



When to Implement the Demand Unit Waterfall™

As processes and technologies supporting demand management mature, organizations must take an evolved approach to demand management

The new SiriusDecisions Demand Unit Waterfall tracks buying groups instead of individual leads

Numerous signs – including pipeline-centric demand creation and the use of account-based marketing – indicate that an organization should consider deploying the Demand Unit Waterfall

Editor's note: For a tool that provides a framework to quantify improvements to your Demand Unit Waterfall conversion rates, see the "Demand Unit Waterfall™ Tool," which models the impact of conversion rates on demand creation efforts and goals.

The Japanese method of kaizen – continuous improvement – was described in Masaaki Imai's 1986 book *Kaizen: The Key to Japan's Competitive Success*. One of the author's key points is the importance of understanding why a change is required: "If no problem is recognized, there is no recognition of the need for improvement."

The SiriusDecisions Demand Waterfall®, which was introduced in 2006 and rearchitected in 2012, has become the standard for b-to-b organizations to define their demand management processes. As the processes and technologies supporting demand management continue to mature and enable organizations to deepen their understanding of buyers, we have recognized the need to continue evolving the Demand Waterfall. In this brief, we describe four signs that indicate an organization should consider deploying the latest version – the Demand Unit Waterfall – and the associated benefits of making this change.

One: Pipeline-Centric Demand Creation

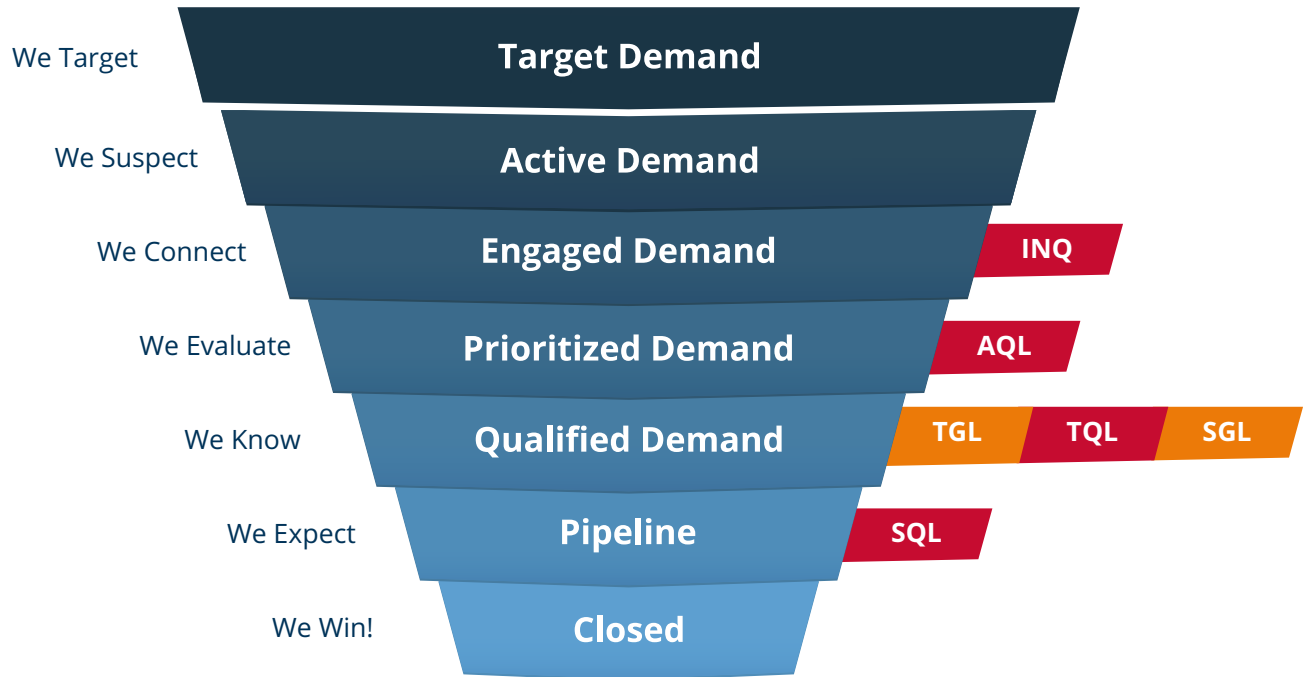
The Demand Unit Waterfall defines demand as the combination of buyers or buying groups, their need and a matching solution. It provides a framework for understanding the organization's effectiveness at cultivating that demand. Because the Demand Unit Waterfall focuses on identifying and progressing potential opportunities vs. generating inquiries, organizations with demand creation programs focused on identifying pipeline rather than inquiries are good candidates for deploying it. By using the Demand Unit Waterfall, they can realize the following benefits:

- **Targeting multiple buying roles.** In b-to-b purchases, individual people are important, but they must be assessed and prioritized within the context of their roles within a potential opportunity. B-to-b organizations must understand individuals' roles in a buying group – associated with a company within a target market and as part of a buying center.

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The SiriusDecisions Demand Unit Waterfall™

With corresponding Rearchitected Demand Waterfall® stages



Rearchitected Demand Waterfall® Stages

INQ Inquiries **AQL** Automation qualified leads **TGL** Teleprospecting generated leads
TQL Teleprospecting qualified leads **SGL** Sales generated leads **SQL** Sales qualified leads

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- **Cross-functional alignment.** A pipeline or opportunity-centric view of demand creation requires aligning with marketing, sales and product on the target market and selected approaches to identify, attract, engage and qualify potential buyers. Demand units are defined when buying groups that have business needs align with the organization's solutions.
- **Integrated processes.** Marketing teams that are accountable to pipeline and revenue goals are more closely aligned with sales and understand that interested buyers are a component of opportunities. Aligning on demand units (i.e. potential opportunities) brings together demand creation and sales processes, from initial attraction and the execution of inbound and outbound tactics, to opportunity progression within the Demand Unit Waterfall.

Two: Shifting Away From Inquiry Count and Conversion

Teams that understand that inquiry count and conversion don't tell the whole story in b-to-b demand creation are well positioned to adopt the Demand Unit Waterfall. This version of the Demand Waterfall begins and ends with the identification and progression of demand units, and the consolidation of interested buyers into a buying group occurs much earlier in the qualification process than it would with pipeline creation. Organizations that implement the Demand Unit Waterfall can realize the following benefits:

- **Opportunity conversion.** By recognizing that demand units are usually composed of multiple individuals, the Demand Unit Waterfall eases the mathematical challenges associated with converting inquiries and leads to opportunities. Tracking



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the progression of demand units rather than individuals provides more precise visibility into demand creation performance. For example, when demand units are quantified throughout the Demand Unit Waterfall, the method for consolidating individuals by demand unit is applied consistently – from as early as the target demand stage to the closed/won stage.

- **Alignment of buyers to buying groups.** Because demand units represent multiple individuals from a single buying group, they provide better visibility into marketing's contribution to demand creation. Demand units also align marketing to the buying entity that sales is most interested in – the opportunity. Although individual responses are still seen, the key component in evaluating and managing responses is understanding how the individual responder aligns to a demand unit.
- **Improved insights.** By connecting individual potential buyers to the appropriate demand unit and tracking the progression of the demand unit through the Demand Unit Waterfall, organizations can obtain more insights into buyers' propensity to buy and coverage across a buying group, develop increased visibility into attribution and influence, and better understand the conversion of the demand unit throughout the waterfall.
- **Understanding total addressable market.** The Demand Unit Waterfall expands beyond active demand to incorporate market size planning (i.e. target demand – the number of potential demand units that exist for a solution in the market). This requires organizations to consider the denominator differently when examining top-of-waterfall conversion rates. Adding target demand to the Demand Unit Waterfall further aligns marketing targets to sales goals and enables the measurement of demand creation performance in the context of the total addressable market.

Three: Deploying Account-Based Marketing (ABM) or Focusing on Target Accounts

Organizations that use – or are shifting to – an ABM strategy, or marketing and selling to a targeted list of accounts, should consider switching to the Demand Unit Waterfall, which aligns marketing and sales on identifying and creating demand

within target accounts. Organizations that apply this version of the Demand Waterfall can gain the following benefits:

- **Alignment of demand to accounts.** Organizations that are aligning their go-to-market strategy to accounts must identify the buying centers and personas within those accounts to target with sales and marketing programs. The Demand Unit Waterfall provides an effective approach to managing and measuring the progression of demand within target accounts.
- **Integrated programs.** Different ABM models (i.e. large account, named account and industry/segment) can be deployed depending on the business objective. However, all models rely on orchestrated approaches to marketing and sales engagement and the ability to track and measure outcomes – both of which are facilitated by tracking demand units.
- **Aggregation of coverage insight.** The Demand Unit Waterfall does not dictate demand creation roles and responsibilities by stage of qualification, because roles and responsibilities differ in various demand scenarios. The goal is to capture and aggregate all responses across marketing, tele, sales and channel for each demand unit. This approach provides a realistic view of the coverage across a buying group and improved visibility into all of the interactions that contribute to the progress of demand units.

Four: Usage of Predictive Analytics and/or Intent Monitoring

Organizations using predictive analytics and/or intent monitoring to identify and engage prospects early in the buying process should consider the Demand Unit Waterfall. This version of the Demand Waterfall introduces new stages – target demand and active demand – that predictive analytics and intent monitoring can help inform and quantify. By using these types of solutions with the Demand Unit Waterfall, organizations can gain the following benefits:

- **Prioritized demand units.** Organizations that have adopted predictive analytics and/or intent monitoring can receive additional insights into demand units. For example, intent monitoring can provide visibility into which demand units



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are active and exhibiting signs of interest in the type of solution that the organization sells (see the brief “Leveraging Predictive Technologies for Account-Based Marketing”).

- **Solution interest.** Predictive analytics can provide insight at the account level and demand-unit-level insight into buyers, their engagement levels and their solution interest (see the Core Strategy Report “Applying Predictive Analytics”).
- **Early-stage identification.** Many organizations with ABM models use intent monitoring to detect potential buying processes within target accounts. This monitoring can be used to identify accounts and even demand units that are in the market for a solution. These accounts can be represented initially as active demand if there are not yet any known individuals that align to the demand unit.

The Sirius Decision

Recent process and technology developments have made it clear that changes to demand management are needed. The Demand Unit Waterfall aligns product, marketing and sales on target buying groups much earlier in the demand modeling process, offers flexibility for the definition of roles and responsibilities at each stage, and improves visibility into the levers that source and influence demand. Although immediate migration to the Demand Unit Waterfall is not appropriate for every organization, taking even small steps toward implementation (e.g. studying the total addressable market) can enhance alignment and improve existing processes.

