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MARKETING PUBLICATION

marketing+sales

SERVICE LEVEL AGREEMENTS

a guided tour

A Service Level Agreement

Solving the dysfunction between Marketing and Sales

Why Is An SLA So Important?

An SLA is designed to create alignment between Marketing and Sales in order to improve operational efficiency and achieve business goals. The agreement creates support for and accountability to both groups and helps each benefit from the other's skills.

A Service Level Agreement encourages:

- **Marketing** to deliver the quantity and quality of leads that **Sales** needs
- **Sales** to followup on those leads using a disciplined protocol that's been previously agreed upon with **Marketing**

INTRODUCTION

What Does an SLA Look Like?

First and foremost, a Service Level Agreement is just that: ***an agreement***. An SLA will only be effective when **Marketing** and **Sales** come to consensus and commit to their shared priorities and their responsibilities to one another.

As with other organizational agreements and contracts, an SLA outlines repercussions for instances when either party fails to deliver on the tasks and deliverables it's agreed to produce.

An SLA between **Marketing** and **Sales** starts with their common goal – usually a desired outcome for business growth – and continues with mutually agreed-upon behaviors for how to reach that goal. Plans for monitoring success are also important components of an SLA.

CHAPTER 1

Setting Up a Successful SLA

I. What are Marketing and Sales agreeing to?

No matter your company's shape or size, the first step in the SLA-building process is to identify the **goals** Marketing and Sales teams will share.

Given the complexity of Marketing and Sales functions in many companies, it can be difficult to know where to start. If you have different products, service lines, sales channels, and revenue streams, there are probably many ways to look at shared goals.

Regardless of how complex your Marketing and Sales organizations are, though, we recommend starting your SLA by identifying your shared new business goals. *In other words, set a number for how many new, first-time customers you want to add.*

What will that number mean for Marketing? For Sales?

CHAPTER 1

Setting Up a Successful SLA

II. Identify your new business goals

In companies where Marketing and Sales don't often see eye-to-eye, the process of setting goals can become one-sided and politicized, with one or both teams feeling that they've been represented unfairly.

Businesses with an SLA avoid these problems by relying on their Finance departments to help Marketing and Sales identify their shared goal. Since the CFO is responsible for projecting an annual budget that matches the company's growth priorities, *the revenue level s/he projects can serve as a basis for identifying a mutually agreed-upon goal.*

From there, you can develop a more specific new business goal by subtracting all expected returning income from that overall budget.

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Setting Up a Successful SLA

You'll also want to estimate existing customer churn to make sure your new business goal addresses your *total new business requirement*.

Consider looking at historic data on lost business; by averaging recent churn rates you can set a reasonable expectation for future loss of existing customers, and add that into the overall business goal.

Budgeted income (EBIT)	129,600,000
Income from existing customers	-80,000,000
Estimated churn	14,000,000
NEW BUSINESS REVENUE GOAL	**63,600,000**

After accounting for existing customers and projected churn, you'll arrive at what should be a reasonable new business revenue goal.

CHAPTER 1
Setting Up a Successful SLA

III. Plan an SLA Timeline

Your SLA should be bound by time. An SLA can't operate indefinitely; the agreement will only last a year – at most – because as Marketing and Sales perform and results are reported, you'll need to realign your activities, your goals, or both.

That's because after a few months of successful inbound marketing and sales activity, your revenue goal may have changed because either 1) you beat your expectations, or 2) because the results after that first 6 months came in under the goal.

As you create your SLA, add checkpoints along the way at which time you can evaluate success and modify activities and/or goals to accommodate; we recommend every quarter.

CHAPTER 1

Setting Up a Successful SLA

In short, an SLA is not a long-term agreement designed to sit on the shelf; it's a commitment to operate in specific ways for 12 relatively short months and, like any business plans, it should be reset it as needed.

During that time, Marketing and Sales should report on their aligned business development progress regularly – as often as monthly – and *each period both teams must adjust activity in accordance with one another to meeting their KPIs*.

If your teams understand and accept the SLA as a process timeline – not just a written document – the agreement will hold real, functional value for aligning Marketing and Sales toward achieving the company's revenue goal.

CHAPTER 2

Defining Marketing and Sales Targets

Once the SLA new business goal is set, your company has a foundation for defining how Marketing and Sales will work together to achieve that goal. The next step is to translate that revenue goal into targets that Marketing and Sales teams can put into action.

I. Translating New Business Goals Into New Customer Goals

Generally, neither Marketing nor Sales think solely in terms of revenue; they focus, too, on relationships – Marketing on relationships with leads and Sales on customer relationships. Thus, *the first task in setting up a mutually agreed-upon plan of action is to translate the revenue goal into an estimated number of new customers for the year.*

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Defining Marketing and Sales Targets

At first glance, this tasks should seem relatively easy. Just divide your new business goal by your average annual transaction and you'll have the minimum number of new customers needed, right? Wrong – it's not that simple.

New business revenue		Av. (1 yr) transaction		Min. # of new deals
53,600,000	÷	**10,720,000**	≠	**5 customers**

While simple division might work for companies selling exclusively one-off projects, *any recurring deals must be accounted for and weighted to properly account for the deal's contribution to SLA goal achievement on an annual timeline*.

If, for example, your company provides high-tech engineering services to customers in the manufacturing industry who generally pay monthly, when you close one of these new customers in February of the SLA year, you've closed at least 10 recurring months of revenue. But if you close the same deal in October, you only have 2 months of revenue toward your SLA goal.

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Defining Marketing and Sales Targets

Therefore, in order to convert the new business goal into a desired number of new customers, you may need a more complex formula, like the one below.

If you plan to sell one recurring customer every month for 12 months, the formula is:

[average sales] X 78 = Sales Forecast

CHAPTER 2

Defining Marketing and Sales Targets

II. Defining Inbound Marketing and Sales by Relationship Stages

Once you establish the targeted number of new customers, the SLA-building process shifts away from dollar signs, and Marketing and Sales teams start to plan in their common language: leads and customers.

Overall, a non-qualified new lead has only a very distant relationship with the Marketer (and less of one with Sales). A lead may have some potential to buy but generally, Marketing doesn't pursue an ongoing relationship with the lead until it's understood whether the lead has buying potential.

From there, marketing-qualified leads (MQLs) are *those that fit the company's basic criteria for doing business with* and marketers work hard to create a relationship with MQLs. Those *MQLs who are effectively nurtured and show clear interest in your products and services become sales-qualified leads (SQLs)*. Generally, an SQL is the shared lifecycle stage between Marketing and Sales. Marketing should aim to generate

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Defining Marketing and Sales Targets

SQLs for Sales, and Sales aims to close customers.

Once a lead is sales-qualified, the Sales team reaches out to explore opening a deal. A percentage of these deals will result in a presentation or sales proposal. And from the proposal stage, of course, Sales aims to maximize the total number of new customers.

In inbound marketing and sales, each of these relationship terms are stages in the prospective buyers' journeys toward a purchase. Sales might call their portion of the journey the sales pipeline; Marketing might refer to the marketing funnel. ***In a fully aligned approach, the buyer's movement from lead to MQL to SQL to customer is the shared responsibility of Marketing and Sales.***

In order to set clear expectations and track progress at every stage of the process, it's important to have precise definitions for each stage of the buyer's journey. For examples of lifecycle stage definitions and criteria, see the next page.

EXAMPLE:

Buyer's Journey (Lifecycle) Stages

Lead	A lead is any contact who has provided identifying information and who has the potential to buy your services.
MQLs	An MQL is any lead whose contact information suggests they work for a company that meets the profile of your target customer (target persona)
SQLs	An SQL is any lead whose lead score indicates interest in buying and a readiness to do so. A threshold lead score defines MQLs who become sales-qualified.
Open Deal	An Open Deal is any prospect with whom Sales has established a relationship and has begun to hold exploratory meetings with.
Proposal	The proposal is a Sales presentation to the company decision makers and happens once the prospect is fully evaluating a purchase.
Customer	A Customer is any company (and included contacts) whose deal stage is in Closed/Won.

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Defining Marketing and Sales Targets

III. Defining Targets for Marketing and Sales Stages

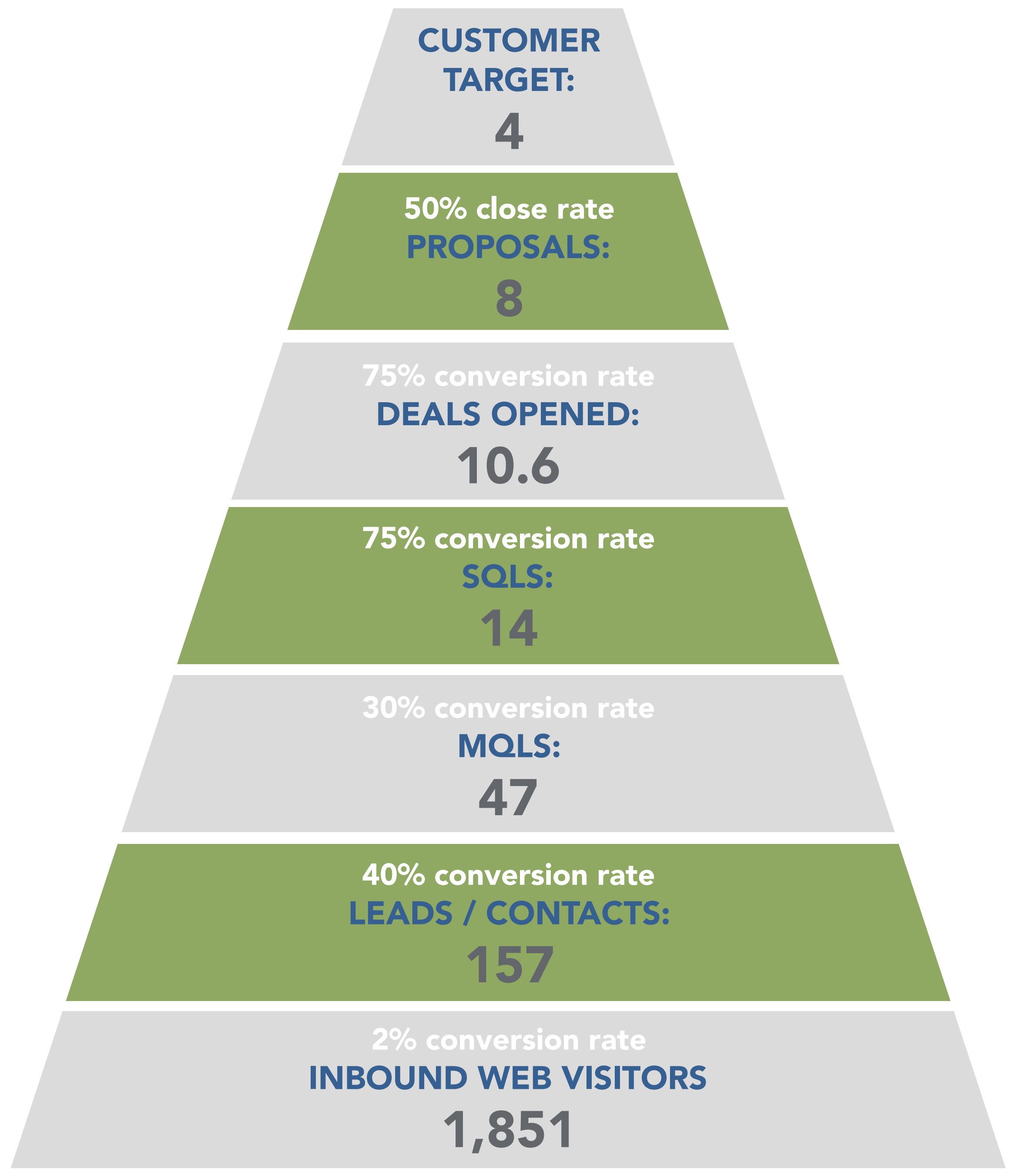
With precise definitions for every stage of your relationship with buyers, *you should now be able to tie lead generation and sales process targets to your SLA goal*. If, for example, the minimum number of new customers per year is 4, then how many proposals would it take on average to reach that target?

To answer reasonably, we suggest using historical data to benchmark the conversion rate from Proposal to Closed/Won customers. Depending on your industry and positioning, conversion rates can vary greatly so it's best to compare against past performance. Let's say your Sales team wins 50% of proposed deals, on average. If that's the case, your SLA target for proposals is 8 for the year.

This process of using known conversion rates to forecast Marketing and Sales targets continues for every lifecycle stage in the buyer's journey. *Using this method you systematically tie Marketing and Sales together in a formal process to reach the SLA revenue goal*. *See an example of the Sales & Marketing SLA funnel on the next page.*

EXAMPLE:

Sales & Marketing SLA Funnel



CHAPTER 3

Operational Alignment for Marketing and Sales

In order to move leads through the Marketing and Sales funnel with the most efficiency and trackability, *an SLA should include mutually agreed-upon operations for both departments*.

In this chapter we'll guide you through 3 organizational mechanisms you'll need in place to achieve a well-oiled Marketing and Sales operation that provides as much context and guidance to your leads as possible.

I. Creating a Mechanism for Hading Off MQLs and SQLs

In the last chapter we explained that the SQL stage is the last relationship stage handled by Marketing and the first for Sales – that it's the handoff point between the two. In most inbound marketing programs, *SQLs get to their stage of readiness because they've engaged in a journey of learning (guided by online marketing content) and they've become increasingly aware of your company as a potential solution to their needs*.

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To increase the likelihood of SQLs becoming viable sales opportunities, your Marketing and Sales departments need a foolproof mechanism that moves the lead from Marketing to Sales *while maintaining as much context, contact and data as possible*.

Consider this example: After months of learning about your products and services through email and downloadable documents, one of your MQLs has shown enough interest to be categorized as an SQL and he's even taken a few peeks at pricing information online. *Now it's time for Marketing to introduce the SQL to your Sales team and work together to close the deal*.

It's not unusual for this process of Marketing-to-Sales lead handoff to completely foreign to companies; many Sales team have never relied on Marketing to supply them with qualified leads.

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With inbound marketing, leads will, in fact, come from the Marketing team; and when they do, Sales has to be ready to receive them without hesitation and take action.

Since a lead's inbound journey through Marketing involves comprehensive lead tracking, leads can be handed off with lots of information. *Every conversion, online form submission, social media interaction and inbound email communication could be included when handing a lead from marketing to Sales so that Sales can connect with relevance to the lead*, without talking down to the prospect or over his or her head.

There are many ways of mishandling lead handoff – from miscommunication about who the key contact person is to sending the lead resources he or she already has. The best lead handoff processes eliminate those mistakes by maintaining open and productive communication between Marketing and Sales. *Handing a lead from Marketing to Sales involves sharing as much data as possible and notifying each team about how that data can and should be used to improve the prospect's experience – and the potential to turn the lead into a customer*.

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II. Lead Handoff Occurs Between marketing Automation and CRM

In today's world both Marketing and Sales rely on large amounts of data to do their jobs effectively. Generally, Marketing generates leads by collecting information within marketing automation software and Sales manages their prospects and customers in a CRM platform.

The sharing of information between Marketing and Sales – the process of lead handoff – is most effective when it's done as a seamless integration between a marketing automation platform (HubSpot, Marketo, Eloqua, Salesforce Marketing Cloud, etc.) and a CRM system (HubSpot CRM, Microsoft Dynamics, Oracle, Salesforce, etc.)

Notice how many brand names appear in both product types? More and more, marketing automation and CRM are being built to work together. Lead handoff is the reason behind this.

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As you plan and implement an SLA, it's critical to evaluate your underlying IT situation. Do you Marketing and Sales teams have the capability to collaborate and share with one another? If not, what technology would you need to address prospects' needs?

To explain the specifics of our recommended lead handoff processes, the next section will focus on implementing an SLA with our preferred platform, HubSpot.

III. Lead Handoff Using HubSpot Marketing and HubSpot CRM

In the context of an SLA, smooth lead handoff should be an unbiased, automated process based on mutually agreed-upon rules. *Automation ensures that lead handoff happens in real time, rather than relying on manual human intervention to trigger it*. That way Marketing can do what it does best: generate and nurture leads. And Sales will start working the leads as soon as they're ready (and not before).

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The key, of course, is to set the rules correctly. With HubSpot's marketing automation software, Marketing manages leads by tracking and progressing leads' lifecycle stage, a property that tracks the relationships. In parallel, with HubSpot CRM, Sales maintains its pipeline with "deal stages." To set the rules for lead handoff, we recommend using a third trigger property to communicate the handoff; in HubSpot, this trigger property is called the "Lead Status."

As soon as Marketing generates an SQL, the Lead Status should be automatically set to "New." A New lead status, in turn, signals to Sales that the lead is ready to start evaluating. If the lead is not disqualified for some reason Sales will progress the Deal Stage of "Connect."

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Inevitably, not all SQLs will turn out to be ready to continue down the sales pipeline. If the lead is not ready, Sales will use the Lead status to "Return" the lead to Marketing, triggering more lead nurturing and marketing activity.

If Sales moves the lead into the selling process, the Lead Status should automatically be updated to "In Progress," which tells Marketing which inbound leads are being worked. If a deal is opened in the "Explore," "Propose," or "Develop" lead stages, then the Lead Status will be turned to "Open Deal."

In this way, the Lead Status property functions as a common currency between Marketing's focus on qualified lead generation and Sales' emphasis on deal progression.

LIFECYCLE STAGE How ***Marketing*** manages leads	**LEAD STATUS** How ***Marketing*** and Sales manage lead-sharing	**DEAL STAGE** How ***Sales*** manages leads
Follower / Subscriber	**New**	**Connect**
Lead	**Returned**	**Explore**
MQL	**In Progress**	**Propose**
SQL	**Disqualified**	**Develop**
Opportunity	**Open Deal**	**Close Won *or* Close Lost**
Customer		

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Operational Alignment for Marketing and Sales

Notice that lead handoff doesn't end with an SQL moving to Sales. True Marketing and Sales alignment is about communicating across the divide. *To close leads effectively, Sales needs Marketing to assist with ongoing nurturing when a lead isn't quite ready to make a deal, and Marketing needs feedback from Sales to continuously improve lead generation.*

Often, "Returned" leads have a huge potential to close eventually, and if Sales trusts Marketing enough to handle that nurturing process that's a good sign that your Sales and Marketing teams are becoming aligned around central business development goals.

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Operational Alignment for Marketing and Sales

II. When Should Lead Handoff Be Triggered? Defining SQLs Systematically

So now you see the importance of practical lead handoff system in developing a effective SLA. However, there's one underlying assumption you'll need to address: *before Marketing can begin sharing leads with Sales, both teams need to form a agreement on what an SQL looks like*.

As with lead handoff, the best process for assessing a lead's sales readiness is automated; this allows you to put the SLA into action without bias or one-sided control.

> ***Here's the broadest definition of an SQL: "An SQL is any lead whose behavior indicates a strong interest in buying and a readiness to do so."***

If your Marketing and Sales teams agrees that an SQL for your business is determined by their behavior within the marketing funnel, your use of marketing automation should aim to evaluate and qualify that behavior. *We recommend using lead scoring to record and standardize this part of your qualification process*.

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Lead scoring is usually used as a way to filter out leads when you have too many; *in an SLA it also serves as an effective mechanism for assessing when a lead should become an SQL*. By assigning a score to every kind of lead behavior – then setting a threshold for how high that score must be to trigger the generation of an SQL – Marketing and Sales can effectively lock in their agreement on what sales readiness means in your industry. *The example below shows how this kind of lead scoring system works.*

ACTION	BEHAVIOR	SCORE
original conversion	added manually	+5
	inbound form submission	0
subscribed to wkly publication or blog?	yes	+20
	actively unsubscribed	-30
points per form submission type	learning level (top of funnel)	+5
	consideration level (middle)	+15
special pages visited	Pricing pg	+5
	Services pg	+5
pages visited in last week	0-9	0
	10+	+10
date of last activity	>30 days ago	-30
	<30 days ago	0
request for consultation?	yes	+30

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Operational Alignment for Marketing and Sales

As you can see in that example, there are a variety of ways you can qualify leads for Sales based on their behaviors, including page views, online form submissions and, of course, direct requests. *Automated lead scoring helps ensure slower-moving leads on nurturing tracks are continually qualified and, when ready, sent to Sales*.

In the lead scoring example on the last page, the threshold for moving a lead to the SQL stage would be 80 points. And leads could reach that threshold in a variety of ways. Here are a few examples of the kinds of activity that we'd mark as worthy of becoming an SQL:

the lead was manually added after a salesperson met her at a tradeshow	5
after connecting further online, the lead subscribed to the blog	20
the lead eventually downloaded 4 content pieces; 2 were learning-level (top of the funnel) and 2 were consideration-level eBooks (middle of the funnel)	40
the lead also checked the company Pricing page	5
the lead viewed 12 pages on our site during the last week	10
	80

CHAPTER 3

Operational Alignment for Marketing and Sales

There are no one-size-fits-all approaches to setting the criteria for your SQLs. In fact, *there's probably no other part of the SLA-building process that's more industry- and company-specific than defining the criteria for what makes a lead Sales-ready*.

As Marketing and Sales come to consensus about what it means to be ready for the sales process, they developed an important shared understanding of business development direction. Also, using marketing automation software like HubSpot to systematize these shared decisions using lead scoring helps the vision become operational day-to-day.

CHAPTER 4

Monitoring & Reporting SLA Performance

After setting SLA goals, defining how Marketing and Sales will meet those goals, and constructing systems to align both function operationally, the final component of an effective SLA is monitoring how Marketing and Sales are performing together.

As part of the SLA, key performance indicators (KPIs) should be established to identify how well Marketing and Sales are achieving their shared goals at any given point in time. In specific terms, this means that a Marketing and Sales SLA includes KPIs tied to goal achievement.

CHAPTER 4

Monitoring & Reporting SLA Performance

I. Establishing KPIs Based on SLA Goals

Let's review how we set SLA goals and targets in the earlier chapters. For a single business, if the goal is to close 4 new customers a year, then, following our sales and marketing funnel, we know that Marketing and Sales need to generate a respective number of proposals, new deals, SQLs, MQLs, leads and, of course, website visitors in order to get there.

- Each of those forecasted numbers is projected based on a benchmark conversion rate – for example, the assumption that at least 75% of SQLs will become new deals/ opportunities
- Once you've set these kinds of benchmarks to define your Marketing and Sales targets, your performance against the marks is highly indicative of whether you hit that ultimate goal of 4 new customers

CHAPTER 4

Monitoring & Reporting SLA Performance

- While KPIs for Marketing and Sales certainly vary across industries and sales cycles, we suggest that in the context of inbound marketing, each step of the inbound funnel forms the basis of monthly KPI reporting

- Each lifecycle stage ties Marketing and Sales activity directly to revenue goals, so when you underperform at one stage, you can usually expect a negative impact at the bottom of the funnel (in the near future)

CHAPTER 4
Monitoring & Reporting SLA Performance

II. Keep the SLA Relevant with Regular Monthly Reporting

For Marketing and Sales alignment, there's no better way to get them thinking in synch than by having them report on their successes and failures every month – together.

As soon as you define your SLA's KPIs and other performance measures, you should start recording those analytics religiously and report on them every month (or, if more appropriate, each quarter). We suggest monthly reporting because it means that 12 times a year, performance will be made public and adjustments can be made accordingly. That's 12 times to get problems fixed before goals aren't met, and 12 times company leadership can get involved in the SLA process to encourage more and better alignment between departments.

On the next page you'll find a template of what an effective SLA KPIs report should include.

EXAMPLE:

SLA KPIs Report

MONTHLY BUSINESS GROWTH

	Year	Month (plan)	Month (actual)	Variance
Budgeted earnings				
Existing revenue streams				
New customer revenue goal				

ANNUAL NEW CLIENTS PLAN

	Plan	Actual	Customer
Jan			
Feb			
...			
TOTAL			

MARKETING KPIs

	Previous	This Month	Benchmark
Website visits			
Visitor-to-Leads			
Leads-to-MQLs			
MQLs-to-SQLs			

SALES KPIs

	Previous	This Month	Benchmark
Open-to-Proposal			
Proposal-to-Close			
Avg. Deal Size			
Avg. Days Open to Close			

KEY TAKEAWAYS

In the end, an effective Marketing & Sales SLA is about:

- Creating alignment between Marketing and Sales and their roles and behaviors
- Setting goals together
- Achieving growth goals that support business goals
- Approaching those goals in a fully aligned and systematized way
- Reporting on the SLA regularly to cultivate accountability
- Building a business development process that's sustainable and repeatable

Developing an effective SLA is not what you'd consider a "quick and easy" project, but it's worth all the time and effort that go into it. It's something that makes the relationship between Marketing and Sales more productive, more positive, more collaborative, and more successful.

We've given you a basic overview of the structure and purpose of an SLA; the actual process and details are certainly more complex than could be covered in an ebook. But we're here to help you strategize and implement one that's designed specifically for your organization, so don't hesitate to reach out to us.

Learn more about how Weidert Group can help you align Marketing and Sales to reach your goals more efficiently. Take advantage of a free consultation; we'll happily answer all your questions, without any obligation on your part.

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