CHAPTER 4

Reaping the Value of Long-Term Leads

In 1885, William Lever of Lever Bros. said, "Half of the marketing money you spend is wasted—trouble is you don't know which half." Unfortunately, there is a good chance that substantially more than half of your marketing investments are being squandered.

Many leads are not followed up by sales, for legitimate *and* non-intuitive reasons. The legitimate reasons for no follow-up are that the leads are obviously low-end and unfiltered. They may be companies from the wrong verticals, too small to be in the market, or they may be students/consultants who responded to an offer. Non-intuitive reasons include the "I called three times and didn't get a call back." Basically, if the lead is hard to work, it is often dismissed. As few as five percent of leads are followed up by sales.

- Long-term leads are mostly ignored by sales as they are not seen as helpful in impacting the current period's quota.
- Companies that are qualified without immediate interest are ignored by sales and marketing—a huge waste as the expense to identify those that are qualified versus those that are not is often duplicated and the potential benefit lost.

It has always been my contention that time frame on leads should be virtually ignored and that long-term leads are actually more valuable than short-term leads. Let's review some important considerations about both short- and long-term leads:

- About one-third of short-term leads are actually hot leads. In many cases, these hot lead opportunities are already baked, meaning that these buying companies have already been sold by another vendor. They seem hot initially because they have indicated that they have a short buying cycle, and they are eager to talk. But what these buyers are likely doing is validating a decision already made, or looking to you for what is frequently called column fodder—price comparison after the fact to justify an already-chosen vendor. If your company fairs well late in an evaluation, hot leads can be valuable. However, due to the nature of entering an evaluation late, it's always wise to carefully pick your battles when it comes to investing cycles in hot leads.
- Short-term leads that are not hot are actually better. These are defined as leads that are within a one or two sales cycle time frame of closing. They require immediate attention, are not working under an RFI or an RFP, and no decision has yet been made.
- Long-term leads provide the opportunity to define, if not manage, the buying process. With these opportunities, the worst case is that you have a great chance at being short-listed, and in the best case you are invited to design the RFP and bake the process in favor of your company and against a late entrant.

Take a look at the models represented in the following tables for an example of the value of best practices in handling short- and long-term leads:

ROI WITHOUT Best-Practice Handling of Short- and Long-Term Leads			
Category	**Quantity Short Term**	**Quantity Long Term**	**Total**
Names	1,000	N/A	
Short-term leads	30		
Long-term leads		N/A	
% Closed ST leads	20%		
% Closed LT leads		N/A	
# of deals	6		
Average deal	$250,000	N/A	
Revenue	$1,500,000		
Cost of qualification	$59,040		
Gross after marketing expense	$1,440,960	N/A	$1,440,960

ROI WITH Best-Practice Handling of Short- and Long-Term Leads			
Category	**Quantity Short Term**	**Quantity Long Term**	**Total**
Names	1,000		
Short-term leads	40		
Long-term leads		40	
% Closed ST leads	20%		
% Closed LT leads		20%	
# of deals	8	8	
Average deal	$250,000	$250,000	
Revenue	$2,000,000	$2,000,000	
Cost of qualification	$59,040	$4,920	
Gross after marketing expense	$1,940,960	$1,995,080	$3,936,040

1) Our experience is that inside sales resources (within companies) and their sales forces miss opportunities due to either lack of market identification and/or lack of lead follow-through.
2) Once filtered, the percentage of long-term leads that close should actually be higher.
3) Note the efficiency of nurturing longer-term leads on an incremental cost basis before being turned over to sales (two cycles of contact).

Sales were comparatively easy to find during the salad days of the late ’90s and to some extent even in the mid-2000s. One client I work with kidded that just a few years ago any sales representative who responded to an RFP made plan, and they made club if they spell-checked the response. Since then, the following changes have occurred:

- The market has moved from a buying model based on vision creation—an idealistic approach that works with unjaded prospects—to one requiring proof and value.
- Short-term lead rates have held while long-term leads have dropped dramatically.
- No Decision outcomes have increased dramatically.

In many cases there is not much a sales executive can do about a sales process that ends in No Decision by the target company. The fact that there are more of them today is explained by the following:

- A shift away from user-oriented approval processes to higher level and more committee-oriented decision-making.
- Disenchantment with ROI on past purchases.
- Battening down of the hatches in the face of an up-and-down economy.

In light of these changes, it's more important than ever that smart companies ensure follow-up on every lead, and infuse within the company the value of long-term leads. Capitalizing on long-term leads is probably the best way to secure the future of your organization, not to mention to reap more return on marketing investment. Short-sighted companies will not fare well; those with aggressive sales and marketing approaches will.

The Proof Is In the Numbers

Most managers would gladly spend $4,920 to generate $1,995,080 in incremental revenue ($3,936,040 minus the $1,940,960). Here are some reasons why this perfectly logical idea is so infrequently executed, much less well executed:

- The sales force is driven by quarterly results (often due to the fact that public companies live and die by those numbers). As a result, even the best-intentioned sales executives cannot afford to focus on long-term leads as they search, often without success, for shorter-term opportunities.
- Marketing is faulted for generating both too few leads, and leads that are not of high quality. Yet, marketing infrequently receives feedback on individual leads. Often marketing hears nothing at all, or general feedback that "the leads were no good." As a result, a frustrated management creates a numeric metric—measuring marketing's success based on the number of leads generated, or the cost-per-lead. Given this collision of circumstances—little detailed feedback on leads, and incentives based on quantity and cost—marketing ends up being driven to buy the greatest number of leads for the lowest price possible, rationalizing that "sales is probably just going to complain anyway" and "I have been told by management to drive the cost-per-lead down."
- There is no process or method to close the loop on leads in most companies. Even sophisticated SFA and CRM solutions are only as good as the data that is input into them. Frequently, information input by sales is limited due to other priorities, the pressure to produce results AND, most importantly, the visibility and overhead associated with everyone having access to prospect information. This results in endless questions from direct and indirect managers and unwanted accountability on the part of the sales executive.

Here is what I recommend:

- CAREFULLY define a qualified lead. No matter how tight you think the definition is, you will be surprised if you ask every marketing and sales executive what their definition is. You will get a different answer from each of them.

- Make sure that your market is targeted. Most companies' prospect lists are so broad that a lot of money is wasted marketing to non-prospects.
- Measure the cost of short- and long-term leads. And measure the value.
- Make sure that front-end costs (cost-per-lead), as well as back-end costs (cost-per-closed-sale), are measured. If you are not doing this, figure out what it is going to take to do it and start now.
- If you value your current lead-generation efforts, put all short-term leads on the forecast at 10 percent using your average deal size. Require a sales management executive's approval to remove one of these leads from the forecast. Use this process to both measure the quality of the leads generated and measure the effectiveness of your sales force in following up on leads. Lead audits, or what we call Prospect Satisfaction Analyses, are incredibly powerful and accomplish both needs.
- If you do not value your current lead-generation efforts, do something about it and then follow the steps above.

If you are ignoring your long-term leads, you are wasting significant dollars, energy and other resources. Systematic nurturing of long-term opportunities is your best strategy for effectively increasing your marketing and sales program, and succeeding for the long haul.

Lead Nurturing: Who's Minding the Lead Farm?

Research shows that 45 percent of qualified leads will end up buying a solution from someone within a year.

Think of lead qualification as a funnel. Marketing pours raw, unfiltered leads from a variety of sources into the top of the funnel. Ideally, what emerges at the other end—ready for professional handling by a lead-hungry sales force—is a steady supply of qualified opportunities, each with a defined process and time frame for buying.

Reality, unfortunately, rarely matches the ideal. All too often, no one is managing what happens to leads once they enter the funnel. Marketing, by focusing on lead cost instead of quality, thinks it has done its job simply by dumping in the unfiltered leads. No one contacts or qualifies the inquirers. No one augments the leads with demographic and firmographic data. No one nurtures long-term suspects into short-term prospects. No one evaluates the effectiveness of the lead sources.

In this garbage-in, garbage-out scenario, you can't blame sales representatives for ignoring the output. Who, then, should process leads?

Since only a small portion of freshly generated leads typically fall into the short-term category, the root of the broken lead-generation system is that little or no effort is being made to determine whether each raw lead has any potential at all, much less whether it is short-term or long-term.

Whose job is lead filtration, qualification and development? In my observation of how hundreds of companies treat leads, the bulk of the work overwhelmingly rests with sales—and that is a recipe for failure. Even if leads are pre-qualified, salespeople are notoriously poor at following up on any leads but the hottest. In fact, experts say that sales does not follow up more than 70 percent of leads provided to them.

Management rightfully motivates and compensates salespeople to focus on making the immediate numbers, not on building a pipeline of prospects. To fully leverage the talents of your sales force, don't expect sales representatives to filter leads, qualify them, and then cultivate the long-term ones until they are qualified sales opportunities. They just won't do it!

Traditional marketing departments are also not the best equipped for this important job. They are filled with brand builders or communicators who do not possess lead-manage-ment skills and technology, and/or they are being measured on response rates and cost-per-lead, which are the wrong metrics.

In my experience, best practices suggest that a separate group, inside or outside the company, needs to take control of the vital lead-development function. Think of this group of specialists as lead farmers—they qualify raw leads, nurture lukewarm prospects into the hot category, and turn the developed leads over to the sales force for harvesting. Often this process takes months.

A developed lead is one that sets the stage for relationship selling. A lead farmer equips the sales representative with in-depth knowledge about the prospect. With advance insight into the prospect's motivations, pain points and buying plans, the sales rep can engage the prospect in a consultative conversation rather than launching into a cold-call presentation or a discovery interview.

There has always been a lot of confusion around lead nurturing. It is sometimes called drip marketing and it can also be confused with closed-loop marketing. Recently, many companies have come to view marketing automation solutions as the holy grail of lead management and nurturing—thinking, incorrectly, that these systems are so powerful you can theoretically automate the prospect experience from web visit to sales hand-off.

The fact that not every person wants to be treated like the human equivalent of a pinball—receiving personal attention only after hitting the right bumpers and scoring the right points—is a major problem for companies that overly depend on marketing automation. Without appropriate intervention a tremendous amount of opportunity is lost (the vendors offering these exciting solutions are the first to agree).

I will provide a sample lead-nurturing schedule, but first want to talk about the numbers behind lead generation and nurturing and how the first three cycles of lead generation work prior to moving toward lead-nurturing cycles.

I'll start with the numbers:

What a Sample Targeted Direct Marketing Campaign Looks Like

ABC Company retains a firm to execute a call-email-call program against a targeted list of accounts with the results expected being opportunities for sales follow-up. Let's assume for the moment that the list is targeted, the definition of a lead has been agreed upon and the vendor executing the program has qualified people to effectively run the campaign. (In my experience, this is a generous scenario, and not realistic.)

The following are the results after the first time through the list of companies:

Results (1,000 targets)	
Opportunities	50
Qualified Companies With No Immediate Interest	350
Not Qualified Companies	300
Unknown (did not reach, no response to multi-touch after one cycle)	300

Using best practices (telephone, email, mail) the results would spur the following activities:

- Delivery of opportunities to the field as uncovered. Monitor field follow-up. If any opportunity becomes inactive (sales rep can't connect with prospect), return it immediately for reheating.
- Begin the second cycle of multi-touch, multi-media, multi-cycle campaign against the 350 companies that are qualified with no immediate interest. The first touch of the new (second) cycle should be personalized based on research about the company and the individual or individuals targeted and follow-up on any trigger events (change of management, acquisition or disposition of a company, etc.). This is an opportunity to send a handwritten note attached to an article pertinent to your prospect or, better yet, a success story about one of your clients in the same industry as your prospect.
- Test 10 percent of the Not Qualified Companies after carefully segmenting them by SIC or NAICS and size and verify that

they are, in fact, not qualified. I find that this is a good test and that you frequently find nuggets of gold in this group.

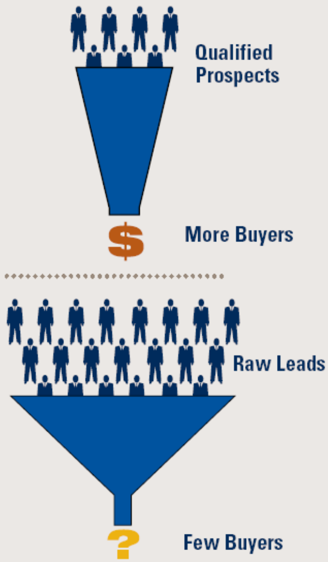
- For the fourth result set, begin the second cycle as stated above—treat this group as Qualified with No Immediate Interest until you know otherwise.

Every market is different and higher-level decision makers require more touches than do lower-level decision makers. However, the following is an example of the first cycle—a three-touch program for a group of 50 targeted prospects (note that the total number of companies being worked at any given point is about 100):

Sample Lead-Nurturing Schedule – Cycle One	
Week One	Up to five navigation dials, one voicemail and one email
Week Two	Up to five more attempts, two voicemails and two emails
Week Three	Two attempts and one direct mail package (sent overnight)
Week Six	Repeat Week One (navigation dials are converted into additional attempts)
Week Seven	Repeat Week Two
Week Eight	Repeat Week Three
Week Eleven	Repeat Week Six
Week Twelve	Repeat Week Two
Week Thirteen	Repeat Week Three

Please note that voicemails and emails build on and complement one another. Additional attempts during weeks two, six, seven, 11 and 12 should be made at different times of the day, including break and lunch times.

Over the course of a quarter, you will have invested approximately 36 attempts, left nine voicemails and sent nine emails for a total of 54 touches. A lot of people ask me if that is too many touches. They ask if we don't frequently get calls from these targets saying, "Stop calling me!" In truth, professionally developed programs rarely result in that feedback. In fact, the CFO of one of the country's top five utilities actually called one of my team members back at the 42nd touch to tell us to keep calling. "You are my conscience and I need to be reminded. I am busy now but intend to get to this issue soon. Please keep calling." Eventually this opportunity turned into a $1 billion deal for my client.



Too many raw, unqualified leads can create a clogged marketing and sales process and an unhealthy sales funnel.

You don't, of course, simply repeat this process quarter after quarter without change. As you learn more about each company the cycle may accelerate—or decelerate based on prospect-specific issues. Companies merge or close—and then you have to start over with fresh new prospects. I find it effective to invest up to three full cycles (such as the one described in this chapter), varying the mes-sage and being more and more specific to the prospect as more is learned about their business.

I have seen cycles like the one described above go on for three years before the prospect finally converts to a lead that closed for my client.

Fewer than 20 percent of companies have effective lead-nurturing programs. If you are not using the CRM or SFA (or even just a spreadsheet) to capture touch information and track results—you are wasting a lot of money and missing a lot of opportunity.