

# ***Lead Life Cycle Optimization: 2008 Analysis***

**Complements of:**



**Jim Dickie**  
Partner, CSO Insights  
Boulder, CO



**Barry Trailer**  
Partner, CSO Insights  
Corte Madera, CA

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## Contents

<b>Executive Summary .....</b>	<b>1</b>
<b>Selling More Important than Awareness .....</b>	<b>3</b>
<b>Web-based Marketing Becoming More Important.....</b>	<b>4</b>
<b>Use of Lead Management Systems Increases to 50% .....</b>	<b>5</b>
<b>The Other 50% Using Low-Tech or No-Tech .....</b>	<b>6</b>
<b>No Clear Consensus on When to Pass Leads on to Sales .....</b>	<b>7</b>
<b>Lead Scoring Gaining More Support .....</b>	<b>8</b>
<b>Scoring is Helping Turn Leads to Opportunities, to Sales .....</b>	<b>9</b>
<b>Lead Nurturing Strategies Leaving Holes.....</b>	<b>10</b>
<b>Marketing Measuring Success Based on Revenue.....</b>	<b>11</b>
<b>Marketing ROIs Coming in Many Flavors .....</b>	<b>12</b>
<b>Marketing and Sales Disagree on Source of Leads that Close .....</b>	<b>13</b>
<b>Marketing Rates their Performance Positively, Sales Doesn't Agree .....</b>	<b>14</b>
<b>Going Forward Recommendations .....</b>	<b>15</b>

## EXECUTIVE SUMMARY

As part of CSO Insights' 2008 Sales Performance Optimization, study released earlier this year, when we asked sales executives to share what their top priorities were, number one on their list was enhancing lead generation programs. This prompted us to start to dive deeper into what approaches firms were using to accomplish this objective, and through a series of benchmarking interviews we began to surface examples of how companies were more effectively leveraging process and technology to increase the quantity and quality of their leads.

Based on this feedback, we decided to take things further and conduct a study across a broader audience of marketing professionals. We used a Web-based survey approach for gathering data. Study candidates were initially prescreened based on their job function. These executives were then e-mailed an invitation to take part in the study and were provided a link to the Web site where they could take the actual survey. We had 354 business-to-business (B2B) firms respond to our request to take part in this research effort, and received complete data from 298 of those companies.

The survey instrument was designed to be completed in approximately 15 minutes. Participants had the option to signoff from the site, return, and continue where they left off if they needed to stop to get more information or had a time constraint. Also, "not applicable" and "do not know" were offered as acceptable choices for many of the questions related to lead generation management.

The following is an analysis of the key trends from the study. As you read through the details you will see that:

- **Marketing's Objectives Match Those of Sales:** 69% seeking to increase new customer acquisitions, 45% client retention, and 41% improved cross-selling/up-selling.
- **Web-based Marketing in Many Forms is Taking on More Importance:** 75% of firms leveraging email marketing, 53% online advertising, 31% search marketing and 27% paid search, etc.
- **Technology Playing a Larger Role in Managing the Life Cycle of a Lead:** 51% of marketing organizations are leveraging lead management systems.
- **Lead Scoring is Being Utilized by More Firms:** 60% of marketing groups are assessing leads before passing them onto sales.
- **Lead Nurturing Approaches Vary:** 48% of firms say sales owns this, 42% lay the task on marketing's doorstep.
- **Marketing is Applying More Science to Tracking Leads and Determining ROI:** Still seeing, though, that nearly one in five can't measure the return on their marketing investments.
- **Sales and Marketing Alignment Issues Still Need to be Addressed:** Even with improvements, marketing is still only generating 38% of the leads that sales turns into sales, and marketing's view of their performance doesn't match the perspective of sales

For a complete list of the survey questions, contact Kim Cameron, Executive Research Director via email at: [kim.cameron@csoinsights.com](mailto:kim.cameron@csoinsights.com).

## Lead Life Cycle Optimization: 2008 Analysis

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We hope the information presented in this analysis will help you to more effectively - optimize your organization's lead life cycle management efforts. While we believe the issues raised have broad applicability, we encourage you to use this information only as the basis for brainstorming and goal planning sessions for identifying and prioritizing your organization's lead generation objectives. Everyone can benefit from understanding the strategies and tactics other companies are using, but in the end, you must implement solutions that fit your specific business needs and not those of other firms.

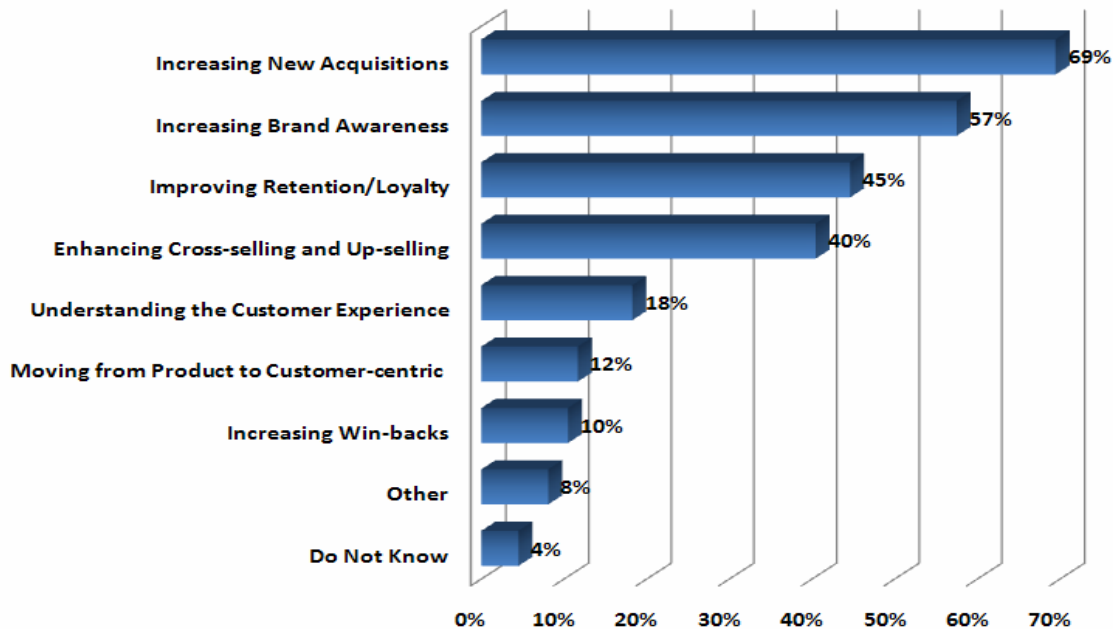
Jim Dickie  
Managing Partner  
(303) 530 6930  
jim.dickie@csoinsights.com

Barry Trailer  
Managing Partner  
(415) 924 3500  
barry.trailer@csoinsights.com

# Lead Generation Optimization Study Analysis – 2008 Key Trends

## Selling More Important than Awareness

### Top Three Objectives for Lead Generation Programs



#### Key Findings

- ❖ Marketing and sales' goals are aligned, it's all about revenue.
- ❖ Getting new customers and keeping/expanding existing clients are imperative.
- ❖ But while we say the customer is first, they are not always put first.

#### Commentary

Here we see that marketing's top objective for the next 12 months is assisting in revenue generation. This is aligned with sales as we saw 60.7% of Sales Performance Optimization (SPO) study respondents say that increasing revenues was their top objective in 2008.

Marketing's lead generation efforts are focusing on supporting sales in four areas of revenue generation: acquiring new customers, retaining and renewing business with existing customers, expanding the products and services customers buy through cross-selling and up-selling, and finally to a lesser extent trying to win back customers they may have lost. These findings are consistent with the results of our 2007 Target Marketing Priorities Analysis (TMPA).

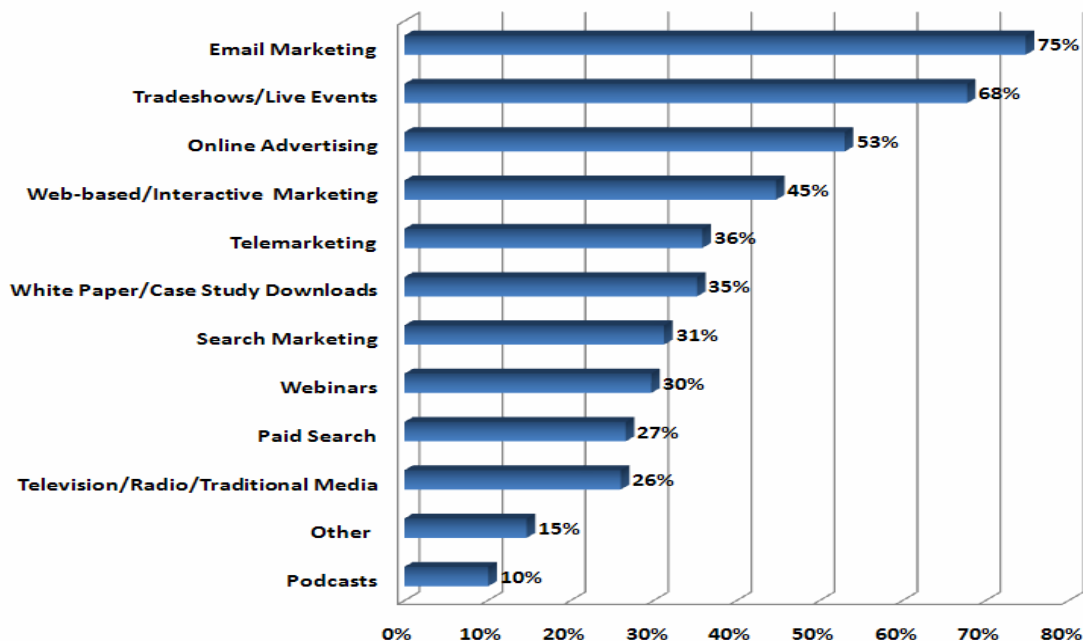
But while marketing continues to focus on revenue, there is a risk that they will under-focus on the customer. The majority of firms will say that their customer is number one, but the study results show otherwise. Less than 20% of firms stated that improving their understanding of the customer's experience was a top objective. Also, fewer than 12% stated that becoming more customer-centric was a priority.

As these are both areas few companies say they excel, there is concern that the focus on short-term revenues may keep firms from optimizing long term relationships.

# Lead Generation Optimization Study Analysis – 2008 Key Trends

## Web-based Marketing Becoming More Important

### Lead Generation Approaches Over Next 12 Months



#### Key Findings

- ❖ Beyond direct mail, the web is taking the lead for marketing.
- ❖ Web-based marketing comes in many flavors.
- ❖ Advertising and traditional media becoming less important.

#### Commentary

In asking the study participants to share with us what lead generation approaches, aside from direct mail which continues to be a ubiquitous approach, they would be utilizing over the next 12 months we see that the Internet continues to increase in importance.

That being said, web-based marketing is not one approach, but rather many, including email, online advertising, web site marketing, portal sites for downloads, virtual events via webinars, not-for-pay and paid search, podcasts, etc.

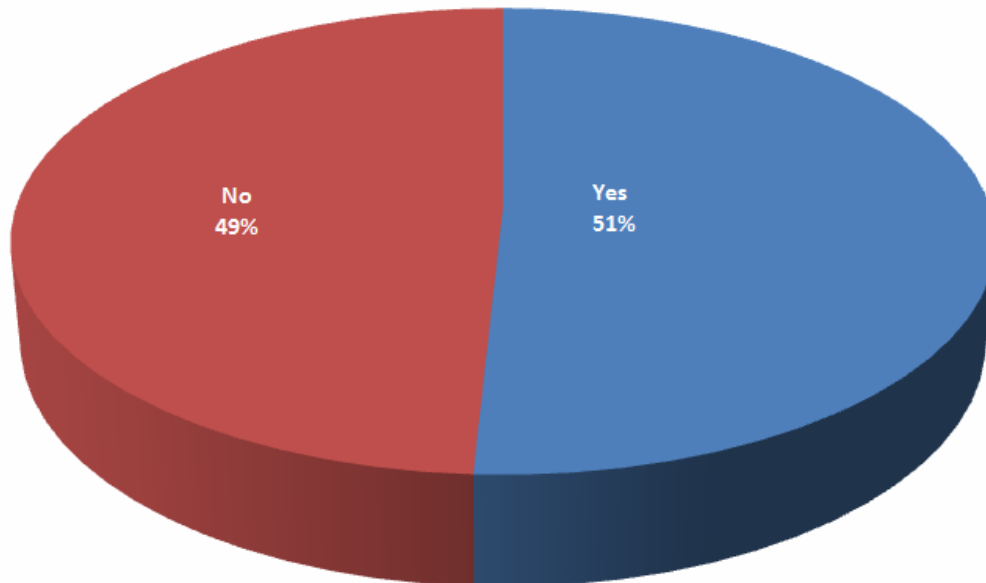
This is putting a new burden on marketing teams to not only get great at leveraging all these new techniques but also continually to evolve in the face of never-ending changes to regulations regarding the use of these approaches, increased sophistication in SPAM filtering, coming up with creative methods for getting their messages recognized (over the millions of others bombarding buyers), etc.

And where are the funds coming to pay for all these new programs? Overall, we do continue to see budgets allocated to lead generation increase, as a percentage of the overall marketing spend. But we also see dollars being redirected from more traditional programs, especially print advertising.

## Lead Generation Optimization Study Analysis – 2008 Key Trends

### Use of Lead Management Systems Increases to 50%

#### Companies Who Have a Lead Management System



#### Key Findings

- ❖ Companies' investing in lead management systems are up from previous studies.
- ❖ New, SaaS-based Lead Management systems are emerging to fill this need.
- ❖ The 50% not using these systems may find themselves at risk.

#### Commentary

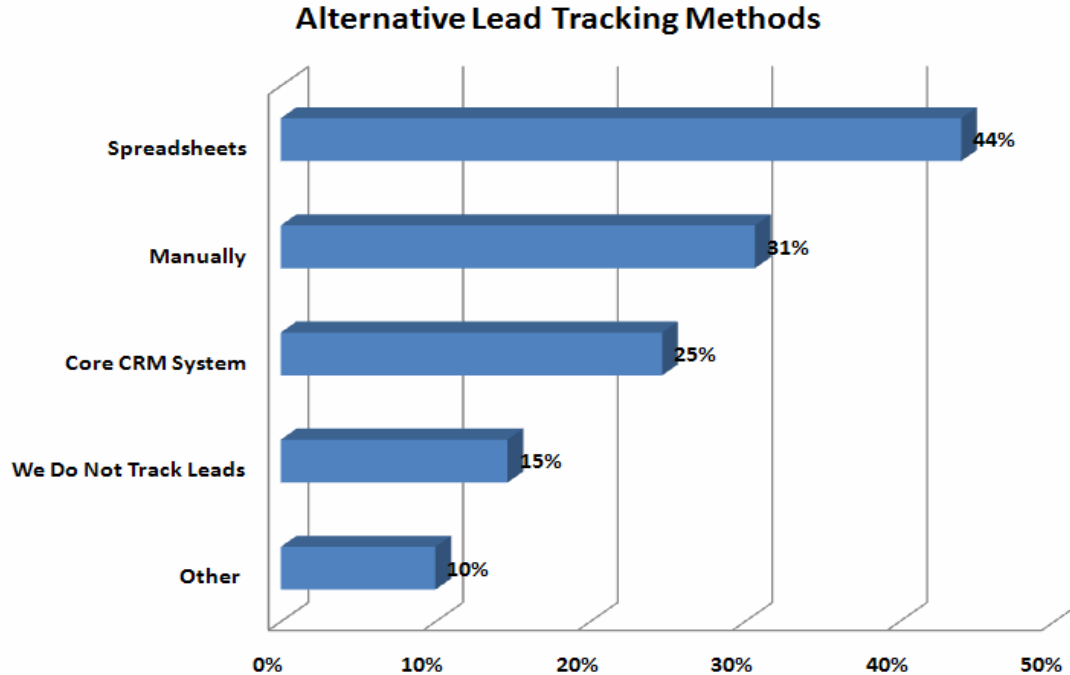
We continue to see more firms are investing in technology for marketing campaign/lead management. Automation allows marketing to target the *right* prospects by gaining visibility into what happens to a lead over the course of its lifecycle and making adjustments accordingly.

Tracking the results of campaigns in terms of number of leads generated is, of course, useful, but it is the integration of marketing management systems with CRM tools that allows marketing to really see the disposition of a lead as it goes through the sales cycle and to effectively measure the ROI of campaigns.

Helping companies to achieve positive financial results from lead management systems is becoming more of a reality with SaaS-based lead management applications that are integrated with the sales tools that reps, telemarketers, managers, etc., use. These on-demand solutions allow firms to retrieve, monitor and make adjustments real time.

Firms that are not embracing lead management systems could find themselves at risk. Especially in the case where their competitors are using a lead management system to effectively market to their "mutual" prospects. These companies could be at a competitive advantage in their ability to take advantage of all the benefits afforded to automating lead management.

## The Other 50% Using Low-Tech or No-Tech



### Key Findings

- ❖ Alternatives to lead management systems leave gaps in visibility.
- ❖ Spreadsheets and manual approaches do not easily allow for multi-dimensional analysis.
- ❖ CRM systems' lead tracking has improved, but lead scoring, nurturing and analytics are not as robust as lead management systems.

### Commentary

In looking back at marketing's top objectives and the metrics they will be using to determine and measure the success of their lead generation campaigns, no-tech or low-tech approaches to lead management may leave marketing in a challenging position to effectively determine the best campaigns that will produce the best ROI for their company. Gaps in visibility inhibit the ability to effectively track the disposition of a lead through the sales cycle, let alone nurture the lead.

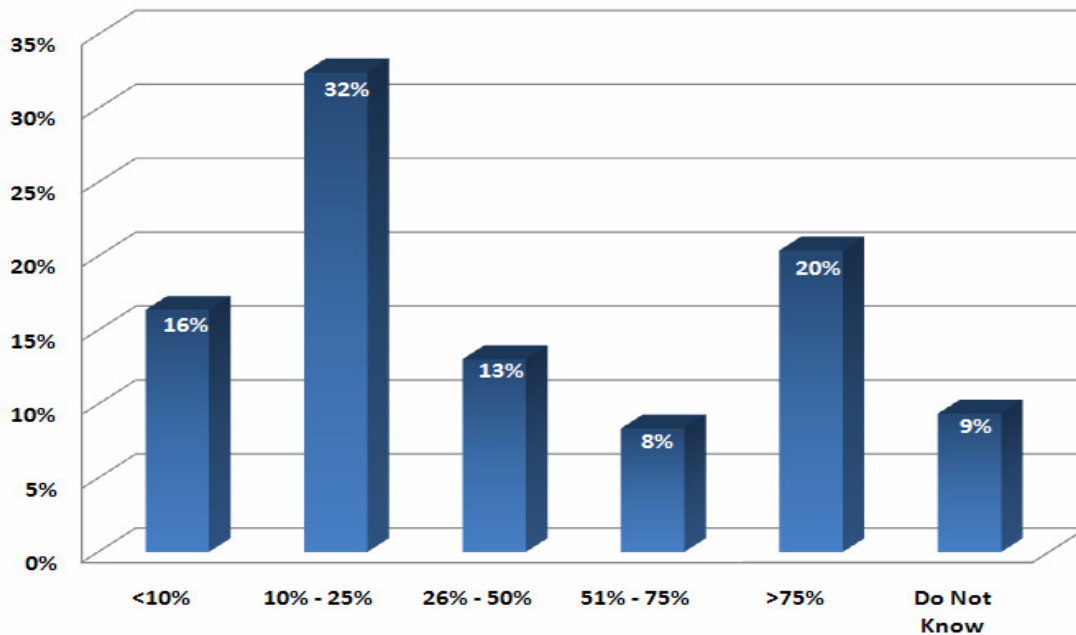
Above we see that a significant number of firms that do not have lead management systems use spreadsheets. And further, 31% of firms are manually managing leads.

Historically these two approaches have been fraught with challenges like not knowing what messages work well in which markets and to which stakeholders, along with the inability to have clear insights into the effectiveness of campaigns and to know what happened to a lead at any given point in time.

Leading CRM applications now - have some level of lead management capabilities that have improved over time. However, they still lack the robust analytics that are offered in many lead management systems today.

## No Consensus on When to Pass Leads on to Sales

Percentage of All Leads Turned Over to Sales



### Key Findings

- ❖ Wide disparity in terms of the number of leads that are actually turned over to sales.
- ❖ On one end of the spectrum, getting all leads into sales' hands is the goal.
- ❖ But for nearly half, the objective is to move the "right" leads on to sales.

### Commentary

We asked the study participants to share with us the percentage of all leads that marketing generated that were actually turned over to sales for follow up. In the chart above we see a wide variety of views on if and when that should occur.

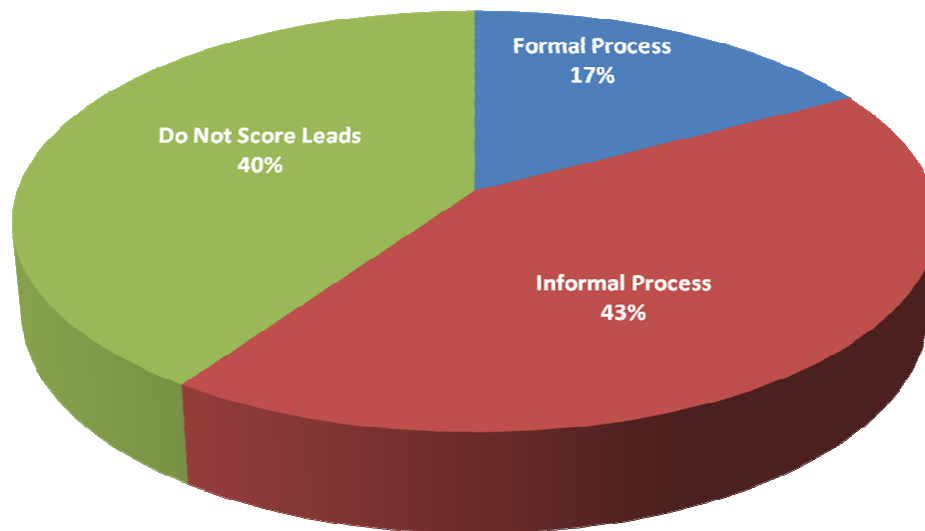
One in five companies stated their goal is to get at least 76% of leads turned over to sales. In fact, 16% of the firms stated that they pass all leads over to sales immediately, leaving it up to them to qualify the lead as a real opportunity, or not.

Displayed in the chart above, we also see a more conservative approach being taken by nearly half the companies reporting that only 25% or less of the leads they created are deemed ready to turn over to sales people for follow up.

There is no right or wrong answer here, as long as what a company is doing works for them. However, for the last four years we have seen a decline in the percentage of leads that sales people are actually able to turn into a legitimate opportunity. Based on that, companies need to look at the part of the lead management process to assess if the right criteria and processes are being used to optimize the handoff of leads from marketing to sales.

## Lead Scoring Gaining More Support

### Process for Scoring Leads



#### Key Findings

- ❖ Compared to past surveys, more firms are seeing the need to take a look at the quality of leads vs. just quantity.
- ❖ But for most of the firms scoring is more of an art than a science.
- ❖ That 40% choose not to score suggests the follow-on question, why not?

#### Commentary

Here we asked the firms taking part in the study to share what role lead scoring played in helping them assess which leads to pursue. Compared to the study we conducted in 2005, we noted an increase in the percentage of firms from 52% to 60% now in 2008. But the approaches used to doing the scoring varied widely.

For some of the firms we benchmarked lead scoring is a very specific science. One financial services firm, for example, considers factors such as buyer psychographics, anticipated net worth and geo-analytics to determine if they feel a lead is worth investing sales time, or not.

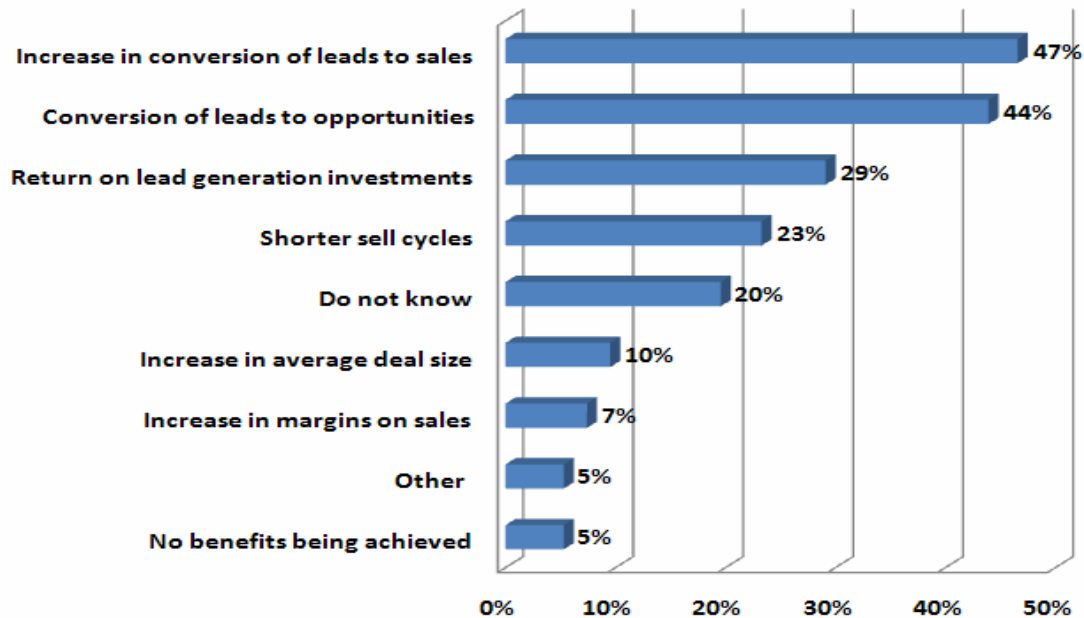
On the other hand, we reviewed the approach used by a software firm, where the criteria were much softer, relegated to what they referred to as “hunches” versus the true use of metrics. In both cases though the firms realize the need to assess the quality of the leads they generate versus focusing just on quantity.

What is also of interest is that 40% of the firms reported that they do not score the leads. When asked why not, the most common answer, received from 48% of the firms who did not score, was that sales wanted to do the assessment themselves versus asking marketing to get involved.

# Lead Generation Optimization Study Analysis – 2008 Key Trends

## Scoring is Helping Turn Leads to Opportunities, to Sales

### Benefits of Lead Scoring



#### Key Findings

- ❖ Scoring seems to be helping many firms with their key objectives.
- ❖ The fact that only 5% see no benefits suggests the effort to score leads is worth the investment.
- ❖ “Do not know” comes in at nearly 20% -- a number that should concern marketing.

#### Commentary

Should more firms be looking at scoring as being a standard part of their go-to-market strategies? Feedback from firms that do score, suggest there are real benefits that result from doing so.

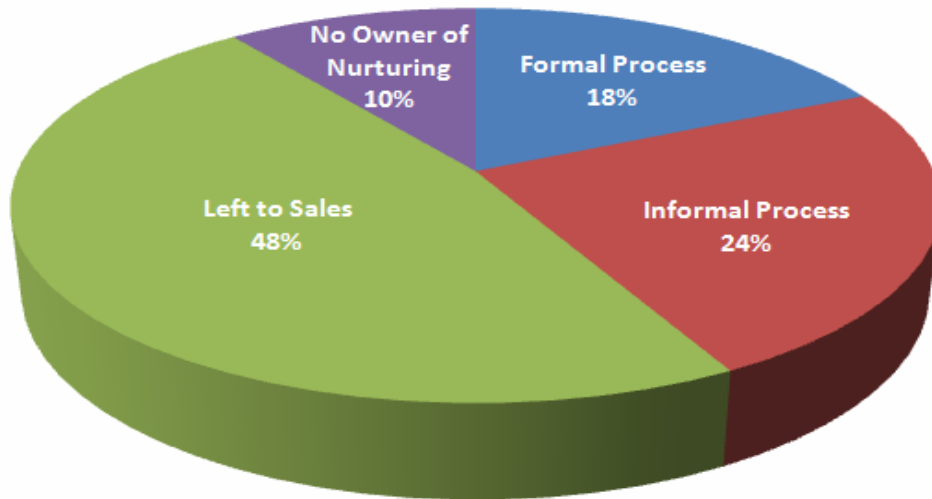
As we noted previously in this analysis, three of marketing's top four objectives for this year are new customer acquisition, improved retention, and increased up-selling and cross-selling. Above we see that a significant number of firms report improvements in their conversion of leads to opportunities as well as leads to sales, both of which would contribute to marketing meeting their revenue focused goals.

Also of note is that nearly three out of ten firms surveyed reported an increase in the return from their marketing investments. As the slow economy is causing companies to optimize results (maximize top line and bottom line) while spending less, improving ROIs becomes even more important.

Finally, we note that one in five companies reported that they do not know what impact lead scoring is having on their lead generation efforts. Of this group, 65% did not have lead management system in place to track the disposition of leads after they are passed on to sales.

## Lead Nurturing Strategies Leaving Holes

### Lead Nurturing Process



#### Key Findings

- ❖ Nearly half of marketing views their job as done when a lead is passed.
- ❖ When marketing is responsible for nurturing, again “informal” is the most mentioned practice.
- ❖ “No Owner” is an expensive practice.

#### Commentary

Today, few prospects are willing to drop what they are currently doing to take up the task of seriously evaluating what a vendor has to sell. Instead, the vendor often has to wait for the prospect's priorities to shift so that what they are ready to focus on now is something the vendor can address. Hence the need for “nurturing” these leads until they are ready.

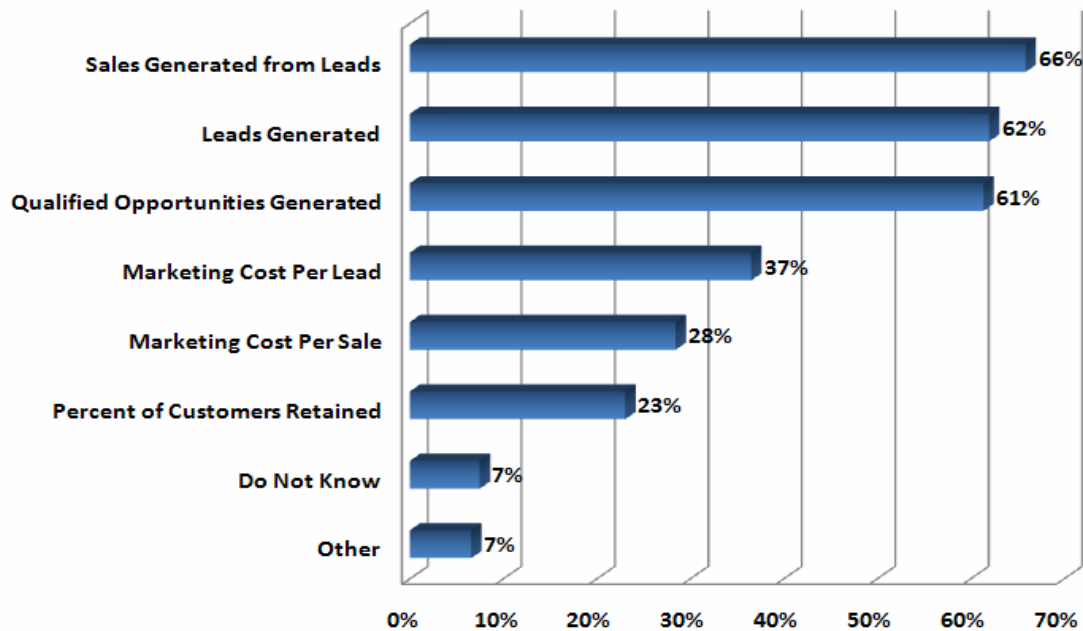
Here we see that among the companies surveyed nearly half leave the task of nurturing leads to the sales person. The results of our 2008 Sales Performance Optimization (SPO) study suggest that this can be a problem with over 50% of the sales executives surveyed reported that their sales teams needs improvement at nurturing their own leads.

Above we also see that 42% of the respondents stated that marketing was responsible for nurturing leads. But again, the process used to do this was more often informal than formal. Our project benchmarking work suggests that this can have a noticeable impact on the effectiveness of one's nurturing efforts, with firms that do have a formal process reporting much better ROIs on marketing.

Finally, we see that 10% of the firms don't have any owner for this task. In our experience, the cost of not doing nurturing is much more expensive than the cost of doing it.

## Marketing Measuring Success Based on Revenue

### Metrics Used to Track Lead Generation Programs



#### Key Findings

- ❖ How marketing is being measured is aligned to their objectives.
- ❖ Revenues are top of mind, followed by leads and opportunities.
- ❖ Question this poses is, "How will marketing know what happened once sales takes over?"

#### Commentary

In reviewing the previous chart, it is evident that several of marketing's top objectives are revenue focused. Here we see that those objectives are very much aligned with the metrics they will be using to determine and measure the success of their lead generation campaigns.

In addition, we see that marketing wants to understand what happens to those leads, as represented by the number of firms who plan to measure not just the number of leads they generated, but also how many of those turn into real opportunities for sales reps to pursue.

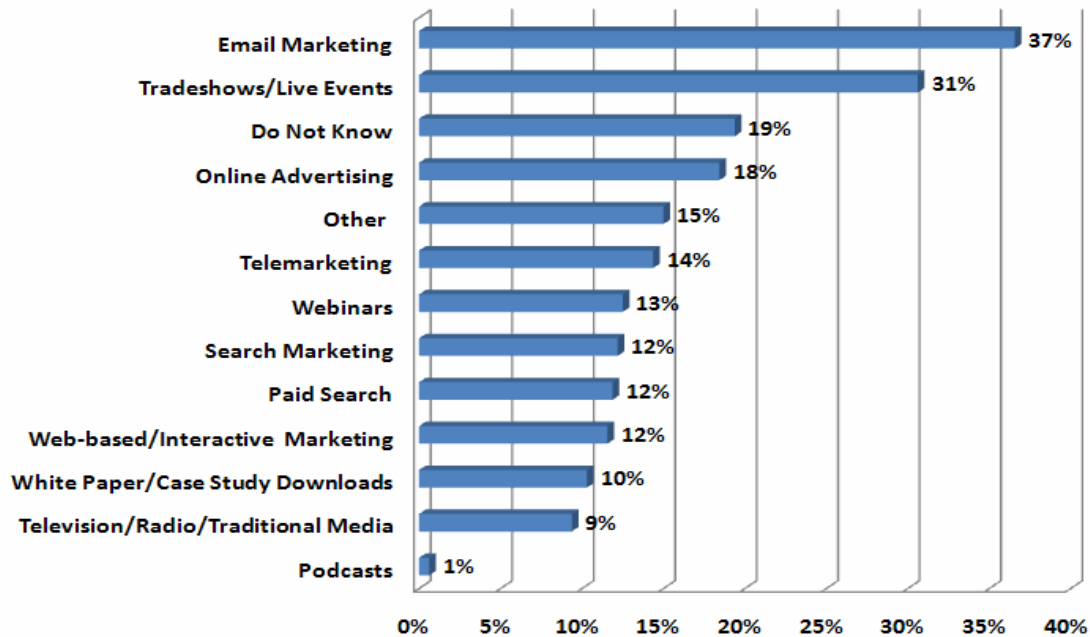
But if marketing is going to be measured by their lead generation activities and associated revenue results, they will need to know what happens to a lead once it is passed to sales, telemarketing or to a lead nurturing campaign. They need to track if the lead closed, fell out of the pipeline or stalled – and they also need to know why.

This could be a problem as only 38% of the 2008 SPO study reported CRM adoption rates of greater than 90% on the part of their sales reps. Without creating a closed feedback loop between sales and marketing, gathering these metrics may become more challenging than marketing expects.

# Lead Generation Optimization Study Analysis – 2008 Key Trends

## Marketing ROIs Come in Many Flavors

### Top ROI Generating Campaigns



#### Key Findings

- ❖ Email marketing continues to top the ROI list, but slipping a bit.
- ❖ Face time with prospects still a strong #2.
- ❖ Variety of responses shows that marketing is finding effective new ways to reach prospects.
- ❖ “Do Not Know” should be a concern to marketing.

#### Commentary

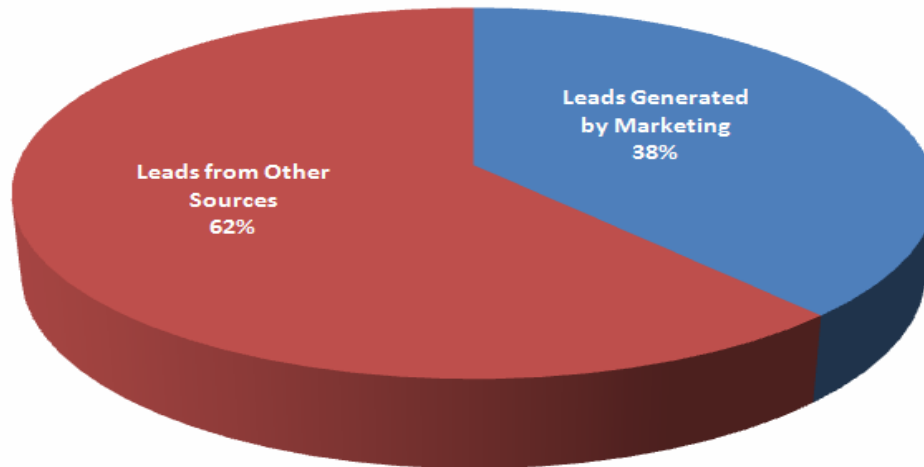
Again, for this question we excluded direct mail which continues to be the best ROI generator. In line with our 2007 Target Marketing Priorities Analysis (TMPA), study participants continue to rate email marketing campaigns as generating the highest returns on investment (ROI). However, these numbers are down from 50% in 2007 to roughly 37% today. The challenge with email campaigns is getting through increasingly sophisticated SPAM filters.

Consistent with our 2007 TMPA study results, customer facing activities such as tradeshows and live events continues to be the second highest priority for marketing. As with email campaigns, these numbers are lower in 2008 at 30.6% compared to 46% in 2007. This downward trend could be due to marketing finding alternative ways to effectively touch and reach their customers. These approaches include: online advertising, telemarketing, webinars, search marketing, paid searches, web-based marketing, whitepaper/case study downloads, media and ever so slightly, podcasts.

The fact that 1 in 5 respondents do not know which marketing campaigns are generating the highest ROI should be of concern to marketers. It is impossible to track your most effective marketing campaigns without knowing the ROI on each campaign. Lack of this intelligence provides no real way to make adjustments to what's working and what's not.

## Marketing and Sales Disagree on Source of Leads that Close

### Lead Source Analysis



#### Key Findings

- ❖ Marketing and sales are not aligned on where leads are generated that turn into a sale.
- ❖ Marketing “believes” they are generating the lion’s share of revenue generating leads.
- ❖ In either case, the numbers show room for improvement on marketing’s part.

#### Commentary

In looking at the sources of where leads are generated that turn into closed deals, clearly there is a gap between what marketing thinks and what sales thinks. In our 2008 SPO study, sales stated that 50% of leads were self-generated by sales, 28% by marketing and 22% by others – including partners, referrals, etc.

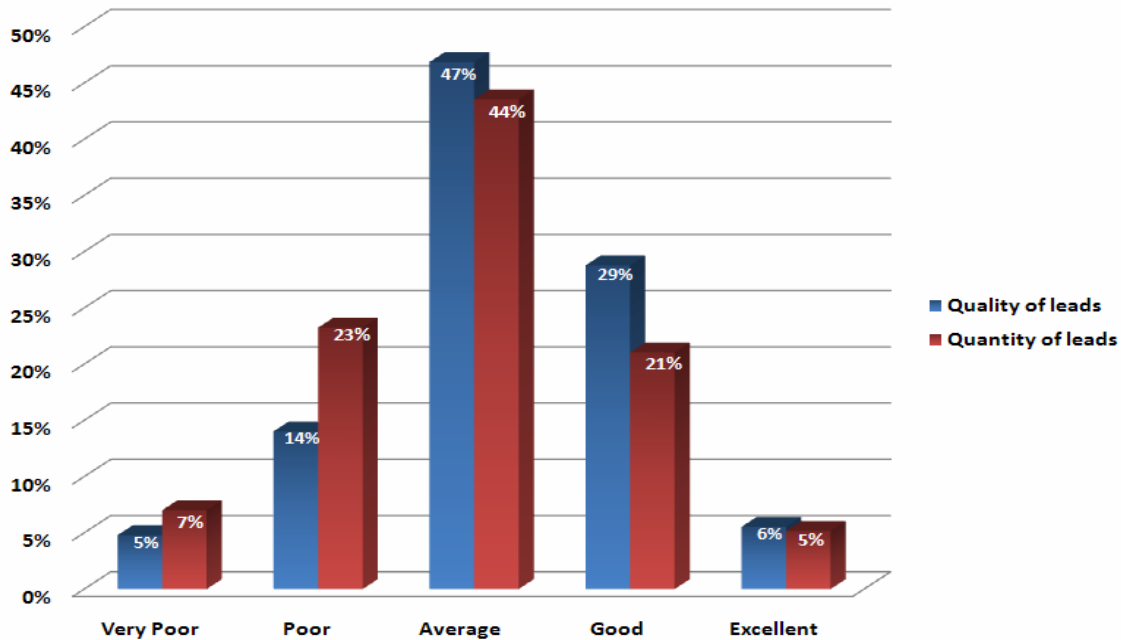
In looking at the numbers in this study, marketing believes that 38% of their activities are responsible for generating leads that turn into a sale. This is definitely not in line with what sales believes.

The fact that 62% of leads come from “Other Sources” should be a concern to both sales and marketing. Here we can make the correlation with the 2008 SPO study results that indicate a large percentage of “Other Sources” could be generated from sales. The fact that sales are generating their own leads is disconcerting in that the time spent in lead generation is not time spent selling.

The bottom line when looking at the percentage of revenue generating leads that marketing produces today is that there is room for improvement. Clearly, it is not in the best interest of any company to have sales spending time generating their own leads. It is time consuming, most likely not very focused and most importantly probably not within the confines of a campaign that can be measured.

## Marketing Rates their Performance Positively, Sales Doesn't Agree

Quality and Quantity of Leads, if Sales were Asked



### Key Findings

- ❖ Four in five marketing groups see no problem with the quality of their leads.
- ❖ Seven in ten marketing organizations feels the same way about lead quantity.
- ❖ More than half of all sales execs do not see things the same way.

### Commentary

Last year, when we asked marketing to do a self assessment of how they thought sales would rate the quality of the leads resulting from marketing campaigns, 15% felt that quality was an issue, rating their efforts as poor or very poor. This year the number has increased to 19%.

We see a similar trend when we look at the ratings regarding the quantity of leads. In 2007, 27% of the marketing professionals surveyed said that they felt that sales would rate them as poor or very poor, this year we see that number has risen a bit to 30%.

But neither of these numbers line up with the feedback we are getting directly from sales. Again, looking at the 2008 SPO study data, when we asked sales executives to assess the quality and quantity of the leads they received from marketing, 51% were on the opposite side of the coin rating marketing as “needs improvement.”

This shows another disconnect between these two organizations that needs to be addressed. Marketing needs to know what their “customer” (sales) is thinking, and sales needs to better convey where their dissatisfaction lies.

## GOING FORWARD RECOMMENDATIONS

As we finish this study, we are conducting our 15<sup>th</sup> annual Sales Performance Optimization survey. An early take away from that project has been that when we asked sales executives to share with us the top three sales effectiveness initiatives they want to pursue in 2009, optimizing lead generation is on the top of the list. So if marketing is already feeling pushed to do more, it appears that the pressure may only get more intense.

In order to ensure that marketing is meeting the needs of their customer, sales, we recommend that they initially ensure that the following three recommendations are achieved.

- 1) **Agree on a Common Definition of a Lead:** In order for marketing to meet the expectations of sales, agreement needs to be reached regarding what a perfect prospect looks like. We still find this is missing in far too many companies, and unless this is clarified misalignment between sales and marketing will continue to occur.
- 2) **Implement Lead Life Cycle Management:** The majority of firms we benchmarked are doing an inadequate job of tracking the disposition of a lead from creation of an opportunity, to where it ended as a sale, a competitive loss, or no decision. One of the major failings is the inability to nurture leads where the prospect has interest but no time for current action. The tools are in place to facilitate all aspects of lead life cycle management so that we can ensure each prospect gets the proper attention and follow-up.
- 3) **Increase Use of Analytics to Make Better Future Decisions:** Finally, if marketing is going to collect more information in CRM and lead management systems, they need to do a much more effective job of mining the gold in that data to gain insights into how to optimize their performance going forward.

Clearly, the *sales funnel* is one battleground we need to focus on. But there is another earlier battle being waged as well in the *marketing funnel*: taking clients from being blissfully ignorant that exist and getting them to the point that they are willing to evaluate what you have to sell. We have to find ways to improve the quality and quantity of the leads we turn over to sales to pursue. We hope the insights shared in this analysis will serve as the basis for your brainstorming in optimizing your firm's lead generation efforts going forward. If you have any questions regarding these trends, please contact us directly.

Jim Dickie  
Managing Partner  
(303) 530 6930  
jim.dickie@csoinsights.com

Barry Trailer  
Managing Partner  
(415) 924 3500  
barry.trailer@csoinsights.com