LEAD MANAGEMENT ROI

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Imagine being a farmer who plants and tends field after field of crops using the latest and greatest machinery—only to go out at season's end to harvest by hand, letting most fields go unpicked.

You don't want to be that farmer.

Nor do you want to be the company that wastes its sales lead generating investment by harvesting but a minority of the leads produced—at a time when some competitors are finally figuring out how to reap all they've sown.

But the majority of B2B companies *are* that company. Why? To learn why, let's analyze how companies commonly but unwisely conduct sales lead programs.

Step	Description	Financial impact
1. Generate inquiries	Use the web, e-mail, direct mail, e-mail, media advertising, trade shows etc. to generate customer inquiries.	**Cost**
2. Send literature fulfillment	Whether in PDF format or hard-copy, respond to every inquiry with a brochure.	**Cost**
3. Distribute raw inquiries to sales	Send every inquiry to sales—whether from a tire kicker, recycling material collector, future buyer or occasionally a legitimate, current prospect,.	**Cost**
4. Sales cherry-picks inquiries	Sales usually takes time scanning the inquiries, looking for current customers or current or past prospects—names they recognize.	**Cost**
5. Sales dumps the majority	Next, sales "round files" all or most inquiries to avoid wasting time communicating with disinterested prospects. Unfortunately, legitimate sales opportunities—sometimes major opportunities—wind up in recycling.	**Opportunity cost**
6. Sales follows up on a few	Sales does generate some new business—primarily from current customers and prospects. But a considerable percentage would have come in regardless of the lead generation program.	**Revenue**
7. End of program	Marketing is in the dark about what happened. Management is dissatisfied with the outcomes. Marketing blames sales for not following up leads. Sales blames marketing for generating unqualified inquiries.	**Knowledge cost**

It's easy to see what's broken. Obviously, steps 1 – 5 have no inherent value other than maximizing the success of step 6. And almost as obvious, steps 1 – 5 fail to adequately support step 6. The major defect in this sequence involves marketing sending raw sales inquiries to sales, which results in sales ignoring qualified inquiries they don't recognize buried among the unqualifieds. And sorry, but no amount of management cajoling or edict-issuing will change this sales behavior.

Nothing complex here. Companies unwilling to accept the meager returns most lead-generating program produce have two rational options: 1) Stop generating sales inquiries; 2) Fix the problems. But there is a catch. Most companies don't recognize the ROI potential of addressing these problems. So in fear of wasting money, they continue accepting unsatisfactory outcomes.

The following table pulls back the blinds obscuring the ROI of implementing lead management fixes. The table compares outcomes of two direct mail, lead-generating campaigns identical except in one respect: for campaign 1, all sales inquiries were followed up; for campaign 2, only 30% of inquiries were followed up, the rest winding up in the round file, as customarily occurs.

	Element	Factor	Outcome 1	Outcome 2
			(all inquiries followed up)	(30% inquiries followed up)
Mail 100,000 pieces	Cost-per-piece mailed	$1 per piece direct cost	$1	$1
	Cost-per-inquiry	2% response rate	$50	$50
	Cost-per-qualified inquiry	20% qualified	$250	$250
	Cost-per-sale 1	40% conversion, 100% followed up	$625	–
	Cost-per-sale 2	40% conversion, only 30% followed up	–	$2,083
	Number of sales conversions	100,000 X .02 X .20 X .40	160	–
	Number of sales conversions	100,000 X .02 X .20 X .40 X .30	–	48
	Dollar yield 1	$10,000 average sale	$1,600,000	
	Dollar yield 2	$10,000 average sale		$480,000
	Marketing cost as % of sales 1	$100,000 mailing cost	6%	–
	Marketing cost as % of sales 2	$100,000 mailing cost	–	21%

How do you read these numbers—considering that pressuring sales to follow up every inquiry will only substitute sales expense for marketing expense and further will trigger false sales call reporting (and you don't want to get started down that slippery slope)? Again, it's not rocket science. Companies have to figure out how to send sales only qualified sales leads from ready-to-purchase companies. Which brings us right back to the ROI issue—only take a good look at the table numbers.

Considering the sales outcomes gap between the two sample campaigns, don't you suspect that there's way more than enough margin gap to justify: a) qualifying sales inquiries so only those with true potential go to field sales; and b) nurturing inquiries with future potential until customers approach their buying cycles, and only then forwarding these now ready and ripe leads to field sales. Yes, the majority of sales people want to immediately see any inquiry from their territory with sales potential, regardless of when it will be ready to ripen—but preoccupation with future potential only diminishes sales attention on the present. Sales isn't always right.

Who wants to invest in revenue-generating programs yet not spend enough to generate revenue?

Sure, there's a cost associated with managing inquiries to attain high percentage follow-up. But there are costs, much bigger costs, associated with generating sales inquiries and following them up. And who wants to spend all that money and have most of it go to waste for want of spending enough to do the job right?

How much companies can profitably invest in qualification, nurturing and other value-adding lead management functions such as sales performance measurement, sales process analysis, media/list performance measurement, prospect and customer profiling and the like does depend on selling margins. But looking back at the ROI table, our sample company would have to be operating on pennies-on-the-dollar not to show a handsome return on investing in lead management services. And in the real world, few companies ever approach the point of diminishing returns when investing in lead management.

Companies with selling margins too low to support lead management hardly have the margins to support lead generation.

So for all this, why don't more companies take inquiry qualification, nurturing and the balance of lead management more seriously? Several factors weigh in—such as failing to set shared goals for marketing and sales, which gives these functions the leeway not to work cooperatively; the very common animosity between the two sides; and especially metrics focusing on interim milestones rather than sales outcomes, or no measurement systems in place at all. Plus, dare I say it, budgets that skew so far towards indirect methods of generating business such as branding and media advertising overall that there's little money left to invest in what directly drives revenue dollars. But this whole topic is food for another white paper.

Marketing and sales should share revenue-generating responsibility. Otherwise, they will continue to operate at arm's length from each other and remain largely unaccountable for sales outcomes.

Suffice it to say that not investing in steps critical to generating ROI from sales lead generating programs makes no sense—regardless of the excuse given.