It Was Never About Leads: Why Adapting To Buying Groups Is A Must

USE THE DEMAND UNIT WATERFALL™
TO WIN WITH TODAY’S B2B BUYERS
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This Is The Dawning Of The Age Of The Buying Group

In B2B, the buyer is almost always a group of people working together rather than an individual acting alone.* This seemingly obvious fact nonetheless represents a paradigm shift that’s reverberating throughout B2B revenue engines. This way of understanding the buying group touches almost everything about how organizations work to attract, engage, qualify, and convert prospects to customers and repeat customers. To raise awareness of the need to substantially alter existing demand generation and management processes, Forrester introduces the SiriusDecisions Buying Groups Manifesto:

SiriusDecisions Buying Groups Manifesto

1. The B2B buyer is a buying group.
2. It is impossible to optimize B2B performance with lead-centric processes, technologies, and culture.
3. Marketing and sales must align systems and processes to attract, engage, and convert buying groups.
4. When marketing and sales align by adopting buying groups, the organization gains a competitive advantage.

This guide examines the shift in focus from individuals to buying groups and explains how the Demand Unit Waterfall™ was designed to account for this shift. Additionally, we outline how organizations can implement the Demand Unit Waterfall to enable their own transition from a leads-based demand management practice to one built on the reality of buying groups.

*Every two years, SiriusDecisions conducts a B2B Buying Study. We survey individuals who have recently been part of a B2B buying process and ask them questions about that process. When asked how many other people were involved in the purchase decision, respondents have provided consistent results across the numerous studies we’ve conducted over the years.
Part One: Transforming The Demand Process

For the last decade and a half, the SiriusDecisions Demand Waterfall® has been recognized as the industry standard for defining key milestones in B2B demand management processes to measure, monitor, and manage demand performance.

The Demand Waterfall 2006

- Inquiries (2%, 2.6% rate)
- Marketing Qualified Leads
- Sales Accepted Leads
- Sales Qualified Leads
- Closed/Won Business

Rearchitected Waterfall 2012

- Inquiry
  - Inbound
  - Outbound
- Marketing Qualification
  - Automation Qualified Leads (AQLs)
  - Teleprospecting Accepted Leads (TALs)
  - Teleprospecting Qualified Leads (TQLs)
  - Teleprospecting Generated Leads (TGLs)
- Sales Qualification
  - Sales Generated Leads (SGLs)
  - Sales Accepted Leads (SALs)
  - Sales Qualified Leads (SQLs)
- Close
  - Won Business

MARKET EVOLUTION

- The rise of inbound marketing and the role of marketing automation
- The importance of telequalification and teleprospecting
- Recognition that sales generates leads, too
Over time, we have closely observed the successes and challenges of hundreds of B2B organizations using the SiriusDecisions Demand Waterfall. As a result of these observations, we updated the model to meet the needs and anticipate the evolution of B2B revenue engines.

MARKET EVOLUTION

- Rise of go-to-market strategies based on buyer needs
- Rise of predictive analytics and intent monitoring
- The increased emphasis on account-centric marketing
The most significant change to the most recent version of the Demand Waterfall — the Demand Unit Waterfall — is informed by the finding that the majority of today’s B2B buying decisions are not made by a single individual but a group of individuals that make up a buying group. Best practices for generating demand in B2B already include designing and executing tactics to attract and engage multiple buyer personas, but the systems and processes for collecting and interpreting responses were not equipped to notice or respond when multiple members of a buying group engaged. Therefore, the Demand Unit Waterfall, introduced in 2017, shifts the demand process to:

- Focus on buying groups rather than traditional leads.
- Recognize multiple selling opportunities per account.
- Track opportunities from target market to closed revenue.
- Align marketing, teleservices, and sales to better identify, engage, qualify, and win opportunities.

In many cases, organizations already receive multiple leads from the same account, each of which is demonstrating interest in the same solution. However, marketing automation platforms don’t make the connection between those individuals. This means marketing can’t see, for example, that one potential opportunity is represented by multiple buying group members while another is represented by only one. This lack of insight severely limits the performance of the entire demand management process, including marketing, teleservices, and sales. Once an organization shifts its focus from leads to buying groups, it often sees a substantial improvement in performance.
Part Two: Understanding The Demand Unit: If It Isn’t About Leads, What Is It About?

Since the introduction of the SiriusDecisions Demand Unit Waterfall, hundreds of B2B organizations of all sizes have adopted it, and many more are in the process of doing so. For any B2B organization whose buyer is a team of people rather than one individual, the Demand Unit Waterfall is the best approach to managing demand. But what, exactly, is a demand unit?

WHAT WE MEAN BY A “DEMAND UNIT”

As we discussed previously, the typical B2B buyer is neither a person nor an account. Instead, it is a buying group — a collection of individuals — that has been tasked with identifying solutions to a business problem experienced by one or more parts of a company. For example, when an HR department in a growing organization realizes it has outgrown its current systems for managing HR-related processes, a buying group is formed to identify a new human capital resource management (HCRM) system. That buying group likely consists of subject matter experts and contributors from HR and other stakeholder departments, such as finance and IT. When that buying group goes to the market looking for a solution, this becomes a potential opportunity for HCRM solution providers. That potential opportunity is what we call a demand unit.

WHY DEMAND UNIT, NOT ACCOUNT?

Another key aspect of the Demand Unit Waterfall is the recognition that the buyer is often not an account. For example, the HCRM solution provider in our example may also offer travel and expense (T&E) solutions. In this case, an account may be a potential buyer for HCRM and T&E solutions. The buying groups inside that organization may consist of entirely different individuals, and the purchase of one solution may not affect the purchase of the other. The account really does represent two selling opportunities, not one, and demand management processes must consider that.
From the perspective of a B2B solution provider, a demand unit exists when three key building blocks are present within a prospect organization:

- **Organizational and functional needs.** Business needs must be present within the relevant function of the buying organization. In our example, the organization may need to acquire a more robust, scalable solution to support an organization that is experiencing substantial growth and the complexity that comes with it.

- **Buying group.** To address the business needs, a buying group is formed and provided with the resources (e.g., budget, people) to solve these business needs. In our example, the need for a more robust HCRM system results in the creation of a buying group with the goal of evaluating HCRM solutions and the budget and resources to support doing so.

- **Solution fit.** The final element of a demand unit is alignment between the buying group’s needs and the solution. For example, if the needs include hiring thousands of employees globally, the solution must meet this need and comply with global hiring process regulations; HCRM solutions that can’t support multiple languages and various regulatory environments would no longer be a good fit.

The Demand Unit Waterfall was created to account for these potential opportunities. For B2B providers, each stage in the Demand Unit Waterfall marks a milestone — a job organizations must accomplish — to identify, attract, engage, and convert demand units (potential opportunities and their buying groups) from prospects to customers.

The Seven Must-Do’s for Buying Groups outline clear action items for organizations, and conversion rates between the stages measure how effectively the organization is executing each of those steps. As with prior versions of the Demand Waterfall, movement from stage to stage is measured in volume, conversion rates, and velocity. What’s different now is the unit of measurement. Prior versions measured the movement of leads, while the Demand Unit Waterfall measures the movement of demand units.

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<th>Must-Do</th>
<th>Stage Contents</th>
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<td>1. Define Target Market</td>
<td><strong>Target:</strong> Potential opportunities that current goals will be based on</td>
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<tr>
<td>2. Create Awareness and Detect Active Buying Groups</td>
<td><strong>Active:</strong> Potential opportunities exhibiting signs of purchase intent</td>
</tr>
<tr>
<td>3. Attract and Engage Buying Group Members</td>
<td><strong>Engaged:</strong> Opportunities that have at least one hand-raiser directly engaging</td>
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<td>4. Associate and Prioritize Buying Groups</td>
<td><strong>Prioritized:</strong> Opportunities that are prioritized for teleservices outreach</td>
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<td>5. Qualify Early-Stage Opportunities</td>
<td><strong>Qualified:</strong> Opportunities that are ready for needs alignment with sales</td>
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<tr>
<td>6. Validate Needs and Accelerate Opportunities to Pipeline</td>
<td><strong>Pipeline:</strong> Pipeline opportunities in which sales is aligning solutions</td>
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<tr>
<td>7. Align Solutions and Accelerate Deals to Close</td>
<td><strong>Closed:</strong> Opportunities that have been closed/won</td>
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Part Three: Adopting The Demand Unit Waterfall

Implementing the Demand Unit Waterfall is a straightforward process that is based on four key concepts:

• The Demand Unit Waterfall tracks the progression of buying groups (aka demand units), not individual leads.

• The opportunity object in sales force automation (SFA) systems is used to support buying groups.

• Understanding the insight from every interaction is valuable in driving buying group progression.

• Organizations can tailor their adoption of the Demand Unit Waterfall to their particular needs.

Let's look at each of these concepts in more detail.

TRACKING BUYING GROUP PROGRESSION

As we discussed earlier, a demand management process based on demand units is similar to the traditional lead-centric Waterfall in several ways. In both versions of the Demand Waterfall, we measure key metrics such as volume, conversion rates, and velocities as the entities progress through the process. The major difference is the granularity of what’s being tracked. The original Demand Waterfall tracked the progression of individual people through the process, while the Demand Unit Waterfall connects individuals to their buying group and then tracks the buying group’s progression through the process.

This shift in focus has an impact on measurement in the demand management process. One significant advantage is that buying group waterfalls are much better aligned to real-world buying scenarios. In leads-based processes, the underlying assumption is that each lead represents a potential selling opportunity. However, many B2B organizations already work to attract multiple buyer personas from their prospect accounts, and most B2B organizations already succeed in doing so, even if they’re not explicitly trying. The Demand Unit Waterfall focuses on the volume and conversion of buying groups, not individual leads.

LEVERAGING THE OPPORTUNITY OBJECT

A common question is how to operationalize the demand unit concept in the existing SFA system. The good news is that all major SFA systems have a standard entity — the opportunity object — within their architecture that is perfect for capturing and measuring demand units:

• Opportunities allow users to connect multiple contacts to the opportunity.

• Opportunities are aligned to solutions.

• Opportunities include stages to track progression.

Leveraging the opportunity object as the system container for demand units aligns marketing, teleservices, and sales on a shared objective. Instead of marketing focusing on individual leads while sales focuses on opportunities, this approach aligns marketing and sales on opportunities with multiple contacts associated to each opportunity. In the past, opportunities were typically created by sales once a rep started to work closely with a prospect. With the Demand Unit Waterfall approach, opportunities are created earlier — sometimes as early as the target stage. This often means simply adding stages to the opportunity to reflect the earlier milestones in the process. Doing so unites the teams around common goals such as the number of opportunities (and the associated revenue) identified and the depth and breadth of buying group behavior within opportunities. The result is a more efficient and effective demand marketing and sales process.
SELECTING THE RIGHT APPROACH

Organizations can take one of several approaches to operationalize the Demand Unit Waterfall, and these approaches vary depending on the level of automation used. Approaches range from a pragmatic extension of the capabilities of the teleservices team to those that are highly automated. The best approach for an organization depends on a combination of current process functionality, the ability to drive technology changes to support the process, and the organization's openness to process changes.

These operationalization approaches can build on each other and evolve over time through a crawl-walk-run approach. And though the process and technical approaches vary, the result is the same. In all scenarios, sales receives opportunities with multiple relevant contacts that better reflect the profile and engagement of the buying group. We're seeing that providing this insight to the teleservices and sales teams has a significant impact on the effectiveness of the process.

<table>
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<th>Common Demand Unit Waterfall Operationalization Approaches</th>
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<td><strong>Approach</strong></td>
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| Pragmatic — extend teleservices capabilities (Crawl)       | Depending on available tools, the teleservices team creates the opportunity in the prioritized stage, either while qualifying or before delivering the opportunity to sales. | • Provide the teleservices rep with additional insight on probable buying groups on the basis of common account and interest.  
• Display this possible buying group to the rep and have the rep cross-qualify the group.  
• Rep attaches multiple relevant contacts to the opportunity to pass to sales. | • This approach allows sales and marketing to align on opportunities and buying group coverage.  
• It requires the lowest amount of system and process changes, especially as the teleservices team is currently passing opportunities (with one contact) as the handoff to sales.  
• Buying group members are vetted by teleservices before being added to the opportunities. |
| Partial automation (Walk)                                 | The opportunity is created when a buying group member engages in the engaged stage.                                   | • Business rules interpret each interaction for who the person is and his or her interests.  
• Contacts are mapped to opportunities based on these business rules.  
• This mapping can create new opportunities or map new buying group members to existing opportunities. | • This approach captures the value from each marketing interaction.  
• Tasks like scoring across the buying group can be accomplished more easily leveraging the opportunity capabilities. |
| Full automation (Run)                                     | The opportunity is created in the target stage as part of the planning process.                                        | • Marketing and sales align on the potential opportunities across an account and market segment.  
• The size and profile of the buying group are defined and systematized. | • This approach is most commonly used with account-based marketing programs during the planning stage, when target accounts are clearly defined.  
• It provides clear insights on the scope of potential opportunities and buying group coverage required. |
GETTING STARTED: LEARNING TO WALK

When implementing the Demand Unit Waterfall, organizations commonly start with the pragmatic (i.e., crawl) approach. The design of this approach is to make minor modifications to the existing demand management process to enable the revenue development rep (RDR) team to create opportunities with multiple buying group members attached. The goal is to make RDRs smarter and more productive in their qualification process by helping them identify potential buying groups for qualification. Instead of reaching out to each individual member of a buying group as if each were completely independent, RDRs take a unified approach to members of a buying group. This approach represents a significant enhancement to the demand process that improves conversion efficiency and introduces demand units to the organization in a practical way.

Demand Unit Waterfall™ Implementation Process Utilizing Teleservices

Step 1
Responses From Individuals

Step 2
Lead to Account/Solution Alignment

Step 3A
Individual Score Reaches Threshold (AQL)

Step 3B
Group Score Reaches Threshold

Step 4A
Display AQL Plus Related Contacts

Step 4B
Display All Members of Scored Groups

Step 5
Opportunity With Relevant Contacts Sent to Sales
STEP ONE: GENERATE RESPONSES FROM INDIVIDUALS

To start the evolution, marketing engages and collects interactions with individual responders, as it has always done.

STEP TWO: DEFINE THE ASSOCIATION

The first enhancement of the process is to begin interpreting the interactions marketing is generating to understand the context and identify potential buying groups. Determine two key elements:

- **Who the person is.** Organizations can determine this by using technologies such as lead-to-account matching to group responses into common accounts.

- **What the person is interested in.** If an organization has multiple solutions in its portfolio, understanding solution interest is also valuable. This helps further filter individuals into potential buying groups. This can be determined by mapping assets to solutions, then tagging that engagement with the individual. When campaigns are tied to specific solutions, campaign members or respondents can also be used to associate individuals to their interests.

STEP THREE: SCORE AND PRIORITIZE

Many current demand management processes use profile characteristics and engagement activity as indicators to identify and score leads. Leads that reach a predetermined threshold are then sent for qualification. In the world of buying groups, similar approaches can be used:

- The simplest approach is to continue using lead scores to trigger delivering a demand unit to the RDR team but also deliver any other leads from the same buying group so that the RDR can work them together.

- A more advanced approach is to aggregate the scores of multiple buying group members, then hand off the buying group when the combined score passes a given threshold. This approach provides a more precise measure of buying group interest, but because it requires the ability to aggregate multiple scores, it’s often executed in the second phase of a Demand Unit Waterfall implementation project.

STEP FOUR: INFORM THE TELEQUALIFICATION REP OF THE POSSIBLE BUYING GROUP

The goal of this step is to enable the rep to see the group easily. This is where converting marketing automation–qualified leads to contacts and associating those contacts to the opportunity pays dividends. Instead of presenting an individual lead, this approach shows the RDR all possible engaged members of the buying group along with each one’s activity. Many organizations also add behavioral indicators from first- and third-party intent to the opportunity to paint as complete a picture as possible of that buying group’s intentions.

STEP FIVE: THE REP QUALIFIES THE POTENTIAL OPPORTUNITY ON THE BASIS OF THIS INSIGHT

In this approach, the rep conducts outreach to verify which individuals are part of the buying group and connect these individuals to the opportunity. Depending on the size and complexity of the buying group, the RDR will reach out to engage a qualified member of that buying group and qualify the potential opportunity. The handoff to sales, then, is a telequalified opportunity containing multiple qualified buying group members. This results in an accelerated sales qualification process and a more robust attribution strategy.
UNDERSTANDING THE INSIGHT FROM INTERACTIONS

One fundamental way in which the demand unit approach differs from traditional leads-based processes is that every interaction across all buying group members provides additional insight to drive the process forward. This represents a major evolution from the lead-centric process, in which often only a single interaction (e.g., the initial hand-raise from one person) is observed. In the Demand Unit Waterfall, each interaction with a buying group member is associated to the demand unit and contributes to the understanding of that demand unit’s propensity to buy. Interactions can be non-human (e.g., white paper download) or human (e.g., discussion with an RDR or sales rep).

The process of gathering interaction insights and populating buying groups continues through every interaction in the demand management process, with additional contacts and interactions added as marketing, teleservices, or sales encounter them. With each interaction, organizations learn more about the individuals, who they are, and what they’re interested in. The contact’s persona and buying role can be uncovered through examining his or her title and job role, and organizations can measure interest in specific offers/solutions by mapping assets and offers to these solutions. For example, an HR software company may market three solutions focused on talent management, learning management, and benefits/payroll. A vice president of HR who consumes an asset entitled “Best Practices in Hiring” has indicated interest in the talent management solution; he or she would be connected to the talent management demand unit via the opportunity object. The goal is for all buying group members for an opportunity to be identified, engaged, and supportive of the buying decision.
Part Four: Managing Change

Whether an organization is adopting a standard framework for planning and measuring demand management performance for the first time or evolving an existing set of processes, executive support to drive adoption is essential. Begin by including key stakeholders in the decision-making process and focusing on business strategy and effectiveness. Systems can then be mapped to support critical business processes. If business processes are built from existing system capabilities, major improvement opportunities may be overlooked.

• **Who needs to be involved?** The Demand Unit Waterfall provides a framework for planning and measuring the organization’s revenue engine functions, typically marketing, teleservices, and sales. Like in leads-based processes, these functions must agree on stage definitions, performance measurements, and the service-level agreements that govern handoffs between and actions within stages.

• **What are the biggest changes?** When organizations transition to the Demand Unit Waterfall, the flow and measurement of demand through the revenue engine change.

• **How does the flow of demand change?** In a leads-based process, individual leads flow through the Waterfall and are delivered first to teleservices, then to sales teams. As we described, however, many of those individuals really belong to the same buying group. For example, in a leads-based process, an individual is scored as a lead and delivered to teleservices. If three leads from the same buying group exist, they are treated independently. In many cases, each lead from the same buying group after the first would be considered a duplicate and dismissed. In the Demand Unit Waterfall, these three individuals are treated as what they are — one potential buying group; therefore, the volume of deliveries by marketing may decrease. This allows organizations to appropriately prioritize potential opportunities. Prepare the receiving teams to expect a likely decrease in total volume delivered, and turn their focus to the quality and value of buying groups.

• **How does the measurement of demand change?** The demand unit approach allows organizations to treat potential opportunities more effectively, and it allows organizations to measure the progress of opportunities in a way that aligns much more closely to reality. Under a leads-based system, for example, if five leads are received from the same buying group, their progress through the process is measured independently. Each lead is treated as if it represents a distinct selling opportunity. In most organizations, if one of those leads is converted to an opportunity, the others are discarded, giving the impression that the other four leads from the same buying group had no value. This is misleading. An organization using the Demand Unit Waterfall treats and measures the five individuals as one selling opportunity. Measurements include the number of buying group members engaged per opportunity, as well as the conversion rates, velocity, and value of opportunities as they move from stage to stage.

To drive continuous improvement, we recommend establishing a demand management council — consisting of leaders from marketing, teleservices, and sales — to meet regularly and manage the implementation process and organizational communications. In the early stages of implementation (or transformation), organizational leaders should meet minimally once a month to review performance and address any issues. The council should meet on an ongoing basis thereafter to ensure the continuous improvement of the demand management process.
Part Five: How We Can Help

Forrester’s SiriusDecisions tools and frameworks help sales and marketing leaders create a distinctive demand management process to measure and monitor how well they manage demand. This process is the engine for managing revenue from target to close through assessment of the progress buying groups are making and identification of areas for improvement.

KEY QUESTIONS TO ASK:

• What are the steps and strategies for measuring an opportunity as it moves through the buying process?
• Can you gauge how your demand management processes are working?
• Is your demand management process clearly defined and coherent?
• How can effective demand management alleviate tensions between sales and marketing related to demand quality and quantity?
• Do you worry about how others assess your performance?
• Are you considering the role of buying groups in your demand management processes?

Through research services, consulting, certification, and events, we can align marketing and sales on the quality and quantity of opportunities. We can help organizations optimize their demand management processes by incorporating a structured data approach. We can diagnose the results and all the steps that led to them to pinpoint areas in which change can improve outcomes.

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