Become More Strategic
DEMAND METRIC

Sales & Marketing Alignment

Benchmarks, Insights & Advice

Statistically Significant Findings from 550 Survey Responses in June 2013

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INTRODUCTION

It seems intuitive that aligning the sales and marketing functions in an organization makes good business sense. The assumption about well-aligned sales and marketing teams is that better alignment should produce better performance in terms of sales achievement.

The goal of this study was to explore how the degree of alignment as measured across two dimensions – organizational structure and use of enabling technology – impacts revenue achievement.

Alignment exists along a continuum, ranging from none to complete alignment. Since "alignment" has different interpretations, this study chose to focus on shared goals as the indicator of alignment: if the sales and marketing functions within an organization reported strong or complete harmony with respect to goals, a high degree of alignment existed.

This level of alignment around goals implies that communication, understanding and mutual acceptance of goals exists, and quite probably that these goals were developed collaboratively.

Thank you to all those who participated in the survey. We really appreciate your input!

Jerry Rackley, Chief Analyst
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EXECUTIVE SUMMARY

A survey was used to collect the data for this study, and its analysis provides these key findings:

- **Complete alignment of sales and marketing goals is related to the highest revenue achievement**, but even partial alignment is far superior to no alignment.

- **Presidents, CEOs or owners of their firms are more likely to perceive strong or complete alignment of sales and marketing goals** when compared to their sales and marketing teams.

- **The structure of the sales and marketing teams is related to achievement.** Those organizations that maintain separate sales and marketing teams, regardless of whether those teams report to the same or different managers, outperform organizations where sales and marketing operate as a single, combined team.

- **Implementations of marketing technology, such as marketing automation systems, that are mature enough to deliver most or all of the promised benefits are having a significant impact on revenue achievement.**

- **Mature implementations of sales technology, such as CRM, are also making an impact on revenue achievement**. No respondents who reported receiving the full benefits of sales technology missed their revenue achievement goals.

- **The highest level of revenue achievement occurs at the highest level of integration effectiveness between sales and marketing** systems. Sales and marketing systems that are highly integrated provide a distinct advantage when it comes to revenue achievement.

- **There is a point of diminishing returns when it comes to lead quality as it relates to revenue achievement**. The study reveals a 10 percent tipping point of qualified leads, beyond which revenue achievement does not improve as the percentage of qualified leads increases.

EXECUTIVE SUMMARY - CONTINUED

Following are some of the key statistics that this research study uncovered:

- 66% of organizations reporting complete alignment achieved their revenue goals compared to 41% who reported no alignment.
- 72% of top executives perceive strong or complete alignment, but only 51% of marketing teams see it this way.
- 31% of organizations report using the least effective organizational structure.
- 89% or more of the firms who report getting most or all the benefits from their marketing systems achieved their revenue goals.
- 100% of respondents that reported getting all the benefits of their sales systems achieved their revenue goals.
- 80% of respondents who said their sales and marketing systems are highly integrated achieved their revenue goals, while only 36% of those who report no integration made theirs.
- Once the ratio of qualified leads to total leads exceeds 10%, revenue achievement performance remains flat.

RESEARCH METHODOLOGY

Demand Metric's 2013 Sales & Marketing Alignment Survey was administered online from June 24th through June 30th, 2013.

During this period, over 600 responses were collected, 550 of which were complete and not duplicates and were therefore included in the analysis. All members of the Demand Metric community received email invitations to participate in the survey, and participation was encouraged through a random draw incentive for an iPad Mini. While respondent email addresses were collected in order to facilitate the prize drawing, no identifying information was retained or considered in the analysis of the survey data.

Summarized below is the basic information that was collected about survey respondents to enable filtering and analysis of data:

Number of Employees:

- Zero to 25 (31%)
- 26 to 100 (18%)
- 101 to 250 (11%)
- 251 to 1,000 (16%)
- 1,001 to 10,000 (15%)
- Over 10,000 (9%)

Type of Organization:

- B2B (66%)
- B2C (14%)
- B2B/B2C (20%)

Primary Job Role of Respondent:

President, CEO or Owner (20%)
Marketing (58%)
Sales (7%)
Information Technology (4%)
Other (11%)

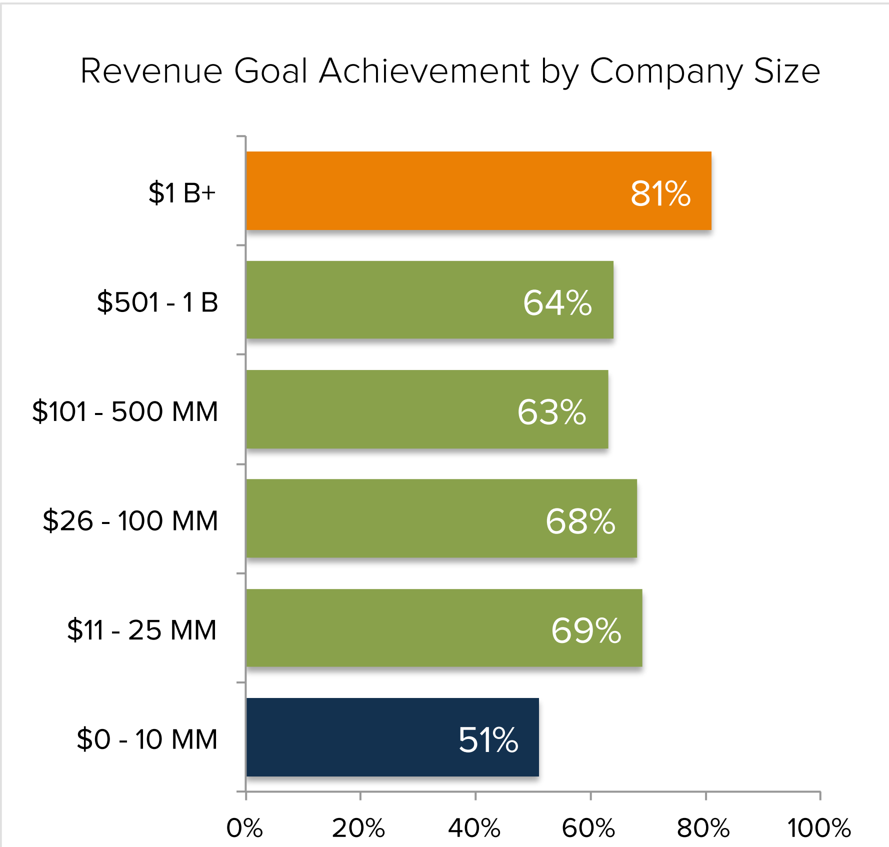
Annual Revenue:

Less than $10 Million (42%)
$11 to $25 Million (14%)
$26 to $100 Million (15%)
$101 to $500 Million (10%)
$501 to $1 Billion (7%)
Over $1 Billion (13%)

Success with Revenue Achievement Goals for Most Recently Completed Fiscal Year:

Fell Far Short of Goals (15%)
Just Missed Achieving Goals (23%)
Achieved Goals (43%)
Exceeded Goals (17%)
Far Exceeded Goals (3%)

REVENUE GOAL ACHIEVEMENT – COMPANY SIZE



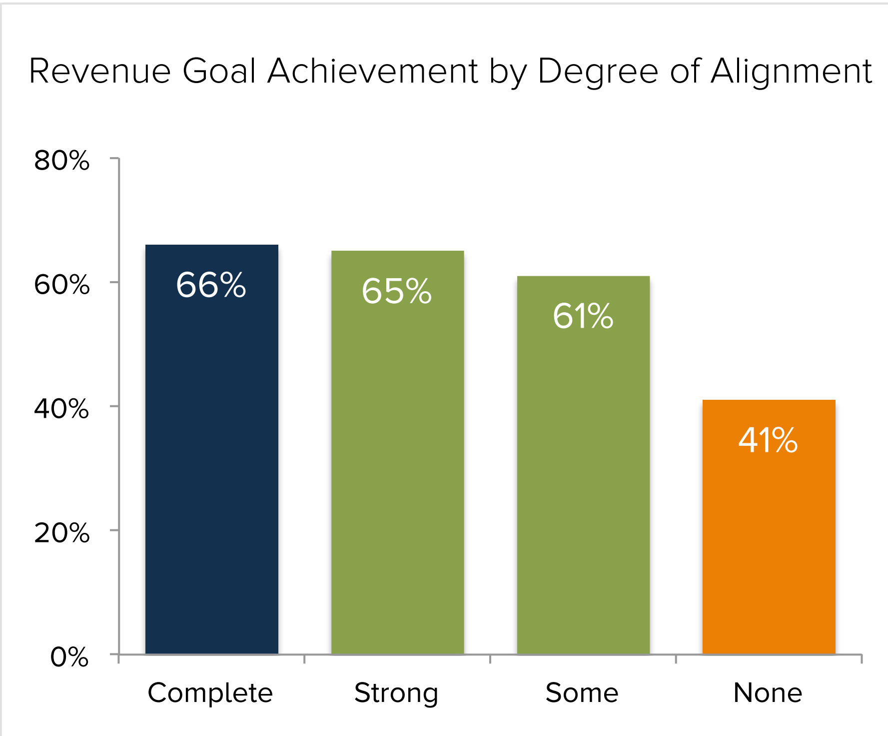
For annual sales between $11 million and $1 billion, the playing field is fairly level with respect to revenue goal achievement, with roughly two-thirds of the companies making their goal.

Size is a factor in a company attaining its revenue goals.

Companies that reported $10 million or less in approximate annual sales were as likely to miss (49%) their revenue goal targets as make them (51%).

Once a company passes $1 billion in annual sales, revenue goal achievement is easiest, with 81% of these companies making their numbers.

REVENUE GOAL ACHIEVEMENT - ALIGNMENT



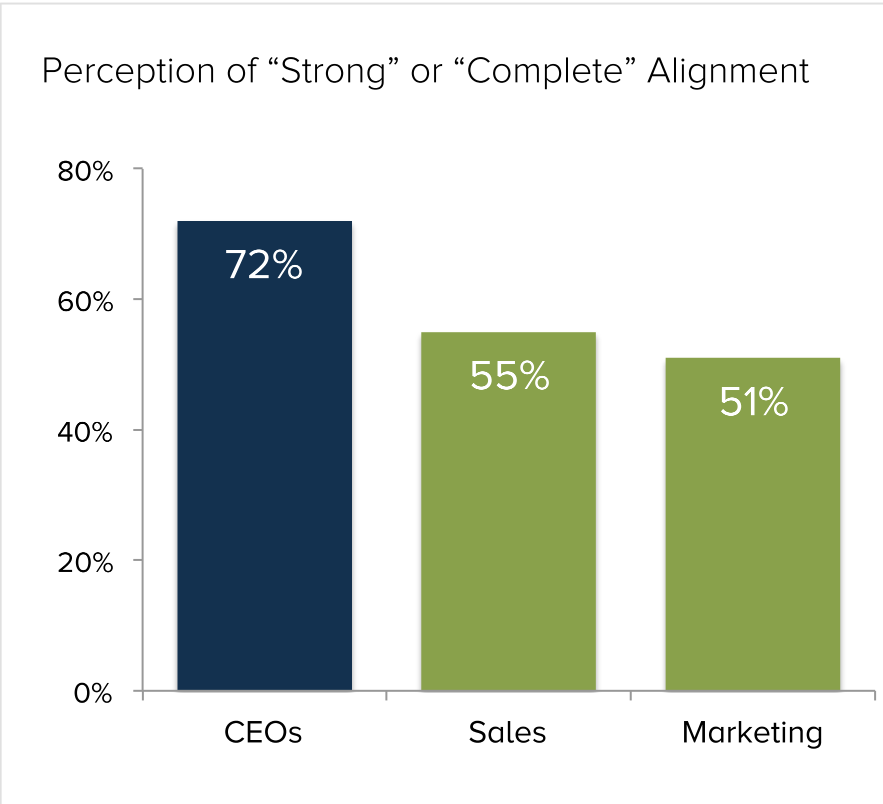
66% of the organizations with complete alignment between sales & marketing achieved revenue goals, compared to just 41% who reported no alignment.

When studying sales and marketing alignment, perhaps the best initial question to consider is: **does alignment of sales and marketing goals have an impact on revenue achievement?**

Simply basing this study on the assumption that a relationship exists without testing it is reckless.

To determine what relationship exists, the analysis compared how respondents rated the degree of alignment of sales and marketing goals with their revenue achievement. The data reveals that a relationship does indeed exist.

PERCEPTION OF ALIGNMENT - BY ROLE



Respondents who are Presidents, CEOs or Owners of their firms are most likely to perceive strong or complete alignment of sales & marketing (72%).

The relationship between alignment of sales and marketing goals and revenue achievement is clear. What about perceptions of alignment based on role? It may come as no surprise that there are differences.

Why such a difference of perception, and which role(s) has the perception that is closest to the truth? The study did not probe further to answer these questions.

Demand Metric believes that the sales and marketing roles have the perception of alignment that is closest to reality, since alignment is a factor in their daily operations, and a factor whose impact they can directly observe. Presidents, CEOs and owners may expect better alignment than exists, and not have the opportunity to observe it directly.

PERCEPTION OF ALIGNMENT – TOP BARRIERS

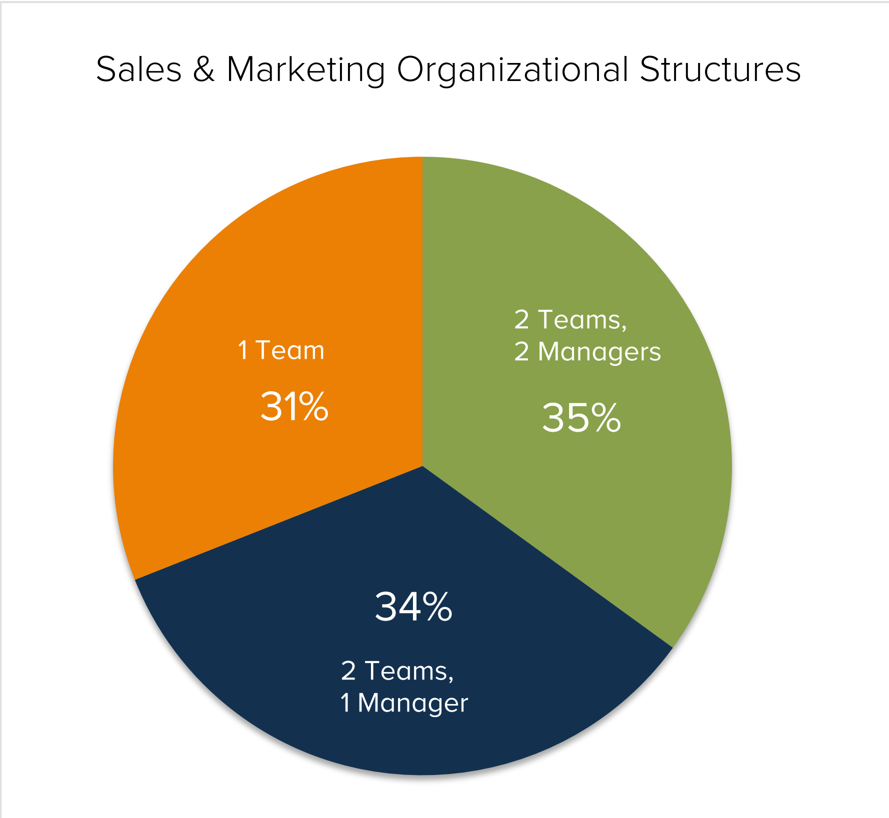
Analyzing what those in the Marketing, Sales and President/CEO/Owner roles perceive as the greatest barrier to their company's revenue goals provides more insight:

Role	#1 Barrier	#2 Barrier	#3 Barrier
CEO	Budget/Other Resources	Staffing	Economic Issues
Marketing	Budget/Other Resources	Sales & Marketing Alignment	Economic Issues
Sales	Economic Issues	Integration of Sales & Marketing Systems	Staffing

Alignment is not an issue on the list of top concerns for presidents, CEOs and owners. Curiously it is on the list for both marketing and sales, but it appears in two different forms.

For marketing, it is expressed broadly as the second ranking barrier to their company's revenue goals. For sales, it also is the second ranking barrier, but here it appears more specifically, as a technical systems integration issue.

ORGANIZATIONAL STRUCTURE

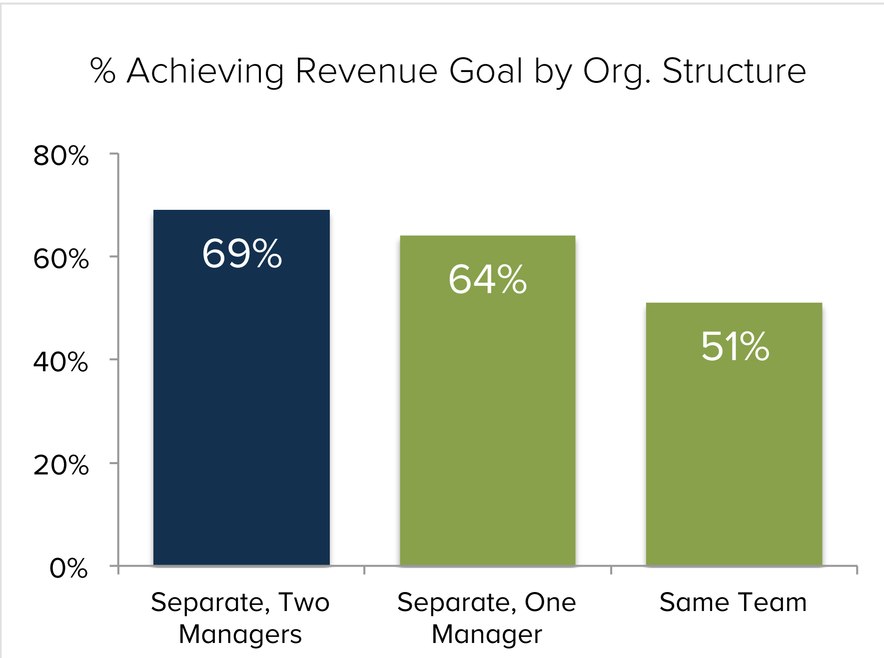


The data on structure shows that the distribution of these three different organizational structure options is roughly equal.

To understand the impact of sales and marketing organizational structure on alignment, the study asked them to identify how their teams are currently structured by asking respondents to indicate which of the following structures are in use at their firm:

- Sales & Marketing are Different Teams that Report to Different Managers or Executives (35%)
- Sales & Marketing are Different Teams that Report to the Same Managers or Executives (34%)
- There is No Distinction Between Sales & Marketing; they are One and the Same (31%)

ORGANIZATIONAL STRUCTURE



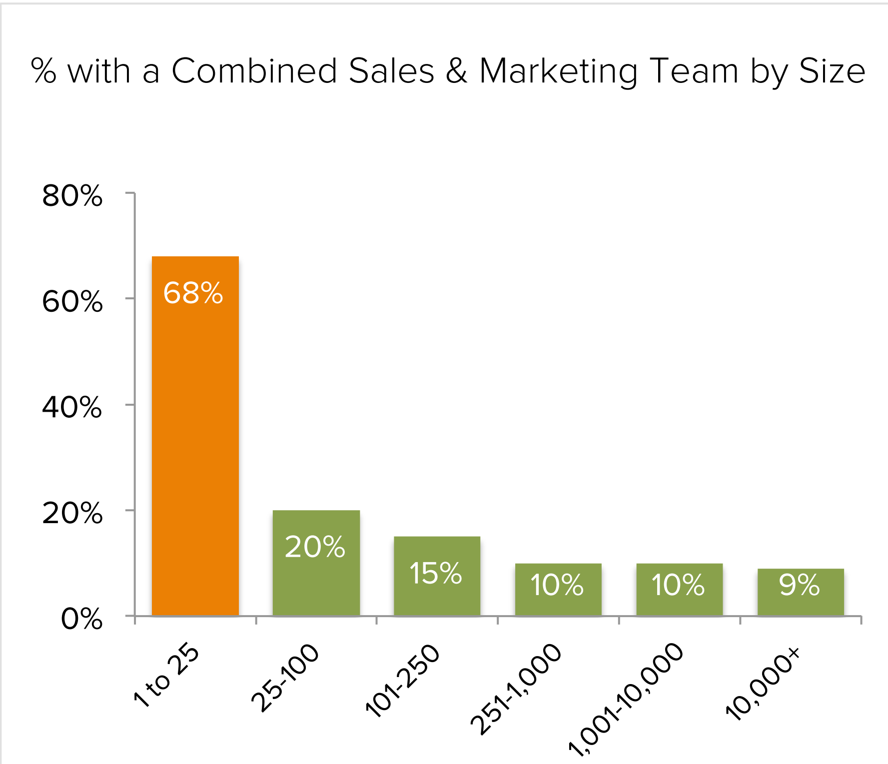
69% of companies with separate sales & marketing teams and managers achieved revenue goals, compared to just 51% that combined departments.

When attempting to determine which organizational structure performs best in terms of achievement, the data is very compelling: **either structure where sales and marketing are separate teams delivers better performance than the structure where sales and marketing are a single team with no distinction between them.**

The study did not attempt to determine why the two-team structures outperform the single team structure. A single, combined sales and marketing team would seem to have a unity advantage. **In fact, the percentage of respondents who reported complete alignment of sales and marketing goals was highest for the single team structure (31%) compared to either of the two-team structures (12% and 11%).**

However, this higher reported alignment, or perceived alignment, did not translate into better revenue achievement for the organizations that are using a single, combined sales and marketing team. **The metric that should matter most is revenue achievement, and the study data makes quite clear that the two-team structures significantly outperform the single team structure.**

ORGANIZATIONAL STRUCTURE



68% of companies with 25 or fewer employees report using a single sales and marketing team. Once companies grow to more than 25 employees, they are moving to separated teams.

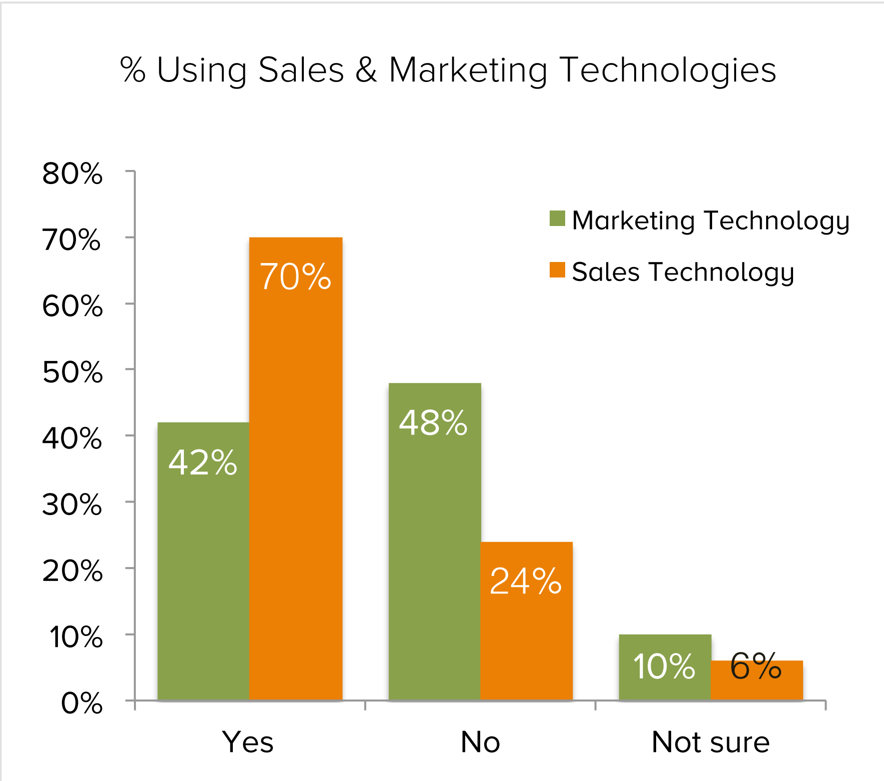
The conclusions to draw from the data on organizational structure are:

1. **There is an irrefutable relationship between structure and revenue achievement.** Separate teams, whether managed by the same or separate managers, perform better than a single, combined team.

2. Complete alignment of goals – a state that seems highly desirable – occurs at the highest frequency in the lowest performing structure.*

***Does this mean that goal alignment is not a critical factor in revenue achievement?** The data that shows the relationship between goal alignment and revenue achievement doesn't support this conclusion. Demand Metric believes that respondents reason, because there is no distinction of roles, that a single team should have the best alignment, and therefore report it that way. It seems that the higher reported alignment of goals is simply perception and not reality.

ALIGNMENT & TECHNOLOGY



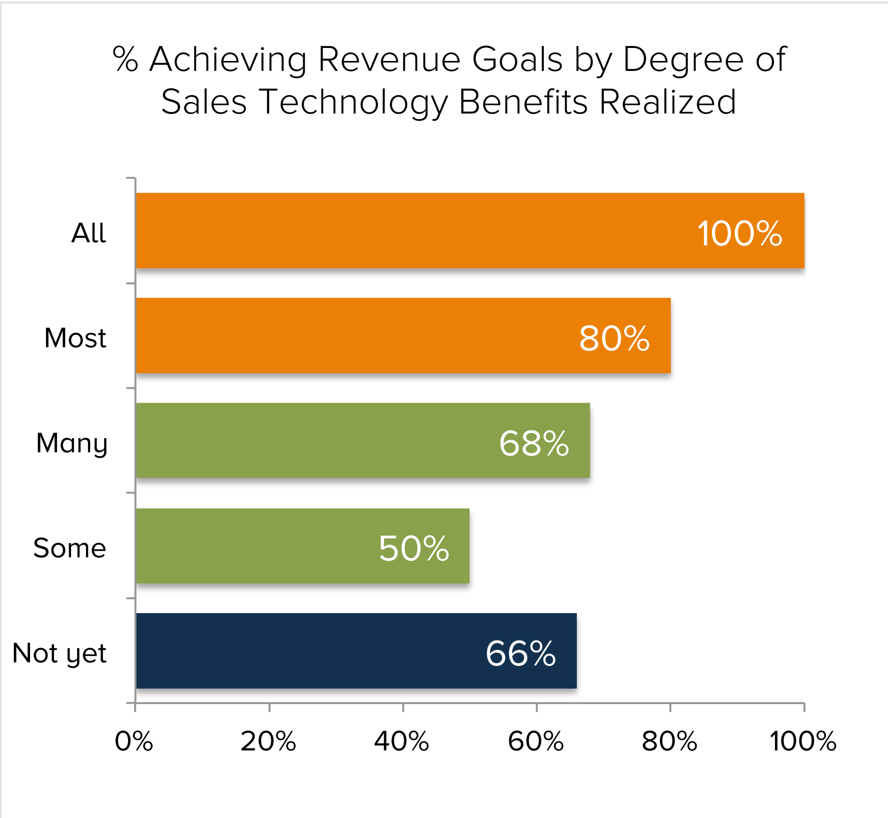
70% of organizations are using sales technology such as CRM systems, while only 42% are using technology such as Marketing Automation systems.

In addition to organizational structure, technology plays a key role in the alignment of sales and marketing functions. This study looked at the presence and impact of both marketing systems, such as Marketing Automation solutions, and sales systems, such as CRM.

Sales technology, such as CRM, enjoys greater adoption perhaps because as a solution category, it has been available much longer.

The mere presence of these technologies, however, is just a starting point for understanding their impact on alignment and revenue achievement.

ALIGNMENT & TECHNOLOGY – SALES SYSTEMS

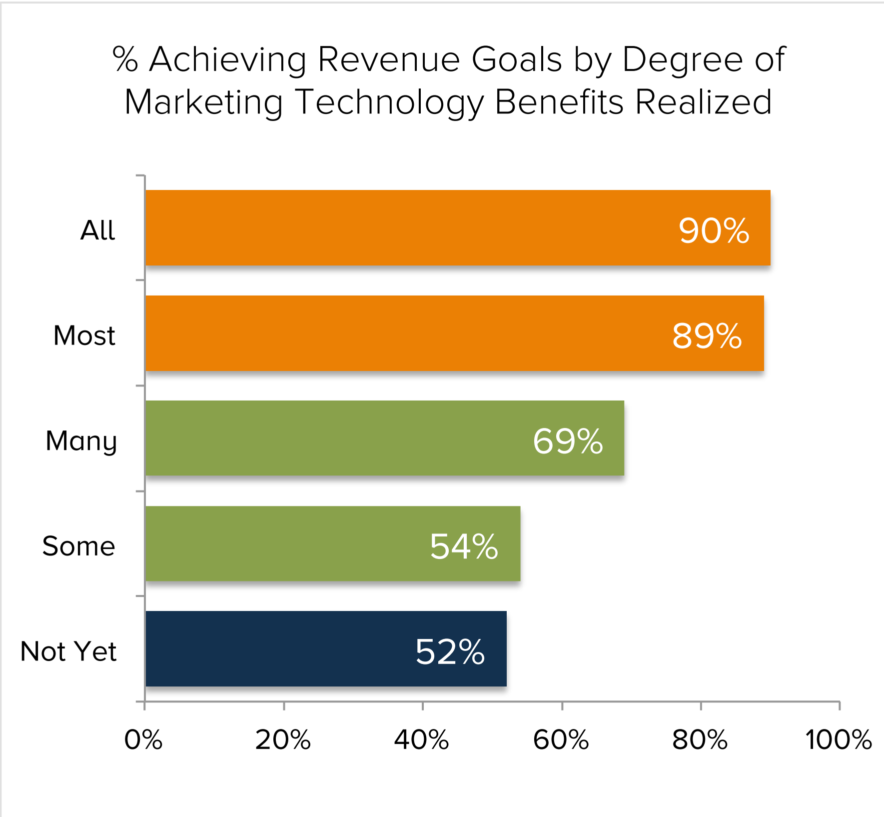


80% of organizations that have realized 'most' of the benefits from their Sales technology systems achieved their revenue goals, compared to just 50% who have only realized 'some'.

Sales technology, such as CRM, had an impact on revenue attainment as well. No respondents who reported receiving the full benefits of sales technology missed their revenue attainment goals.

Its clear that organizations looking to improve their ability to achieve revenue goals need to look at better utilizing their sales technology systems to derive more of the benefits.

ALIGNMENT & TECHNOLOGY – MARKETING SYSTEMS

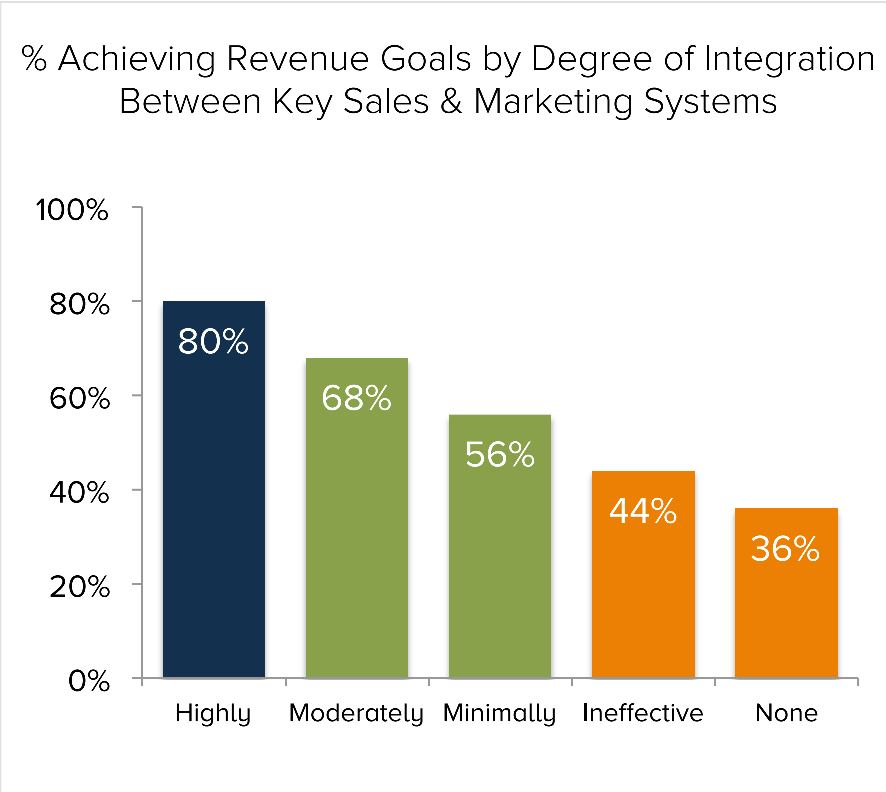


89% of companies that have realized 'most' of the benefits from their marketing technologies achieved their revenue goals.

Just the presence of these technologies, however, did not guarantee an impact on revenue achievement. This study attempted to understand the degree to which survey respondents were receiving the benefits of both marketing and sales technology, and the effect these technologies were having on revenue achievement.

In the case of marketing technology, the relationship between receiving the benefits of the technology and revenue achievement is dramatic.

ALIGNMENT & TECHNOLOGY - INTEGRATION



80% of companies with highly integrated sales & marketing systems achieved revenue goals.

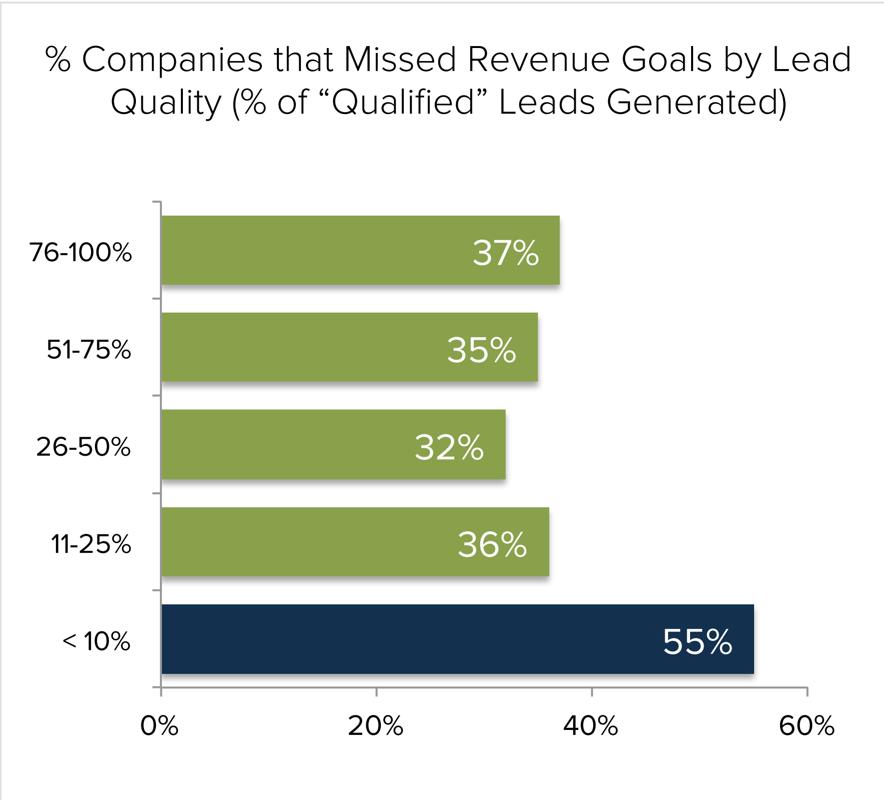
These results demonstrate that the benefits of sales and marketing technologies are real and have an impact on revenue achievement.

A goal of this study is to understand how sales and marketing alignment impacts performance, and systems such as these represent an opportunity for alignment to occur through systems integration.

For this reason, the analysis of study data sought to determine the relationship between the effectiveness of integration and revenue achievement.

When it comes to revenue achievement, the message in the data is unmistakable: sales and marketing systems that are highly integrated provide a distinct advantage when it comes to revenue achievement.

LEADS & LEAD QUALITY



Investing to boost the percent of qualified leads, as judged by the sales team, isn’t justified once the percentage of qualified leads exceeds 10%.

A surprising insight came from analyzing the data about lead quality. The operative assumption is that better lead quality produces higher revenue achievement, and it is therefore worth investing in and striving for higher lead quality. The data, however, leads us to a different conclusion.

There is a point of diminishing returns when it comes to lead quality as it relates to revenue achievement, and that tipping point is lower (at just 10%) than what most sales or marketing professionals would guess in the absence of information.

Over this 10% threshold, lead quality is no longer an issue. Why is this the case? The study didn’t explore this issue further, but we can speculate: the sales process may operate efficiently enough to perform well when qualified leads exceed 10% of the total leads generated.

ANALYST BOTTOM LINE

Sales and marketing alignment is both a goal to strive for, and a performance indicator. As these study results confirm, complete alignment of sales and marketing goals is related to the highest revenue achievement, and even partial alignment conveys some revenue performance benefits. With the compelling evidence that sales and marketing alignment is an enabler of revenue performance, how can an organization become more aligned? The first step is to assess the organization's alignment using the Demand Metric Sales & Marketing Alignment Tool: http://www.demandmetric.com/content/sales-marketing-alignment-tool

Use the results of this assessment to understand the current state of alignment that exists in the organization. Achieving revenue goals has always been a product of leadership, resources, processes, discipline and organization. Better sales and marketing alignment is a product of these same characteristics. Therefore, after an organization has assessed its current state of alignment, it should continue its quest for alignment by considering:

- **Leadership:** articulating a vision for alignment and supporting efforts to improve it.
- **Resources:** investing in the systems that facilitate alignment, such as marketing automation and CRM.
- **Processes:** using the systems to support and track key processes that support alignment, such as opportunity identification, lead scoring or lead nurturing.
- **Discipline:** having the discipline to fully implement supporting systems to the point where they deliver the promised benefits and then to integrate them effectively.
- **Organization:** putting an organizational structure in place that provides the sales and marketing teams with the greatest opportunity to succeed.

What characterizes the well-aligned company? The study results paint the picture for us: they are companies with separate sales and marketing teams, using both marketing and sales systems that are fully and effectively integrated. Companies so configured are outperforming those who aren't in what is arguably one of the most important corporate vital statistics: revenue goal achievement. Corporate leaders that care about achieving revenue goals must pay attention to sales and marketing alignment, as it seems they are two sides of the same coin.

ACKNOWLEDGEMENTS

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About SalesFUSION:

SalesFUSION is the #1 platform for improving how companies attract, engage and close new customers. Sales and marketing professionals worldwide use SalesFUSION to optimize the lead to revenue life cycle, by adding efficiency, scalability and predictability to each step in the process. Through automation, innovation and unparalleled service, SalesFUSION is revolutionizing the way that businesses acquire new revenue.

ABOUT DEMAND METRIC BENCHMARKING

Demand Metric is a marketing advisory firm serving a membership community of over 33,000 marketing professionals and consultants in 75 countries with consulting methodologies, advisory services, and a library of 500+ premium marketing tools and templates.

Demand Metric is conducting benchmarking research to provide metrics and data on key marketing initiatives, strategies and execution. Members can use this data to benchmark their performance against their peers and get an objective view of their organization's maturity with regard to specific marketing disciplines and competencies.

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