Driving Revenue Growth

Reach Next-Level Revenue Engine Performance
By Switching From Leads To Opportunities
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This Is The Dawning Of The Age Of The Buying Group

In B2B, the buyer is nearly always a group of people working together rather than an individual acting alone.* This seemingly obvious fact 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 its Buying Groups Manifesto:

Buying Groups Manifesto

• The B2B buyer is a buying group.

• It is impossible to optimize B2B performance with lead-centric processes, technologies, and culture.

• Marketing and sales must align systems and processes to attract, engage, and convert buying groups.

• When marketing and sales align by adopting buying groups, the organization gains a competitive advantage.

This guide details why B2B organizations must adopt this buying group perspective by substituting multi-contact opportunities for leads in B2B marketing and sales processes. Additionally, we outline how organizations can implement the B2B Revenue Waterfall™ to enable their own transition from a lead-based demand management practice to one based on the reality of opportunities and buying groups.

*Every two years, Forrester conducts a B2B Buying Survey, which asks individuals who have recently been part of a B2B buying process questions about that process. The survey shows that the number of people involved in the purchase decision continues to increase.
PART ONE
Transforming The Demand Process

For the last decade and a half, the Forrester Demand Waterfall® family has been recognized as the industry standard for defining key milestones in B2B demand management processes to measure, monitor, and manage demand performance. We have closely observed the successes and challenges of hundreds of B2B organizations using the Demand Waterfall. Using these observations, we have updated the model to meet the needs and anticipate the evolution of B2B revenue engines.

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
Inquiry

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
- Rise of go-to-market strategies based on buyer needs
- Rise of predictive analytics and intent monitoring
- Increased emphasis on account-centric marketing
- Buying group enlightenment

B2B Revenue Waterfall 2021

Targeted accounts
- Candidate
- Current Customers

Targeted opportunities
- Acquisition
- Retention
- Upsell
- Cross-Sell

Detected

Engaged

Prioritized

Qualified

Pipeline

Won
The most significant change to the most recent version of the Demand Waterfall — the B2B Revenue Waterfall — is informed by the finding that most of today’s B2B buying decisions are made not by a single individual, but a group of individuals who make up a buying group. Best practices for generating demand in B2B already included 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. The B2B Revenue Waterfall shifts the demand process to:

- Focus on buying groups rather than traditional leads.
- Recognize multiple selling opportunities per account.
- Track opportunities from target accounts to closed revenue.
- Account for the unique mix of prospect and customer opportunities that make up B2B revenue goals.
- Align marketing, revenue development, 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 potential opportunity is represented by only one.

This lack of insight severely limits the performance of the entire demand management process, including marketing, revenue development, sales, and the customer organization. Once an organization shifts its focus from leads to opportunities with buying groups, it often sees a substantial improvement in performance.
PART TWO
Understanding Opportunities: If It Isn’t Leads, What Is It About?

The B2B Revenue Waterfall builds on the success of the Demand Unit Waterfall™, which has been adopted by hundreds of B2B organizations of all types and sizes. For any B2B organization whose buyer is a team of people rather than one individual, the B2B Revenue Waterfall is the best approach to identify, activate, and convert revenue opportunities.

Identifying B2B Buyers: Not Too Big, Not Too Small

The Goldilocks Zone

- Experiences the need
- Has autonomy (and budget) to solve it

Account | Buying Centers | Buying Group | Persona

Although we often use the term “account” in B2B, an account is often not the true target that product, marketing, and sales have in mind when they think about the buyer.
Opportunities With Connected Buying Groups

The typical B2B buyer is neither a person nor an account. It is a buying group — a collection of individuals that has been tasked with identifying solutions to a business need experienced by one or more parts of a company. Each buying group is connected to a specific opportunity or deal that moves through the B2B Revenue Waterfall. 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 Opportunity, Not Account?

Another key aspect of the B2B Revenue Waterfall is 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 both 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 account for that.
Multiple Opportunity Types

From the perspective of a B2B solution provider, an opportunity 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.** 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 an opportunity and an associated buying group with the goal of evaluating HCRM solutions and the budget and resources to support doing so.

- **Solution fit.** The final element of an opportunity 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 are not a good fit.

The B2B Revenue Waterfall was created to account for these potential opportunities. However, there are specific types of opportunities that exhibit distinct conversion rate patterns and velocities through the Waterfall. One opportunity type, acquisition, represents all opportunities within accounts that are not currently customers, while the other three — retention, upsell, and cross-sell — represent opportunities inside accounts that are current customers.

<table>
<thead>
<tr>
<th>Opportunity Type</th>
<th>Account</th>
<th>Buying Center</th>
<th>Buying Group Need</th>
<th>Offering</th>
</tr>
</thead>
<tbody>
<tr>
<td>Acquisition</td>
<td>New</td>
<td>New</td>
<td>New</td>
<td>New</td>
</tr>
<tr>
<td>Retention</td>
<td>Customer</td>
<td>Same</td>
<td>Same</td>
<td>Same</td>
</tr>
<tr>
<td>Upsell</td>
<td>Customer</td>
<td>Same</td>
<td>Same or New</td>
<td>Same or New</td>
</tr>
<tr>
<td>Cross-Sell</td>
<td>Customer</td>
<td>New</td>
<td>Same or New</td>
<td>Same or New</td>
</tr>
</tbody>
</table>
Of the four opportunity types, acquisition opportunities typically exhibit the longest sales cycles and lowest overall conversion rates. Cross-sell opportunities typically exhibit somewhat better conversion rates and cycle times than acquisition opportunities. Upsell opportunities tend to perform much better than cross-sell opportunities. Retention opportunities tend to convert at the highest rate of all opportunity types, though their cycle times are dictated by contract terms and product lifecycles.

The Seven Must-Do’s For B2B Buying Groups

For B2B providers, each stage in the B2B Revenue Waterfall marks a milestone — a set of tasks organizations must accomplish — to identify, attract, engage, and convert potential opportunities and their buying groups, from potential to won deals. The Seven Must-Do’s For Buying Groups (client access required) outline clear actions organizations must take to enter and progress opportunities through the Waterfall. Conversion rates between the stages measure how effectively the organization is executing each of those steps. The flow of opportunities from stage to stage within the Waterfall is also measured in terms of volume of opportunities and the velocity at which they move from stage to stage.
Implementing the B2B Revenue Waterfall is a straightforward process that is based on four key concepts:

- The B2B Revenue Waterfall tracks the progression of opportunities with associated buying groups, not individual leads or accounts.
- The opportunity object in sales force automation (SFA) systems is used to support opportunities with connected buying group members.
- Gaining insight from every interaction with buying group members is valuable in driving opportunity progression.
- Organizations can tailor their adoption of the B2B Revenue Waterfall to their particular needs.

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

Tracking Buying Group Progression With Opportunities

Traditional demand management processes also track the flow of entities through key metrics such as volume, conversion rates, and velocities. The major difference in the B2B Revenue Waterfall approach is the granularity of what’s being tracked. Instead of tracking individual people through the process, the B2B Revenue Waterfall connects individuals to their buying groups, associates them to opportunities, and then tracks the progression of opportunities through the revenue generation process.

This shift in focus has an impact on measurement in the demand management process. One significant advantage is that opportunity-centric Waterfalls are much better aligned to real-world buying scenarios. In lead-based processes, the underlying assumption is that each lead represents a single 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. When an organization is already attracting multiple buying group members, lead-based tracking systems fail to measure processes accurately. By grouping individuals into buying groups, the B2B Revenue Waterfall more accurately captures the flow of real revenue opportunities as they progress through marketing, sales, and customer engagement processes.

Leveraging The Opportunity Object

All major SFA systems have a standard entity — the opportunity object — within their architecture that is perfect for capturing buying group progression:

- 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 opportunities and associated buying groups aligns marketing, revenue development, sales, and customer success on a shared objective. Instead of marketing focusing on individual leads while sales focuses on opportunities, this approach aligns marketing, sales, and customer success on opportunities throughout the demand activation and validation process. In the past, opportunities were typically created by sales once a seller started to work closely with a prospect or customer. With the B2B Revenue Waterfall approach, opportunities are created earlier — sometimes as early as the targeted opportunities stage. This is accommodated by simply adding stages to the opportunity object 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, sales process, and customer success experience.

**Gaining Insight From Interactions**
Interactions with individuals from prospect organizations can be non-directed (e.g., a white paper download) or mediated by humans (e.g., a discussion with a revenue development rep or a sales rep). Both interaction types provide evidence of the intentions of a buying organization. One fundamental way the opportunity approach reflected in the B2B Revenue Waterfall differs from traditional lead-based processes is that each interaction with a buying group member is associated to the opportunity and contributes to an understanding of that buying group’s intentions. This represents a major evolution from the lead-centric process, which relies on the behavior of a single individual to indicate the intentions of the prospect organization.

With the B2B Revenue Engine Waterfall approach, each buyer-seller interaction enables organizations to learn more about the individuals, who they are, what they are interested in, and their role in the buying group and buying process. The contact’s persona and buyer role can be uncovered through examining his or her title and job role, and organizations can measure interest in specific offers or 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 payroll. A vice president of HR who consumes an asset titled “Best Practices in Hiring” has indicated interest in the talent management solution; he or she would be connected to the talent management deal via the opportunity object. The goal is for all buying group members connected to an opportunity to be identified and engaged, and supportive of the buying decision.

**Selecting The Right Approach**
Organizations can take one of several approaches to implementing the B2B Revenue Waterfall, and these approaches vary depending on the level of automation used. Approaches range from a pragmatic extension of the capabilities of the revenue development 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 operational approaches can build on each other and evolve over time. And though the process and technical approaches vary, the result is the same. In all scenarios, sales receives opportunities with multiple relevant contacts associated, which better reflects the profile and engagement of the buying group. When organizations provide more insight to the revenue development and sales teams, effectiveness improves significantly.

### Common B2B Revenue Waterfall Operationalization Approaches

<table>
<thead>
<tr>
<th>Approach</th>
<th>Description</th>
<th>Key Actions/Dependencies</th>
<th>Advantages</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pragmatic — extend revenue</td>
<td>Depending on available tools, the revenue development team creates the</td>
<td>• Provide the revenue development rep with additional insight on probable buying groups</td>
<td>• This approach allows sales and marketing to align on opportunities and</td>
</tr>
<tr>
<td>extend revenue development</td>
<td>opportunity in the prioritized stage, either while qualifying or before</td>
<td>based on common account and solution of interest.</td>
<td>buying group coverage.</td>
</tr>
<tr>
<td>capabilities</td>
<td>delivering the opportunity to sales.</td>
<td>• Display this possible buying group to the rep and have the rep qualify across the group.</td>
<td>It requires the lowest amount of system and process changes, especially as</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Rep attaches multiple relevant contacts to the opportunity to pass to sales.</td>
<td>the revenue development team is currently passing opportunities (with one</td>
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<tr>
<td></td>
<td></td>
<td></td>
<td>contact) as the handoff to sales.</td>
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<tr>
<td></td>
<td></td>
<td></td>
<td>• Buying group members are vetted by revenue development before being added</td>
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<tr>
<td></td>
<td></td>
<td></td>
<td>to the opportunities.</td>
</tr>
<tr>
<td>Partial Automation</td>
<td>The opportunity is created when a buying group member enters into the</td>
<td>• Business rules interpret each interaction for who the person is and his or her</td>
<td>• This approach captures the value from each marketing interaction.</td>
</tr>
<tr>
<td></td>
<td>engaged stage.</td>
<td>solution interests.</td>
<td>Tasks like scoring across the buying group can be accomplished more easily,</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Contacts are mapped to opportunities based on these business rules.</td>
<td>leveraging the opportunity entity.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• This mapping can create new opportunities or map new buying group members to</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>existing opportunities.</td>
<td></td>
</tr>
<tr>
<td>Full Automation</td>
<td>The opportunity is created in the targeted opportunity stage as part of the</td>
<td>• Marketing and sales align on the potential opportunities across targeted accounts.</td>
<td>• This approach is most commonly used with account-based marketing programs</td>
</tr>
<tr>
<td></td>
<td>planning process.</td>
<td>• The size and profile of the buying group are defined and systematized.</td>
<td>during the planning stage, when targeted accounts are clearly defined.</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>• It provides clear insights on the scope of potential opportunities and buying</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>group coverage required.</td>
</tr>
</tbody>
</table>
Getting Started

When implementing the B2B Revenue Waterfall, organizations commonly start with the pragmatic approach. The design of this approach involves making 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 by helping them identify potential buying groups for qualification. Instead of reaching out to individual members 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 opportunities to the organization in a practical way.

The B2B Revenue Waterfall™ Implementation Process Utilizing Revenue Development

1. Responses from individuals
2. Lead to account/solution alignment
3A. Individual score reaches threshold (AQL)
4A. Display AQL plus related contacts
5. Opportunity with relevant contacts sent to sales

- Step 3B: Group score reaches threshold
- View of all scored contacts
- Scoring Strategy
- Related Contacts
- AQL
- Step 4B: Display all members of scored groups
- Bob S.
- John K.
- Amy M.
- Mindy A.
STEP 1
Generate responses from individuals. To start the evolution, marketing engages and collects interactions with individual responders as it has always done.

STEP 2
Define the association. The first enhancement of the process uses the interactions marketing is generating to understand which individuals are members of buying groups. Two key elements enable this:

- **Who the person is.** Each individual must be matched to their account and their function or role. Technologies such as lead-to-account matching can be used to do this matching. Personal information such as department and job function can also be used to assign individuals to buying groups.

- **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 as potential members of the buying group for potential opportunities. This can be determined by mapping assets to solutions, then tagging that engagement with the individual. As individuals interact with assets that are mapped to solutions, the interactions also associate the individuals to interest in the solutions. When campaigns are tied to specific solutions, campaign members or respondents can also be used to associate individuals to their interests and ultimately to potential opportunities.

Consider an example in which marketing has produced 100 responder individuals. The email addresses provided by the individuals indicate that eight of these individuals come from the same account. Additionally, the organization can see that four of these individuals consumed content related to its talent management solution. With this information, the organization can determine that these four individuals play some role in a buying group for a talent management solution.

STEP 3
Score and prioritize. Many demand management processes use profile characteristics and engagement activity as indicators to identify and score leads. Leads that reach a predetermined threshold are sent for qualification. In the world of opportunities and buying groups, similar approaches can be used:

- The simplest approach is to continue using lead scores to trigger delivery of an opportunity to the RDR team. When one lead from an organization reaches the scoring threshold, that lead along with any other leads or contacts from the same buying group are grouped and delivered together so the RDR can work them as a single opportunity.

- A more advanced approach is to aggregate the scores of multiple buying group members, then hand off an opportunity with connected buying group members 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 B2B Revenue Waterfall implementation project.
STEP 4
Inform the revenue development 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-scored 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 5
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 if they have not already been connected. Depending on the size and complexity of the buying group, the RDR reaches out to engage a qualified member of that buying group, qualify the potential opportunity, and validate the role of individual contacts. The handoff to sales, then, is an opportunity qualified by the RDR containing multiple validated buying group members. This results in an accelerated sales qualification process and a more robust attribution strategy.
PART FOUR
Managing Change

Executive support to drive adoption is essential, 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. Begin by including key stakeholders in the decision-making process and focus 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 B2B Revenue Waterfall provides a framework for planning and measuring the organization’s revenue engine functions — typically marketing, revenue development, sales, and customer success. As in lead-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 B2B Revenue Waterfall, the flow and measurement of demand through the revenue engine change.

- **How does the flow of demand change?** In a lead-based process, individual leads flow through the Waterfall and are delivered first to revenue development, then to sales teams. As we described, however, many of those individuals really belong to the same buying group. For example, in a lead-based process, an individual is scored as a lead and delivered to revenue development. 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 or disqualified. In the B2B Revenue Waterfall, these three individuals are treated as they are — one potential opportunity; therefore, the volume of deliveries by marketing may decrease. This allows organizations to appropriately prioritize potential opportunities. Prepare the receiving teams for a likely decrease in total volume delivered and turn their focus to the quality and value of opportunities with associated buying groups.
• **How does the measurement of demand change?** The opportunity-based approach allows organizations to treat potential opportunities more effectively, and it allows organizations to measure the progress of opportunities in a way that aligns more closely to reality. Under a lead-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 a contact and opportunity, the other leads 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 B2B Revenue 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, establish a demand management council — consisting of leaders from marketing, revenue development, sales, and customer success — to meet regularly and manage the implementation process and organizational communications. In the early stages of implementation (or transformation), organizational leaders should meet once a month to review performance and address any issues. After that, the council should meet on an ongoing basis to ensure the continuous improvement of the demand management process.
Forrester’s tools and frameworks help B2B 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 by assessing the progress opportunities are making and identifying areas that need 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, and events, Forrester aligns marketing and sales to increase the quality and velocity of opportunities. We help organizations optimize their demand management processes by incorporating a structured data approach. We help pinpoint areas of change for clients to improve outcomes.

READY TO TAKE THE NEXT STEP?

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