Lead Metrics: A New Perspective

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For years marketers have measured the effectiveness of marketing campaigns and events by assessing "cost per lead" as their indicator of success. This metric was traditionally used to measure the effectiveness of advertising and the lead was typically unqualified, meaning there was no presence of an identified project, budget and other qualifications. While this measurement still may have some significance, it is important to note that "revenue per lead" is the true indicator of success. After all, what good is it to have a low cost per lead if the quality is not sufficient, meaning a low probability to produce revenue? In the "revenue per lead" paradigm, it is possible to link real revenue to lead generation efforts and determine the profitability.

Once the revenue per lead is determined, other figures of significance such as cost of goods sold can be factored in for a final analysis. The desired result should be high yield from qualified sales opportunities (qualified leads) and the ability to make future business decisions based on learned facts and findings.

Why has this cost per lead paradigm lasted for so many years? Minecor believes there are four top reasons:

- **Simplicity –** It is much easier to report what happens on the surface such as how many responses resulted from a direct mail campaign versus how many responses entered the pipeline or resulted in a sale.
- **Long sales cycles** - Complex products/services tend to have long sales cycles, many of which are 6 months to one year or more. Management within companies are demanding to know the trends per campaign and Marketing managers are eager to justify strategies. Reporting for campaign and event effectiveness tends to be delivered and taken as conclusive evidence too early within the stages of a sales cycle. Furthermore, there is usually no plan in place to report the long-term effect.
- **Ability to maintain reporting integrity** – Most marketing departments lose the ability to report as deals mature in the sales cycle. As deals get closer to resolution, the communication between Sales and Marketing diminishes.
- **Multiple campaigns and events** – A majority of the time, companies will implement multiple campaigns, events, and strategies during a typical sales cycle of 6 months to one year. This makes reporting more complex for marketing since they usually try to attribute success to one triggered event.

To be a most valuable asset to an organization, a marketing department should be able to show the entire picture of how their company is performing and assist the sales department in obtaining better closing ratios. This means the marketing executives must have insight to the lead status as they mature, associated marketing events that contributed to each lead, and the value of each opportunity. Below is a real case example from a Minecor client:

Average Revenue per Qualified Lead: $7,529

Total Closed Revenue / (# leads developed - immature leads)

Note: This includes all leads that were transitioned to client regardless of final outcome.

Information Source: Based on program from an actual Minecor client

Product Type: Enterprise class network infrastructure solutions

Program ROI: 1370%

Lead Classification *After Transition to Sales Team*	**Amount**	**# Leads**	**Description**	**Marketing Events**
Closed (won)	**$8,639,857**	*confidential*	*Actual Revenue*	*confidential*
Quoted	**$6,299,757**	*confidential*	*Deals quoted & moving through sales cycle*	*confidential*
Developed by Sales	*confidential*	*confidential*	*Leads worked & officially entered the Sales Pipeline*	*confidential*
Leads Won by Competitor	*confidential*	*confidential*	*Available details within periodic marketing reports*	*confidential*
Fall-out Leads	*confidential*	*confidential*	*Project cancelled; lead not fully qualified*	*confidential*

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Working to obtain the revenue per lead statistic takes time. Minecor recommends at least one full sales cycle to get the benchmark established followed by ongoing periodic measurements. As more cycles are completed the data will become more accurate. Minecor recommends the following measurements depicted in phases:

PHASE I – Conversion Performance Ratios

- Call to Conversation (determine data integrity and messaging effectiveness)
- Conversation to Qualified Lead (determine value proposition effectiveness)
- Conversion of Mild interest to Qualified Lead (help determine market acceptance)
- Qualified Lead Run Rate (measure program performance at multiple levels; monitored weekly)

PHASE II – Leads Entering Sales Pipeline

- Qualified Lead to "Leads Developed"
  This verifies there is a viable sales opportunity present.

PHASE III – Leads Resulting in Proposal

- Qualified Lead to Quote/Proposal
  A major milestone in lead performance measurement is to see how many get to the quote or proposal stage. This is, of course, assuming the sales force has taken adequate action with each qualified lead.

PHASE IV – Final Success Measurement

- Qualified Leads Closed (won) or Lost

PHASE V – Performance Metric

- Revenue per Qualified Lead

Each metric above is an important indicator of marketing effectiveness, and together they provide predictability as to the level the sales pipeline will produce revenue.

How does a marketing department ensure they are setup to successfully track Revenue per Qualified Lead? Minecor suggests the following steps:

1) Decide what Lead elements to track such as:

Sources

- Cold Call Leads
- Web traffic
- Events (Webinars, seminars, trade shows)
- Campaigns

Market Acceptance & Effectiveness

- Messaging
- Product feature likes/dislikes
- Competition

2) Decide what attributes are the most important - examples:

Company Attributes

- Industry Verticals
- Size by Employee
- Size by Revenue

Lead Classification

- Deal size
- Expected Purchase Date

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3) Define what tools you have or need to acquire for tracking and how they may be weighted. Here are examples:

CRM

- Have a reliable CRM and setup in a manner that will ensure tracking for the long haul.
- Make certain the fields in existence and separated. This will aid in assimilating data for future trends & analysis.

Third party reports - rely on your outsourcer & make sure they have the tools and ability

- Lead Generation Outsourcers
- Get sample templates and refine requirements to match your goals
- A good outsourcer will provide reporting and further marketing analysis

Reports from special purpose applications (software & SaaS)

- Make sure other marketing tools can export data into a useful mechanism for further manipulation

To effectively depict Revenue per Qualified Lead remember to take measurements at the point of resolution – take all deals that have closed and determine what campaigns/events/communication/marketing documents they had in common.

Why is quantifying Revenue per Qualified Lead more valuable than Cost per Lead?

- **Trend Analysis** — If setup and executed correctly, your organization will have additional market insight and be able to make better business decisions.
- **Quantifies Success** — The most effective strategies/campaigns can be revealed through metrics related to Return On Investment (ROI) and marketing budgets can be redirected accordingly. Most reports, used today, only measure number of leads.
- **Minimized Lost Opportunity Costs** — It alleviates time wasted time on leads that are not prioritized nor qualified.

Once the mechanism for measuring Revenue per Qualified Lead has been established and is successfully operating, Marketing will become more cohesive with Sales due to increased bi-directional communication. The organization will be empowered to achieve a higher level of performance.