



Best Practices in Lead Management

By **Alexandra Best**

In the beginning, someone raises a hand and says "Yes – tell me more." From that moment on, a company becomes engaged in one of the most critical functions that impacts sales success: lead management.

Lead Management is the process of rapidly and effectively creating, nurturing, distributing and analyzing leads. The ultimate goal? To increase the likelihood that a lead will convert to a qualified opportunity and then a new, satisfied customer.

Change is sweeping through marketing organizations everywhere. Expectations are rising – "give us more, better quality leads, more quickly" – while budgets and headcounts shrink. The mandate of doing more with less has never been more apparent, and pressure is increasing for marketing teams to draw a direct line drawn between their activities and the bottom line.

The good news for marketing professionals is that lead management technology, one of the key tools that demonstrate marketing value in the charts and stats that executives demand, is now widely available. It's no longer merely the 'Fortunate 500' who can afford to buy and implement this powerful capability, and have marketing teams that are intensely, quantitatively accountable.

As lead management strategies - and the processes and technologies that bring them to life - come within the reach of mid-sized and smaller businesses, the value proposition and timeliness of these tools is becoming irresistible to those marketers who need to prove their worth to their organization.

Marketing Today

Traditionally, marketers have been 'idea' people, experimenting with creative ways to generate leads and create awareness. For some time, it was accepted that the benefit of marketing would be soft and qualitative in nature – "We know half of our marketing activities are useful – we just don't know which half." "We know marketing is necessary, we just don't know how good we are at it."

ROI-based reporting had long been an inexact science. But as our collective understanding and visibility improves, what we see is alarming. Gartner recently released studies suggesting that the vast majority of all sales leads – "more than 70% are never acted on because they do not reach the right person or organization at the right time".¹

This is a sobering reality for marketers everywhere.

¹ Source: Gartner: "Re-engineering Lead Management": Claudio Marcus: October 3, 2002

Operational Accountability has Arrived

The ultimate goal of any marketing department is to generate qualified leads for sales. Sales then convert leads into customers. The rate at which deals close is the final yardstick by which every marketing investment should be measured – but it's not easy. In the past, the ability to track the cause and effect of marketing campaigns has been elusive.

And the pressure is on. In a recent report, Boston-based research firm Aberdeen Group revealed that marketing departments are now being held to demonstrate the same level of quantitative value as other departments.

“The era of operational accountability has arrived,” states the report. “Coupled with the maturation and growing effectiveness of marketing technologies, [a] focus on quantifiable performance promises to accelerate a measurable shift of an organization’s marketing spend away from traditional media-based advertising processes and towards technology-centric, interactive marketing services.”²

Marketers are now judged by the same criteria as other line-of-business managers and executives. They are held accountable for their spending, their headcounts and their contribution.

Enter Lead Management

The quantity of leads delivered by marketing initiatives is not the only criteria for measuring marketing value. The quality of leads is just as important, if not more important.

Rather than asking how many leads were generated, executives are asking for conversion rates, or what proportion of leads resulted in closed sales. Answering this question means analyzing the entire lead lifecycle – from how the lead was generated to how the lead was distributed to sales and what happened once it got there. Teams are accountable to show investment return and solid performance at every step, and over time, to show quantifiable improvement. As executives ask tough questions, lead management technology gives marketers the visibility and the answers they need to consistently show they're on the right track.

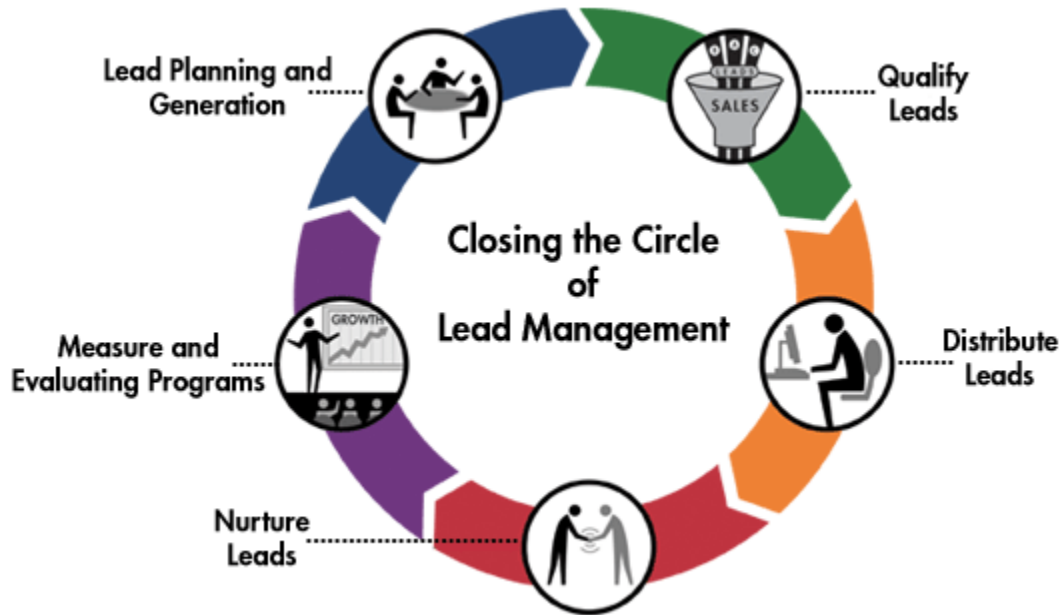
To implement a lead management strategy, marketing and sales must work closely together.

For best results, a lead management system must bring together the right people, processes and information at various stages:

- Identify hot leads and automatically route to direct sales or channel partners
- Actively engage the remaining leads and nurture them through the pipeline to eventual sale
- Track leads to closure and evaluate the ROI of marketing campaigns
- Integrate the external channel including value added resellers (VARs), other resellers and strategic partners
- Integrate offline qualification resources such as call centers

² From What Works: Best Practices in Marketing Technologies, Aberdeen Group, February 2003

For better or worse, sales success and the ability to demonstrate ROI are directly influenced by how effective marketing teams are at the following:



1. Lead Planning & Generation

This stage consists of planning the entire campaign – determining lists, developing messaging, selecting the medium, setting the timing, planning the marketing project, then specifying lead qualification and distribution mechanism with Sales.

2. Qualify Leads

In this stage, leads are qualified, scored and processed according to pre-determined criteria. Typical lead process points and ‘flags’ are defined, including qualification questions and process, distribution rules, lead scoring (specific definitions of A, B and C-level leads), components and duration of the sales cycle, how to deal with atypical or out-of-profile leads, and ownership of each stage of the process.

Once lead qualification criteria are determined, they can be automated. For example, surveys can pose questions like, ‘Does this prospect have a budget in place for a product like ours?’ When this information is known, the lead can be passed to sales as a ‘hot’ lead requiring rapid follow-up, or a ‘cold’ lead requiring further nurturing and communication.

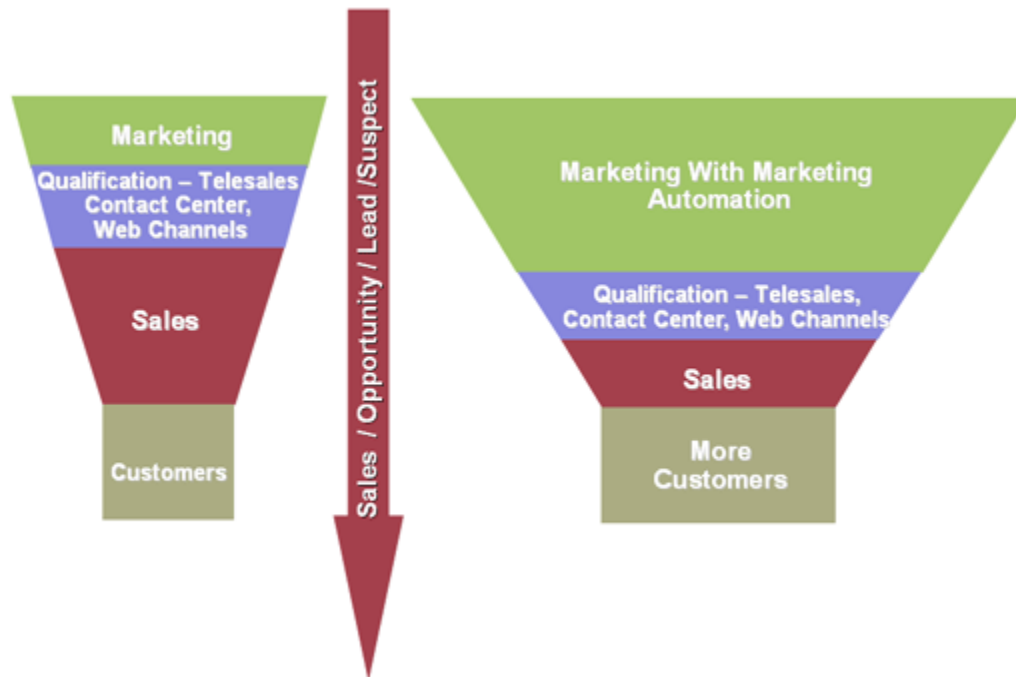
3. Distribute Leads

Lead distribution is the process of getting leads to the right person at the right time. There are many distribution systems - according to territory, product, lead source, level of urgency, or new vs. existing customers. They can also be escalated if, for example, they have a short timeframe to make a decision, or a ready-approved budget, or if they have a particular urgency or a high value associated with them.

With the right technology infrastructure, companies can automate the distribution of leads according to predetermined criteria. This removes the burden from support staff, and ensures that leads really do reach the right person at the right time.

4. Nurture Leads

Lead nurturing allows companies to remain in touch with longer term leads until the lead is ready to be advanced into the sales cycle. When the lead is closer to making a purchase, it can be passed on to sales.



Nurturing – the process of converting a lead from an ‘unqualified’ to a ‘qualified’ state worthy of devoting your marketing resources – is an often neglected step in the lead management process.

5. Measure and Evaluate Programs

The last stage of lead management is to close the loop on results. Post-campaign analysis and reporting is the key to demonstrating success, or perhaps identifying how a marketing approach could be improved. By going through a detailed planning process at the outset, teams are clear as to what is to be measured at each step, and have visibility into how similar campaigns have performed. When the ROI and cost-per-lead from each campaign is accurately reported, patterns can be identified which help marketing teams to do more often what is proven to work well.

Step One: Lead Planning & Generation

Planning a successful campaign begins with a strong sense of what has and hasn’t worked in the past with a particular audience. It also starts with lining up the necessary resources and processes to handle the leads when they come in. This is at the heart of today’s lead management – teams need to go beyond meeting lead quotas, and focus on what it will take to close the loop and foster sales success.

In the following illustration, the funnel on the left shows a traditional sales and marketing organization. The funnel on the right shows an organization with automated lead management.

Leads feed into the top of the sales funnel as a result of marketing campaigns. Then, they are distributed to pre-sales professionals for qualification, and finally to the sales team for closing. Only when a lead has moved far down the funnel do sales professionals begin working to close the most qualified leads.

However, many companies have holes in their sales funnel, through which leads and opportunities can slip and be lost.

In the funnel on the left, the marketing reach in a traditional marketing department is much narrower than that of a company using a marketing automation solution.

This wider reach means more leads, but also means more highly qualified leads of the right kind. After all, it's expensive to move a lead through the funnel and into sales. By the time a sales rep is assigned to engage with a prospect, that prospect needs to be deeply qualified. If a 'cool' lead – or the wrong lead -- is sent through prematurely, valuable sales resources can be wasted. Smart lead planning and tracking ensures that the most thoroughly qualified leads are given the green light to move forward, and also helps marketing to advance the most profitable leads at the optimal moment.

To bring a lead management system like this to life, sales and marketing teams need to work together to create a lead processing plan. Together, they should define:

- Qualification questions and processes
- Lead distribution rules
- Lead scoring: specific definitions of A, B and C-level leads
- Components and duration of the sales cycle
- How to manage atypical leads or out-of-profile leads
- Ownership of each stage of the process

Once the lead process is defined, marketing automation powers both the planning and execution of campaigns. This technology streamlines workflow planning and resource allocation, provides the infrastructure to execute campaigns rapidly and make changes dynamically, and to test campaigns in real-time.

Step Two: Lead Qualification

Far too often, marketing teams focus on generating large numbers of leads, but fail when it comes to qualifying those leads. By making effective use of marketing automation tools, together with an appropriate lead management strategy and process, it is possible to bridge the gap between quantity and quality.

The ideal result is a high number of qualified leads that are likely to convert to sales. Leads will be uneven or of indeterminate quality if the strategy, process and technology used in qualifying them is inadequate. An unqualified lead will distract sales representatives with low-value leads, while high-value leads languish at the bottom of the pile getting cold. 'Raw' leads can also distract the additional resources, especially if you use a live person to call into a lead that has a high chance of being cold or non-pursuable.

With proper lead qualification, leads are captured, collected and consolidated. Then they're enriched with any existing data the company may hold about the prospect (Marketing automation solutions can help amass progressive profile data and large amounts of behavioral data in activity logs, surveys, and other vehicles).

Finally, leads must be qualified and prioritized – either manually or in an automated fashion according to predetermined business rules. Lead prioritization - or "scoring" - will determine how leads are distributed.

Lead qualification, since it triggers which path a lead takes (whether the lead is passed to sales, moved into a longer-term nurture campaign, or dropped), is critical to sales success. It's all about timing, and being able to identify when a lead is ready to buy.

For example, in the early stages of reviewing its lead handling and management process, Sharp Electronics surveyed the buying history of a representative sample of prospects, and they made a fascinating discovery. Of the prospects tagged as "cold" leads, 58% of them actually did make a purchase of a Sharp LCD product within six months of making contact with Sharp.

The consequences of this mistake were huge – consider all the opportunities that were lost. The only reason prospects made a purchase is because they took the initiative to engage with the company, rather than the company being proactive at the right time. The question for Sharp was then, "how much revenue did we let slip through, by not reaching out to prospects that needed us?"

Step Three: Distribute Leads

Time is of the essence when a customer is ready to buy. Any delay may mean losing a sale. After all this effort, can companies afford not to distribute leads effectively?

Lead distribution is more than simply E-mailing or faxing leads off to sales teams or channel partners. Lead distribution consists of routing leads to the appropriate member of the sales team or channel partner based on predetermined rules -- not only to the right person, but at the right time.

The distribution process should include methods for the sales team to interact with those who have assigned the leads to them. They may need further information or lead enrichment. Likewise, this interaction will help marketing refine the lead generation, qualifying and distribution process. Both marketing and sales teams should be able to track the progress of leads as they progress through the sales cycle.

Moving forward means taking a hard look at how leads are distributed - and what might be done to do this more effectively. Some companies distribute leads to dealers by fax, depending upon their ranking. This is not the most effective distribution mechanism. Technology can – and often does – fail, with fax machines running out of paper, transmissions getting lost or buried under others, or transmissions getting stuck in the fax machine's memory buffer. But even worse, there is no clear view into what happens on the other end of the fax machine. Even if leads were successfully faxed and received, what happened to them? Were they even followed up? Many companies discover that leads sent to dealers and VARs were never followed-up.

The problem with manual lead distribution is clear. Different processes are always required for different channels; however, and that with manual processes there was not only technology failure but lack of coordination and integration. Moving to a marketing automation solution helps re-engineer the process on the strength of the technology, eliminating many of the manual elements and providing a framework for co-ordination and integration. This increases the visibility into marketing's impact on the end result: closed deals, which means more business for everyone involved, and better, faster service to end customers.

Step Four: Nurture Leads

Not everyone is ready to buy the first time they hear about a product or service. Many are only in the early stages of the purchase process when they enquire – and they can be passed over by sales teams eager to pick only the 'low hanging fruit' – or prospects who appear to want to buy quickly.

The best lead management practice is to nurture leads over time through segmenting them by product, service and purchase readiness, targeting them with further communication relating to their interest – and then tracking responses and promoting leads to a higher level of sales opportunity at the appropriate time. Throughout this nurturing process, all communication with the prospect should again be held in the CRM system. Marketing automation enables this critical business function that supports, encourages and assists the creation of business processes and strategies around nurturing and developing customers.

A cold lead today isn't necessarily a cold lead forever. With priorities and budgets constantly being reviewed, cold leads can quickly change to viable sales opportunities. But how can marketers ensure that when that lead is ready to start down the sales process, their company is top of mind? Many companies find that leads that are considered cold actually make a purchase months later. This is why nurturing is critical – by providing relevant information to prospects on a consistent basis will ensure a longer term relationship is built. With automation, customers can be nurtured in a cost-effective manner. And nurturing a cool lead to a hot lead is less expensive than working from scratch.

Step Five: Measure & Evaluate Programs

In a recent report, Gartner estimates that “enterprises routinely spend 10 percent to 30 percent of their revenue on marketing and sales activities, without being able to demonstrate a positive return on investment from those investments.”³

A lead management program provides a way for companies to measure and see that ROI – and learn what's working, and what isn't. Analysis feeds back into planning for the next marketing campaign, and the whole cycle starts again – smarter.

With marketing automation, all of the data required to conduct that analysis is collected in real-time while campaigns are under way. Rather than relying on data that comes after the fact – or is highly subjective – management, sales, marketing, finance and call center operations can quickly see what is happening within marketing and sales cycle at any point in time – and feed back what they learn into strategic and business process improvements.

Conclusion

Companies that follow lead management best practices powered by marketing automation can expect to increase their return on every lead generated. By managing the process from the first stages of planning through the qualification, distribution and nurturing process, marketing teams gather meaningful data on what works, and what needs improvement. This continuous process of planning, execution and evaluation ensures that ROI is maximized on marketing activities and prospects are engaged right up to the purchase decision.

Implementing lead management best practices through marketing automation reduces the cost of marketing, fills the sales pipeline faster with better quality leads, and grows revenue. So every marketing organization can finally discover the real gold amongst their leads.

³ Gartner, Inc.: “Lead Management and Reporting”: Claudio Marcus: October 3, 2002