



*Whitepaper*

# The Cost of Not Nurturing Leads

The *legacy* you are stuck in and the steps essential to change it.

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It's a challenging time – more so than I can remember – from a sales and marketing perspective. Buyers have changed their process when buying products and services. The leverage in the equation between sellers and buyers has changed. The sales process has changed. Many in charge of sales haven't acknowledged it, or are afraid to pull back from old ways.

Not too long ago, it could be said that salespeople drove leads through the sales cycle. Today it seems that this has become harder and harder to do. Not to mention that the cost of selling is much more expensive than before. Buyers are now the power brokers in the sales cycle/buy cycle equation. Due to the Internet, they now have the ability to thoroughly research the subject matter, including each and every product or service that meets their needs. As part of this, they can also now get all the good and bad information posted online about the product or service, and about the company and its performance – e.g., how they treat their customers.

It should be no surprise then that the sales cycle has also changed, or that the buy cycle now determines the overall process. So, what do companies need to do in order to change as well and meet this new selling process accordingly? More important, what legacy exists within your current marketing/sales process and what is that legacy costing you? How do you change to take advantage of the new approach and increase sales and revenue?

We talk to so many companies that have a current sales and marketing process that has evolved over the years. This process has worked just fine in the past, but with the economic times as they are and with the lowered effectiveness of sales and marketing, it's becoming apparent to them that something must change. Although every company has its own unique spin on the process, the legacy we most often see goes something like this:



### Example:

- » Leads are generated through email campaigns or tradeshows (or other types of marketing programs).
- » The leads are immediately (sometimes manually, sometimes automatically) put into a CRM system or series of spreadsheets. They are then distributed to the sales reps according to distribution rules – often based on territory or vertical.
- » Next, sales reps follow up on the leads (according to industry statistics, reps are really only following up with 20% of the leads they're given – we'll discuss why later in this paper).
- » The sales rep makes a few calls to his or her chosen leads and then moves on. Some reps will also work on generating and sourcing their own leads. Some companies require it; some reps just feel better doing it since they trust their own leads over those provided by marketing.
- » Some small percentage – let's say that less than 15% become qualified leads.
- » Of the qualified leads, 80% become forecastable opportunities.
- » Then 20% of those leads close.
- » Meanwhile, marketing tries to gain visibility into where the leads they generated went where in the sales cycle – most often with no success.
- » Marketing is asked to keep generating more leads because the sales reps say they don't have enough to work on.

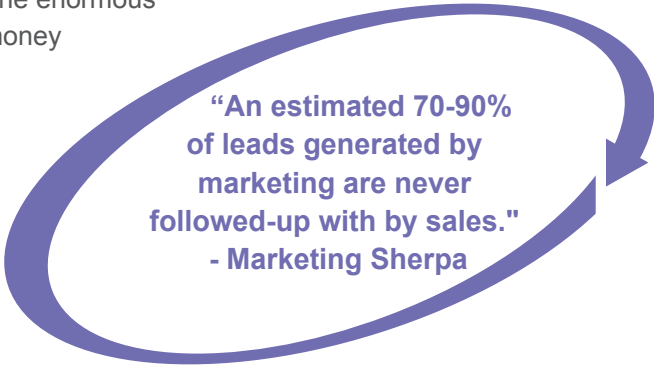
- ›› Yet marketing's lead generation budget is cut because no ROI can be found.
- ›› At the same time, the consensus is that the company is not selling enough, so new sales reps are hired – they need more feet on the street.

This *legacy* process of doing business is extremely costly. Outside of the enormous inefficiencies listed above, the huge costs seem to be the amount of money spent on new lead generation, the cost of losing or leaking leads throughout the sales process, and finally the considerable cost of hiring and training more sales reps. Let's analyze each of these elements and then we'll look at what to do differently that allows a company to get away from the legacy processes that have evolved and drive more sales with less.

As part of this example, we'll apply some basic costs along the way. Of course, costs are different for every company based on their market, what they sell, how they sell, etc. But we'll follow a very simplistic scenario.

#### Example:

- ›› Leads are generated through email campaigns or tradeshows (or other types of marketing programs).
  - Let's say cost per "lead" (i.e., someone who registered to get something – whitepaper, etc.) is \$45 and the company generated 100 leads in this campaign – total cost of one campaign - \$4,500.
- ›› The "leads" are immediately (manually or automatically) put into a CRM system. They are then distributed to the sales reps according to distribution rules – often based on territory or vertical.
- ›› Next, sales reps follow up on the leads (remember that according to industry statistics, reps are really only following up with 20% of the leads passed to them).
  - 20% of 100 leads = 20 leads being worked by the sales reps
  - 80% of 100 leads = 80 leads are not being worked (cost - \$3,600 of marketing's lead generation dollars are potentially being wasted)
  - The sales rep makes a few calls to his or her chosen leads and moves on. Some reps will also work on generating and sourcing their own leads, since they trust them over the ones provided by marketing.
  - Average cost per sales rep = \$100,000 a year
  - Training time per sales rep - on average it takes six months or less ramp-up time for a new sales rep = \$42,000 (using 5 months) in training your reps and getting feet on the street to start selling your product or service. Plus 5 months of opportunity costs not selling products or services.
  - Time spent sourcing their own leads = 1.5 hours per 8-hour day equals almost 20% of each sales rep's day (according to the 2008 Sales Performance Optimization Survey from CSO Insights)
    - › Let's say each sales rep works 50 weeks out of the year:
      - 5 days per week = 250 days per year, assume \$400 per day per rep
      - Cost of sourcing own leads - \$80 per rep per day, total cost of rep sourcing own leads = \$20,000/year



**"An estimated 70-90%  
of leads generated by  
marketing are never  
followed-up with by sales."  
- Marketing Sherpa**

- Cost of not selling – unknown – only 58.8% of sales reps are making their quota (according to the 2009 Sales Performance Optimization Survey from CSO Insights) which is down compared to the 61.2 percent of sales reps that were making their quota back in 2008.
  - A small percentage of leads – less than 15% become qualified leads.
  - 20 leads worked, 15% become qualified leads = 3
- » Of the qualified leads, 80% become forecastable opportunities.
  - 3 qualified leads, 80% opportunities = 2.4 opportunities
- » Then 20% of the forecastable opportunities close.
  - 20% of 2.4 opportunities = .48 sales close
  - Assume \$20,000 per sale = \$9,600 in sales closed
- » Marketing tries to gain visibility into which leads they generated went where in the sales cycle – most often with no success.
- » Marketing is asked to keep generating more leads because the sales reps say they don't have enough to work on.
- » Marketing's lead generation budget is cut because no ROI can be found.
- » The company is not selling enough, resulting in new sales reps being hired – of course, they need more feet on the street.
  - Cost \$100,000 per rep, per year

According to CSO Insights' Sales Performance Optimization study, over 50% of sales executives surveyed reported that their sales team needs improvement at nurturing their own leads.

Is this truly the best use of your sales and marketing resources? Is this the best way to generate revenue? The numbers are astounding. The sales and marketing legacy process is costly and not effective or efficient. Clearly, the process must change for companies to survive and thrive in today's challenging economy.

But one thing is a constant - the objective is always to sell more. How do we sell more with less? The answer seems obvious - we must change our sales and marketing process to improve efficiencies and stop the leakage. Below is an outline of steps that can be taken to change the process.

### Step 1: Marketing's responsibility must evolve to delivering "sales ready" leads.

Here is where companies say; okay...lead quality is what we are after. After all, perceived poor lead quality is why sales reps bypass so many marketing-generated leads in the first place. Marketing must now assume it will be measured not on the quantity of leads but on the quality of leads passed to sales. Marketing and sales will also get together and define for their company, what determines a "sales ready" lead. With this approach, marketing will now take more responsibility for the lead lifecycle meaning that its job does not stop with just the initial inquiry. Now, a tracking, scoring, and nurturing process must be defined.

With such a system in place, Marketing now has an opportunity to gain visibility into the leads generated. Most importantly, marketing also has the opportunity to salvage some percentage of the 80% of leads and lead generation dollars left to die. To

identify a “sales ready” lead, marketing must ensure that it can effectively track each lead and from where it came, as well as what behavior, demographics, survey answers, etc. can be tracked and scored. Importantly, marketing must also determine specifically when a lead is “sales ready” and what happens when it is not.

Certainly, technology coupled with simplistic processes will help every marketing department get started. Although it can become a complicated and granular process over time, we advise that companies start small – with one campaign. Most likely, after a few months, things will be tweaked. Scores will be realigned, importance changed, views into the data revised, nurturing tuned and more.

### **Step 2: Sales reps will receive fewer, but better quality leads**

At this step, sales will need to understand that they might receive less leads, but they will be of better quality. In theory, if Step 1 works as it should, sales reps will receive leads that have already entered the buy cycle. Previously, sales reps had to do some work to even see how many of the leads passed to them from marketing actually were in the buy cycle, and of those in the buy cycle, how many had the potential to become a forecastable opportunity. If a lead exhibits behavior and has met the corresponding criteria to make it “sales ready” (with the criteria having been defined by sales and marketing), then in theory it should be farther along in the sales cycle, something that will minimize sales cycle duration. If the lead is not yet “sales ready” sales should “toss” the lead back into the “nurture” bucket for further communication from that company to stay top of mind with the prospect.



Certainly, we are not saying that every lead sent from marketing to sales will buy, but we are saying that sales should be able to focus on selling versus early lead generation/qualification with each lead.

Utilizing a sales reps’ skill set to sell rather than splice that time with lead generation and pre qualification, should increase the number of deals closed and revenue gained.

### **Step 3: Leads that are not ready should stay in the “nurture” bucket.**

The majority of “leads” – really suspects that start interacting with a company typically either at a tradeshow or online – will not be a “sales ready” lead. According to DemandGen Report, 80% of un-worked leads will buy from someone over the next 24 months, meaning that they are worth continuing to interact with even if they are not yet ready to sign on the dotted line. Those leads need to continue to be nurtured so that they stay aware of your company’s products and services, so that your company remains “first in mind” when they are finally ready to buy.

To effectively nurture, marketing must have a plan in place. They must have materials of interest to share with their leads and they must come up with reasons to stay in touch. It is important to think of different ways to interact in order to increase the overall effectiveness of your nurturing program. The key to successful nurturing is keeping your company’s name, expertise, and products and services “front and center” with your leads. Some effective types of nurturing could include:

- ›› Drip marketing emails (information pushed out over periods of time) linking back to whitepapers or articles.
- ›› Periodic e-newsletters highlighting new products or advances.

- ›› Market research questions to understand more about the marketplace's needs.
- ›› Phone interactions to ask questions about interests and needs.
- ›› Direct-mail pieces driving leads to personalized landing pages.

#### **Step 4: Greater revenue is generated – and that is the ultimate goal.**

What else is there to say? It's all about revenue. But with today's economy it's also about generating more revenue with less – that is everyone's reality. Improving the efficiency and effectiveness of sales and marketing processes is not magic, nor is it academic or theoretical. And it is within every company's reach. We just have to learn to adjust the legacy sales and marketing process that no longer applies to 2009.

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#### **About LeadLife Solutions**

LeadLife Solutions is a provider of on-demand lead management software that enables B2B marketers to automatically track, score, prioritize and nurture leads. With LeadLife's flexible and intuitive software you can increase the value of your lead generation dollars online/offline, qualify sales leads, shorten sales cycles and increase your marketing ROI. At LeadLife it's not only about leveraging automation, but also delivering lead management best practices to increase marketing and sales success. For more information on lead management and our best practices, please visit [www.leadlife.com](http://www.leadlife.com) or call 1-800-680-6292.