

Use The B2B Revenue Waterfall To Manage All Revenue Opportunities

The Demand Waterfall® family has been an indispensable measurement framework for B2B marketing organizations for 15 years. The latest version of the waterfall, the Forrester B2B Revenue Waterfall, has evolved to provide the insights that all revenue engine functions — marketing, sales, and customer engagement — require for planning and measuring progress against the full spectrum of opportunity types that make up a B2B revenue plan. With the B2B Revenue Waterfall, organizations can plan and manage all their revenue opportunities using standard sales force automation (SFA) objects and gain visibility into the revenue engine's performance using common visualization techniques (e.g., stacked bar charts).

A Waterfall Designed For The Reality Of B2B Revenue Generation

Two fundamental truths of most B2B buying and selling scenarios are reflected in the design of the B2B Revenue Waterfall. First, accounts often represent multiple selling opportunities. Second, when companies make purchases to address business needs, a buying group — not an individual acting alone — typically makes the purchase.

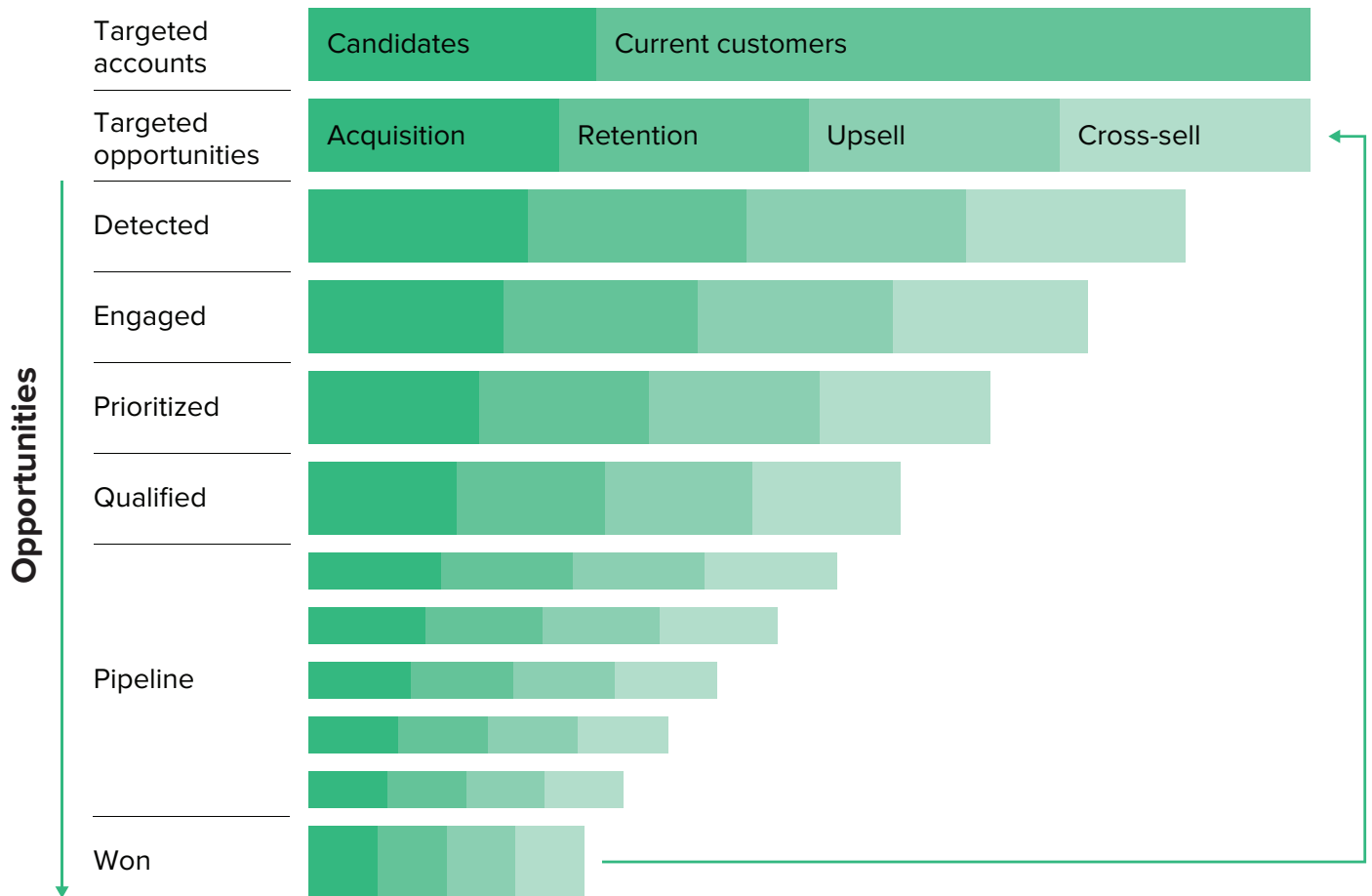
- **Multiple opportunities within accounts.** When B2B organizations offer multiple solutions, their first sale to an account often serves as the entrée to a suite of additional revenue opportunities through cross-sell, upsell, and retention. Still, our research, the 2021 Forrester Revenue Operations and Buying Groups Survey indicates that just under one-third of B2B organizations include their retention, cross-sell, and upsell opportunities in their waterfalls. By centering measurement on opportunities, the B2B Revenue Waterfall allows organizations to capture and measure progress against each available selling opportunity within each account.
- **B2B buyer groups.** For more than a decade, B2B revenue engines have relied on the production of leads (i.e., individual people expressing interest in a solution) to fuel their revenue acquisition processes. Although engaging relevant individuals is critical, up to 95% of participants responded that at least three people were involved in the purchasing decision process according to the Forrester Revenue Operations And Buying Groups Survey, 2021. To recognize which interest signals correspond to an active buying process, organizations must identify when multiple buying group members are exhibiting interest simultaneously.

Waterfall Stages Reflect Key Milestones On The journey From Targeted To Won

Stage names in the B2B Revenue Waterfall reflect milestones in the organization's knowledge of and relationship with the opportunities that make up its revenue plan. To reflect these milestones, Forrester has established seven stages that correspond to seven key milestones in the progression of opportunities from planned to won revenue.

- **Targeted.** The targeted stage comprises two layers: targeted accounts (the set of accounts from which targeted opportunities are expected to come) and targeted opportunities (the set of opportunities within the targeted accounts that form the basis of revenue acquisition goals). Targeted opportunities may be acquisition, renewal, cross-sell, or upsell opportunities (see "The Variety Of B2B Revenue Opportunities"). Importantly, opportunities reside in the targeted stage only until interest or current state signals would trigger their progression through the waterfall (see "The Buyer Signal Framework"). Forrester strongly encourages organizations to track all opportunity types, beginning with the targeted stage. In addition to providing a baseline measure of progress for the entire B2B Revenue Waterfall, tracking opportunities at this stage also allows organizations to attach key buyer signals to opportunities throughout their lifecycles, increasing visibility into the factors that correlate with opportunity wins.

The Forrester B2B Revenue Waterfall



- Detected.** The detected stage contains potential opportunities emitting detected anonymous interest signals (i.e., intent signals). Organizations may find these intent signals by assessing anonymous web traffic or using external providers. At this stage, interest signals have been associated to an account, but the identity of the buying group members emitting those interest signals may not yet be known. In some cases, the names of individuals demonstrating interest via third parties (e.g., syndicated content providers, software review sites) may be acquired and contribute to the inclusion of an opportunity in the detected stage. However, interest signals that qualify an opportunity for this stage should always indicate the company from which the signals are emanating and the subject of the interest.

Organizations must define the volume of interest signals sufficient to move the opportunity to the detected stage.

In some cases, any signal of interest may trigger the move. In other situations, organizations may experience a continuous baseline of detectable interest signals from target organizations, and only deviations from this baseline trigger an opportunity’s inclusion in the detected stage.

- Engaged.** The engaged stage contains opportunities in which at least one identified buying group member has directly engaged with the organization by responding to marketing programs or outreach from revenue development representatives or sales personnel. Opportunities may be promoted directly from the targeted stage to the engaged stage if the first interest signal detected is a directed interest signal that identifies the individual. However, some organizations may require that more than one individual engage directly before deeming the opportunity engaged. In some cases, only

the involvement of specific buying group roles, such as a champion or decision-maker buyer role, can trigger entry into the engaged stage.

- **Prioritized.** The prioritized stage contains opportunities with associated buying group members who have been deemed worthy of human outreach by an RDR or member of the sales team. We recommend basing prioritization on a scoring scheme that characterizes the engagement of the buying group as a whole, rather than the engagement of an individual member of the group. However, when buying group members request personal outreach or engage in other behaviors that signal serious purchase intent, factor those actions into prioritization calculations. For continuity with prior lead-based processes, organizations often retain individual lead scoring thresholds during their transition to an opportunity-centric approach. With this practice, they prioritize opportunities when any member of the buying group passes existing lead scoring thresholds. In this case, they should pass all active buying group members to RDRs together at the time the scored lead is passed.
- **Qualified.** The qualified stage contains opportunities deemed ready for direct interaction between the buying group and sales. Opportunities in this stage should have a business need that has been confirmed through direct interaction with a buying group member. Forrester also recommends that qualified opportunities include at least one member of the buying group who has agreed to a specific appointment to speak with a sales rep. Demand type (see “So, What Is Your [Demand] Type?”) plays an important role in the qualification of potential opportunities and should inform the criteria used to determine which opportunities are ready for this stage.
- **Pipeline.** The pipeline stage houses typical sales cycle stages, reflecting that B2B pipelines normally contain between four and seven stages that are denoted by stage names in the SFA system. No changes to existing sales processes are required with adoption of the B2B Revenue Waterfall. Through their inclusion in the waterfall, pipeline stages are placed within the context of the other milestones in an opportunity lifecycle.
- **Won.** The won stage contains deals that have closed as wins; as they are onboarded as customers, these opportunities are removed from the won stage. For subscription-based deals, a retention opportunity

should then be created and held in the targeted stage until action is taken to secure the renewal. For non-subscription opportunities, remove opportunities from the won stage according to current practices for revenue recognition. Deals that have been lost but still represent future target opportunities may also be returned to the target stage.

Using The B2B Revenue Waterfall To Manage The Full Opportunity Mix

The B2B Revenue Waterfall enables organizations to plan, manage, and measure how the revenue engine activates and converts opportunities from the targeted stage through to revenue. B2B revenue comes from a variety of opportunity types, including acquisition, retention, cross-sell, and upsell. Each opportunity type has its own characteristic conversion rates and velocities. Therefore, to plan accurately and optimize performance, B2B organizations must understand the mix of opportunity types available, the typical or expected conversion and velocity rates for each type, and the expected revenue from each opportunity type. The B2B Revenue Waterfall provides the necessary framework for capturing and visualizing this critical performance intelligence.

In addition, the new waterfall is designed to be easily implemented in common SFA systems using standard objects. Visualizing performance is also straightforward using common visualization techniques and tools:

- **Operationalization.** Organizations should use the opportunity object in their SFA system to house opportunities (see “Operationalizing Demand Units With The Opportunity Object”). This approach makes it possible to track waterfall stages using opportunity stages — a standard option in all SFA systems. When tracking opportunity movement in stages of the B2B Revenue Waterfall that precede existing sales stages, consider adding opportunity stage name values that clearly indicate the opportunity’s waterfall stage of the opportunity. Ensure that opportunities above existing sales stages do not inadvertently appear in typical sales reporting.
- **Visualization.** Because the B2B Revenue Waterfall tracks opportunities from start to finish, each waterfall stage simply reflects the volume of opportunities in that stage. Users are encouraged to operationalize the B2B Revenue Waterfall as a bar chart in their business intelligence, SFA,

and spreadsheet tools, with each stage arranged as a horizontal bar. The size of each bar reflects the volume of opportunities, and the change in size of the bar from stage to stage reflects conversion rates. Users may use

stacked bars at each stage to depict the portion of that stage occupied by each of the opportunity types, allowing them to visualize the performance of each opportunity type within the waterfall.