Optimising the B2B Sales Funnel

4 action points for smarter email marketing

By Andrew Sanderson, Managing Director, Ansaco (www.ansaco.de)

This paper identifies four points in the B2B sales process which can be made more effective and more efficient via smarter email marketing techniques: contact acquisition, contact qualification, contact nurturing and lead generation. For each of these four areas, it identifies what to do and the reasons why. A coordinated strategy will make full use of proven email marketing techniques and deliver measurable support for the B2B sales process.

1 – Contact Acquisition

What to do

- Identify the staff transition rate among your customers.
- Identify the churn rate for your B2B contacts.
- Compare with the current rate of contact acquisition.
- Define strategies for contact acquisition.
- Set contact separate acquisition targets for:
- Replacements
- Additions.
- To achieve net growth, the sum of (replacements + additions) must be greater than the loss rate.

Reasons why

> B2B companies must continually acquire new contacts

The transitions in the economy are continual and ongoing. The compound effects of natural driving forces cannot be halted. The annual churn rates and their causes are:

- Organisations - rationalisation, off-shoring, insolvency
- Staff - layoffs, transition to new jobs.

> Lost contacts reduce the effectiveness of online marketing

The impact of staff transition on B2B email marketing is often over-looked. Invalid contact records significantly reduce the effectiveness of B2B email marketing:

- Inflate target groups sizes.
- Increase transmission volumes and costs.
- Suppress open, click and successful response rates.
- Distort conversion ratios in all stages of the sales funnel.
- Reduce the validity of insights for future planning.

> If lost contacts are not replaced as they disappear, a B2B database will inevitably shrink.

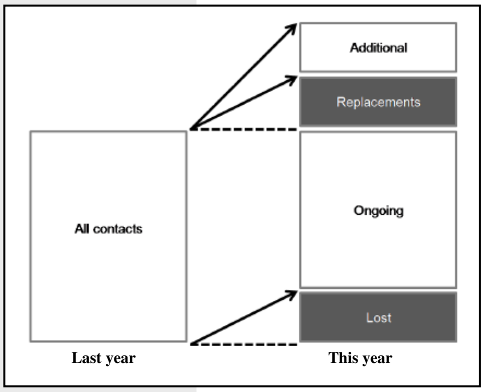
The typical annual loss rates in European B2B databases are:

- Organisations - up to 5%.
- Contacts - between 8% and 22%, varying by country.

> Employee transition is a major friction for B2B marketing.

The extent of employee transition is frequently ignored. Among European countries, about 15% of employees start a new job each year. Similar volumes of staff leave a job each year. The latest OECD data (2009) indicates an average B2B contact churn rate for the five-years 2003-2007 of:

- Netherlands, Luxembourg = 16%
- Italy, Portugal, Belgium = 20%
- Germany, Switzerland, Austria, France = 24%
- UK, Sweden, Norway = 30%
- Denmark; Spain = 35%



The impact of staff churn on contact acquisition

Churn rate = (Lost+ Replacement) / (All + replacement)
Churn reflects the sum of changes (NOT: net change)

> The contact acquisition rate must exceed the loss rate

The success of online marketing strategies depends on acquiring new contacts faster than the contact loss rate:

- Matching the contact loss rate will only enable a B2B organisation to stand still
- To achieve net growth of the contact database, total contact acquisitions must exceed contact losses.

> 'Doing nothing' is not a valid option.

An organisation that does not acquire new contacts to counteract losses caused by natural market driving forces will:

- Lose revenue (short to medium term).
- Lose market share (medium to long term).

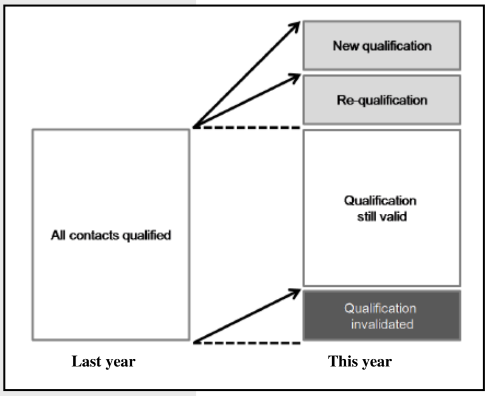
2 – Contact Qualification

What to do
- Identify the volume of contacts to be qualified per year /month / week
- Qualify multiple contacts at each organisation by their role in the sales process
- Treat contact qualification as an ongoing process
- Design qualification processes to handle the required volume
- Re-allocate resources to increase efficiency
- Automate online processes to increase effectiveness
- Total effort = (Re-qualification + New qualification)

Reasons why
> Contact qualification is the starting point for selling

Marketing must build a working relationship with replacement and new contacts before selling can become effective.

- Identify buying interest in products and services
- Establish the contacts' attitude to our company
- Identify points for correction / improvement



The impact of staff churn on contact qualification

Total effort = (Re-qualification + New qualification)

> All replacement and additional contacts must be qualified

Staff churn invalidates previous qualification work. Replacements and additions to the marketing database create new qualification work. The information found on a business card is simply the starting point:

- First name, last name
- Title and department
- Company and contact information

> The contacts' role in the sales process is key

Effective B2B selling requires active support from multiple contacts. Each contact has a distinct role in the sales funnel and buying process. Typical examples are:

- User department - line of business, production
- Evaluating department - engineering, IT, legal
- Approving department - senior management, finance
- Support departments - purchasing, accounting

> Contact qualification is an ongoing process.

The basic options for defining goals and allocating staff and budget resources to contact qualification are: ad-hoc batch projects and an ongoing process. The better choice is to handle contact qualification as a process because:

- Staff churn occurs all the time
- The typical churn rate is 24% to 26% per year
- Qualification processes can be automated

> Re-allocating resources improves efficiency

Contact qualification absorbs staff and budget resources. Usually the resource requirement and costs are hidden. Contact qualification can be optimised by re-allocating resources:

- Making the total resource requirement transparent
- Allocate more budget to low-cost methods such as automated online qualification
- Using high cost and labour-intensive methods selectively

> Automation improves effectiveness.

Automation of the contact qualification process will:

- Increase staff resource needs in the short term
- Improve contact data quality in the medium term
- Deliver staff and budget savings over the long term

3 – Contact Nurturing

What to do

- Nurture contacts between buying cycles
- Increase nurturing activities to maintain the volume of leads in the sales pipeline
- Anticipate competitors' responses to economic pressure
- Find more cost-effective methods for nurturing - Increase contact nurturing activities
- Automate the nurturing process to free up staff resources

Reasons why

> Nurturing means preparing for the next buying cycle

By communicating with contacts regularly, an organisation maintains mind share. The objectives are to prepare the way for future sales, to maintain loyalty and to minimise customer defection. Suitable messages include:

- Relevant cross-selling and up-selling choices
- Customer satisfaction issues
- Customer retention issues

> Increased nurturing maintains sales revenues

In a depressed economy, organisations need more concurrent opportunities in the sales pipeline to counteract:

- Smaller average size of sale
- Reduced frequency of sales

> Competitor will also respond to economic pressure

Regular nurturing of existing contacts becomes even more important during an economic downturn. Competitors will respond to reduced demand by:

- Widening their search for new customers to include the installed base of other suppliers
- Being more aggressive in their marketing and sales techniques
- Seeking to exploit weaknesses in satisfaction and loyalty of the current supplier

> Online nurturing is cost-effective

Contact nurturing via online marketing combines low cost of production with high speed of implementation plus measurable response. Online contact nurturing campaigns will:

- Maximise coverage of key messages over time
- Maximise the relevance of the messages for recipients
- Permit measurement of results to evaluate and control success
- Deliver insights into customer needs for lead generation campaigns

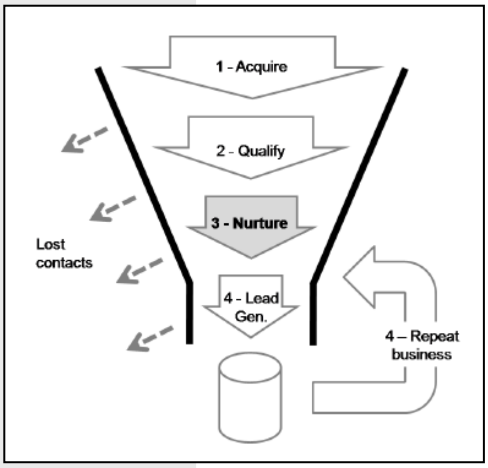
> Nurturing campaigns can be automated

Nurturing campaigns can be designed to run automatically according to pre-defined triggers such as:

- Date and time
- Qualification events / milestones
- Contact responses

> Ongoing nurturing identifies lost contacts

After all the effort of qualification, it's a nuisance. But it's better to discover it now, than in a lead generation campaign.



Contact nurturing in the B2B sales process

4 – Online Lead Genaration

What to do

- Use online marketing techniques to generate additional leads for sales teams
- Create separate online campaigns for existing and new customers
- Optimise campaign volume and frequency to counteract response rates lower than the historical average
- Use online lead generation techniques to reduce the impact of higher costs of business
- Integrate online lead generation with existing sales processes

Reasons why

> All companies depend on sales revenue for survival

In the short term, it may be possible to cover a shortfall in new sales revenue with additional revenue from repeat business. In the long term, revenue growth means winning new customers. The pre-conditions for long-term success are:

- Acquiring additional contacts
- Qualifying them
- Nurturing them until they are ready to buy

> Existing and new customers need different information

B2B Companies therefore need separate online communications strategies, campaigns and messages for:

- Repeat sales to the existing customer base
- New sales to future customer organisations

> Online marketing generates additional business

Automated online Lead Generation campaigns among the existing customer base will optimise repeat business:

- Cross-selling
- Up-selling

> Response rates will be lower than the historical average

In a depressed economy, buying decisions by customer organisations are:

- Delayed - by more critical appraisal
- Reduced in scope - to cut costs
- Cancelled - to eliminate costs

> In a depression, the cost of business may increase

Even loyal customers may respond to an economic downturn by changing their buying pattern. A typical response is for the customer to counteract uncertainty in their own market by buying smaller quantities with greater frequency. The impact for the supplier organisation is:

- More frequent orders increase the administrative overhead per customer
- Constant overheads (e.g. delivery) vs smaller order value will reduce margins

> Leads must be passed to the next team in the sales process

Online methods can be adapted to suit existing internal processes across a wide range of B2B industry sectors. Qualified leads can be automatically delivered to teams such as:

- Telesales
- Pre-sales consulting
- Customer key accounts.
- Field sales force

Appendix

Methodology and Sources

Employment transition rates
The OECD publishes extracts of its statistical data online at URL: http://stats.oecd.org/wbos/Index.aspx?DatasetCode=KEI. Follow this path in the left-hand navigation to reach data on Job Tenure:

- General statistics
- Labour
- Labour force statistics
- Job tenure
- Employment by job tenure intervals – persons.

The data shows numbers of staff who have been in their job by tenure intervals. Data is displayed for countries by year. Consistent data is available for the five-year period 2003-2007. The sum of intervals '<1 month' + '1 to 6 months' + '6 to 12 months' provides the base data used in this paper.

Whilst the totals for persons in dependent employment may not precisely match the figures for 'employed workforce', they serve as a reasonable indicator for % annual national employment transition.

Contact Churn for B2B marketing
The 1-year tenure figures were then expressed as a % of the total employees shown in the same table. The working hypotheses used in this paper are:

- Employees represent potential and actual contacts for B2B marketing
- People who are new to a job this year represent contacts that B2B marketers will have to qualify this year
- A similar proportion of jobs will have been vacated, implying that previous B2B marketing qualification is no longer valid.

Although employee transition simultaneously invalidates previous qualification work and creates new qualification work, the contact churn rate is less than twice the transition rate. The formula used to estimate the national contact churn % for B2B marketing is:
(2 x transition rate %) / (100% + transition rate %)

Reality check
Short-series statistics on job tenure are available from EUROSTAT. For a recent example (published May 2009 see URL: http://epp.eurostat.ec.europa.eu/cache/ITY_OFFPUB/KS-QA-09-014/EN/KS-QA-09-014-EN.PDF..

This pdf shows employment transition by quarter (Page 7). Multiplying country data for 4Q2008 by four to approximate an annual rate of employment transition, gives an annual rate larger than any of the 1-year tenure indicators from the OECD for the period 2003-2007.

The difference is more likely to be due to seasonality or differences in the method of reporting and calculation than any rapid increase in staff transition. Attributing the difference as the impact of the 2008-2009 banking melt-down is somewhat speculative - Ansaco prefers to take a conservative view and use the annual OECD data even though it is older.

The five-year series of 1-year staff tenure data from the OECD shows much greater variation between countries than across years. The annual figures for the years 2003-2007 have been averaged and the contact churn formula then applied to create the Ansaco estimates of B2B national contact churn shown in section 1 – Contact acquisition.

Variation by industry
Ansaco has deliberately not commented in the paper on variation of the employment transition or B2B contact churn rates by industry. Nevertheless, here are a couple of comments. Yes, variation by industry does occur. The EUROSTAT data (top of Page 7) shows quarterly employment transition by age group and industry. Ansaco focussed on the age group 25-54 as being most likely to fit the description of "online B2B decision-maker"; and concentrated on the industry sectors 'Trade, transport and communication services', 'Business activities and financial services' and 'Other services' as being the core of B2B online marketing. The figures do not appear to vary significantly from the average.

Organisation transition rates
EUROSTAT also publishes data on numbers of enterprises. URL http://epp.eurostat.ec.europa.eu/cache/ITY_OFFPUB/KS-BW-07-001/EN/KS-BW-07-001-EN.PDF shows a recent example. There is probably fine-level detail available somewhere at EUROSTAT, but the graphics and tables are primarily anecdotal in nature. In addition, not all countries contribute data because of different methods of recording. Notable omissions are the major economies - France, Germany and Italy.

Nevetheless, the general picture in the EU appears to be this:

- New enterprise launches represent about 10% of the total number of enterprises.
- A quarter of these do not survive 2 years suggesting a birth rate for 'survivors' of about 7.5%
- Enterprise deaths represent about 8% of the total annually
- If a quarter of these deaths are less than 2 years old, the death rate for 'survivors' is about 6%.
- This suggests a net enterprise growth rate of 1.5% per year
- …and an annual enterprise churn rate of (7.5 + 6) / (100 + 7.5) = 13.5 / 107.5 = 12%. Ansaco rounded down to 10%.

Given that: the birth and death rates of enterprises are lower than employee transition rates; and that online B2B marketing focuses primarily on communication with individual professionals, Ansaco has not attached great weight to this factor.

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About the author : Andrew Sanderson is founder and Managing Director of Ansaco, a company that provides B2B organisations with international expertise in online marketing, from strategy definition to campaign design and execution. Previously, he was Director of Global eMarketing at SAP AG and implemented emarketing projects on behalf of 85 marketing groups in over 37 countries. Analysis of more than 2800 projects gave Andrew unique insights on the truly effective email marketing techniques. Perfect multilingual, he is also a regular and renowned speaker at international conferences.

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