch attribution" may have produced is understandable, however, if we implement attribution with the goal of representing each department's effort at the forefront, our outcomes are typically much better. This is because it's in our best interest to get cross-functional agreement on the specific touchpoints we include and ignore prior to spending the time building anything. This means we do include touchpoints outside of campaign activity and work together to create the fairest estimate we can. After you get an agreement on which touchpoints are necessary to include, we recommend using the simplest multi-touch model to explain.

This buy-in exercise must be completed before multi-touch attribution is ever used to estimate marketing's impact on pipeline and bookings. Without it, attribution fails every time. With it, you can present charts that break out contributions to pipeline and bookings by department without waging battle in the boardroom. (Trust me, this Utopia exists. I've lived it, and it was glorious.)

If you can't afford or haven't prioritized multi-touch attribution, you'll be reporting on opportunities, pipeline, and bookings sourced by marketing. This typically is estimated by a last-touch or first-touch single-touch attribution model in your CRM. Focusing on a single point in time under-values marketing's overall contribution, creates a fixation on lead generation or opportunity generation for the executive team, and makes advocating for campaign types that are more effective at awareness building or education difficult.

Whether you're using multi-touch or single-touch attribution, it's important to embrace the fact that marketing's performance is directly related to sales pipeline and bookings. The conversations will be harder when performance is down and understanding your funnel will be key to keeping the focus on improvement where it should be.

Early Indicators

Every business seeks predictable outcomes. This means developing consistency as early in the funnel as possible.

For example, if we can predict how many leads we need to generate one opportunity, that's great! We also need to understand how changing our marketing mix will impact that conversion rate.

The level of granularity your team needs to delve into is going to be much deeper than what you'll present to the board, but knowing what factors changed to impact results is an executive superpower. You'll likely have a marketing qualified lead or account goal, and that's okay. It's important to know this number if you're trying to predict how much pipeline you'll generate in the near term.

That said, it's critical to educate up that not every marketing campaign is meant to be a lead-generation tactic. We don't expect content plays or digital ads to necessarily lead to meetings set.

In addition to qualified leads or accounts, we recommend also reporting on the number of engaged accounts by month in early-stage startups to prove that awareness efforts are having an impact.

Metrics Covered By Other Departments (That Marketing Impacts!)

Other metrics that marketing leaders should have on their radar are churn, net retention rate (NRR), net promoter score (NPS), and lifetime value. All of these metrics should be looked at month-over-month and quarter-over-quarter to understand trends.

It's important for marketers to stay on top of these stats because they're often pulled into efforts to promote reviewing the company on third-party websites (like G2), collect case studies, and develop customer evidence that's useful for sales. When churn numbers are high and NRR is low, marketers also need to step up their customer marketing efforts.

It's not uncommon in smaller organizations that marketing takes ownership of customer enablement documentation with support from product marketing.

Problematic But Often Necessary: Advertising Efficiency

One of the first things many businesses cut during a downturn is digital advertising spend. It's no secret that proving ROI is very difficult, so the perception is that digital advertising leads to wasted spend.

Research also shows that companies that continue to spend effectively claim more market share than their competitors that cut digital advertising budgets. So it's important to be able to prove it's a tactic worth continuing!

Tools like Metadata.io and AdRoll provide users with a link to their CRM and what we'll loosely call "attribution reporting." We don't recommend confidently stating a pipeline and bookings number tied to digital advertising unless you've built or purchased an attribution tool that everyone trusts. Oftentimes, advertising tools assign 100% of the "credit" for an opportunity to any digital touch, which isn't a realistic representation of digital advertising's impact on other departments.

Instead, we recommend extracting the accounts that engaged with your ads during each period and reporting on the percentage of total opportunities that interacted with your brand. This gives you a penetration number that is more compelling than accidentally overstating the impact.

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Marketing Team Goal Setting

More and more marketing teams have variable compensation tied to pipeline and bookings goals, and we think this is a fantastic thing! It's also very tempting to tie variable compensation for direct reports to leading indicators. As marketers, we understand we can't control what happens once a lead is passed over to sales, but compensation plans have been used for ages to influence behavior, and bonuses are no exception to this rule.

If we give direct reports goals tied to lead volume, you may inadvertently incentivize the wrong behavior. Incentivizing against pipeline and bookings keeps the marketing team more aligned with sales by encouraging the team to think of every campaign through the lens of "Will this positively impact the bottom line?"

Whether we like to admit it or not, marketing teams have historically changed the definition of a qualified lead or flooded sales lead queues with syndicated content to hit a lead volume goal. This is rarely ever the right move to support the rest of the business. Goal setting plays a huge part in maintaining a positive relationship with the rest of the organization.

ADDITIONAL

Resources

The B2B CMO's Guide to Unlocking the Funnel

We've developed a guide, written by CMOs for CMOs, to help you take control of your marketing strategy and optimize your processes for better results. Download it here.

Board Reporting for B2B CMOs Certification

Enroll here to obtain this extremely helpful certification so you can nail the next presentation with the C-Suite or the Board!

B2B Funnel eBook: Aligning Sales & Marketing

If you'd like your operations team to run with a funnel project, send them the ebook on aligning sales and marketing through funnels,

Measuring Marketing: Finding a Balance Between Art & Science

To hear how other marketing experts navigate challenges, check out The Revenue Marketing Report podcast.