

# **Improve Lead Generation and Clean Up Your Pipeline**

## **Generate Better Leads for Better Sales Results**

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

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

**CSO** *INSIGHTS*  
Measuring Effectiveness  
Chief Sales Officer

Copyright © 2008 CSO Insights  
*All Rights Reserved.*

## **Terms & Conditions**

Printed in the United States of America. Except as permitted under the United States Copyright Act of 1976, no part of this publication may be produced or distributed in any form or by any means, or stored in a database or retrieval system, without the prior written permission of the authors. For additional information, contact CSO Insights, 4524 Northfield Court, Boulder, CO 80301, Phone: (303) 530-6930, email: jim.dickie@csoinsights.com.

The reader understands that the information and data used in preparation of this report were as accurate as possible at the time of preparation by the publisher. The publisher assumes no responsibility to update the information or publication. The publisher assumes that the readers will use the information contained in this publication for the purpose of informing themselves on the matters that form the subject of this publication. It is sold with the understanding that neither the authors nor those individuals interviewed are engaged in rendering legal, accounting, or other professional service. If legal or other expert advice is required, the services of a competent professional should be sought. The publisher assumes no responsibility for any use to which the purchaser puts this information.

All views expressed in this report are those of the individuals interviewed and do not necessarily reflect those of the companies or organizations they may be affiliated with, including CSO Insights, Insight Technology Group, or Sales Mastery. All trademarks are those of their respective companies.

*“A-B-C. A-Always, B-Be, C-Closing. Always be closing.”  
Glengarry Glen Ross*

## **EXECUTIVE SUMMARY**

If only closing business were as easy as repeating catchy slogans to your sales reps. But it isn't. 93% of sales executives surveyed report they expect this year's revenue goal to increase over last year's despite the fact that only 89% of firms and 61% of reps hit their targets. Key to improving performance is having better leads to work on and shifting more of the burden of generating leads to marketing.

In our 2008 Sales Performance Optimization survey 50% of leads were reported to have been self-generated by sales reps. In addition, 20% of opportunities forecast to be won resulted instead in no decision—that is, no purchase ultimately being made. Pursuing these non-deals throughout the entire sales cycle (to forecast close) is a costly waste of resources.

These figures reflect an ongoing and increasing disconnect between sales and marketing when it comes to lead generation. Sales executives are three times as critical as marketing execs about the *quality* of leads being generated by marketing. They are nearly twice as critical in assessing the *quantity* of leads marketing generates. One source of miscommunication is the lack of agreement about what constitutes a qualified lead for each company. This may vary between companies but should be clear and agreed upon within each company—including yours.

An opportunity for big returns exists when Sales and Marketing are aligned on lead generation tactics. When companies excel in their ability to properly identify which accounts to go after, and prioritize which opportunities need action, their win rates are up to ten percent higher. This translates into more revenue on the same number of deals and/or the need to generate fewer leads because of higher hit rates. Figures monetizing both of these approaches are presented in this white paper.

It's a given that better quality leads result in easier/better sales. It is also generally agreed that taking time away from selling to generate leads cuts into sales productivity. Closer alignment between sales and marketing could improve both of these factors and reduce the disconnect that exists today. How to attack these costly and divisive issues is detailed in the pages that follow.

## INTRODUCTION

In CSO Insights' 2008 Sales Performance Optimization (SPO) study, the average company revenue target attained was 89%. Yet 93% of responding firms projected that their coming year's quota assignments would be higher. From a business planning perspective a question must be asked: *What is going to change so that a higher percentage of sales reps do not fail causing companies to fall short of their goals?*

For the fourth year in a row the number one initiative CSOs have identified is: enhancing our lead generation program.

This is hardly news. Everyone agrees on this. In fact, we have written and spoken extensively that a universal condition leading to all manner of undesirable and unnatural sales acts is the fact that most sales reps do not have enough quality leads to pursue. The news is this: why aren't lead generation efforts improving? This paper asks why this condition persists and points to key components to begin successfully addressing it.

## IS THE GLASS HALF-FULL OR HALF-EMPTY?

Whether you're an optimist or a pessimist or feel that life is fair or unfair are subjective calls. However, an objective measure says the glass is 50% empty and 50% full. Is there similar agreement based on an objective standard regarding the quality of leads feeding the sales pipeline? In a survey of business-to-business (B2B) *marketing executives* conducted in 2007, 40% rated the *quality* of leads generated by marketing as "above average" and only 15% "below average." These rating by marketing were generally much more favorable than the ratings given by sales. In our 2008 SPO survey, *sales executives* sharing their assessment of marketing's performance were more than three times as critical reporting 51% of leads needing improvement (i.e., below average) in quality and/or quantity. This misperception is shown graphically in Figure 1.

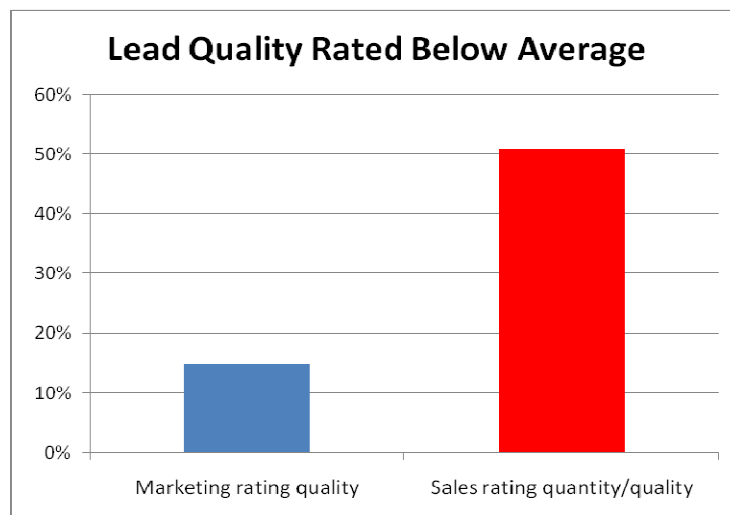


Figure 1

*Sales executives rating their marketing's performance were more than three times as critical as marketing executives.*

There is a smaller but similar disconnect regarding the *quantity* of leads with 27% of marketing executives rating lead flow as below average while sales rates 51% below average.

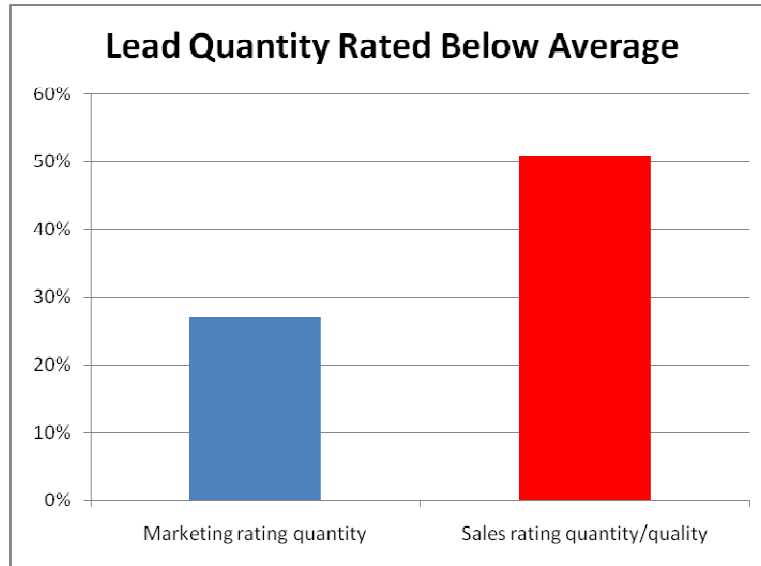


Figure 2

*Marketing gives approximately half as negative ratings to lead flow than does sales.*

Fueling sales' feeling that the quantity of marketing generated leads needs to improve is one further bit of news: in the SPO Survey, the percentage of leads reported to be self-generated by sales reps is 50%. Marketing is credited with providing (only) 30% of leads. The remaining 20% coming from Other (e.g., referrals, repeat customers, etc.).

### **CAN'T WE ALL JUST GET ALONG?**

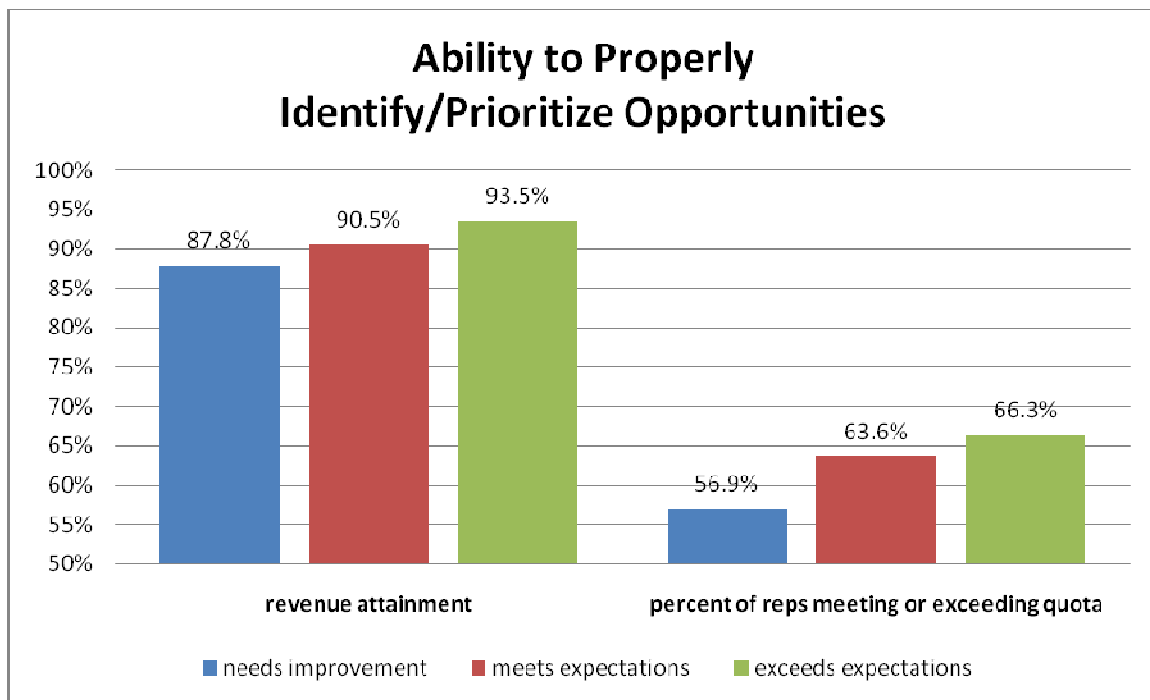
How does this disconnect between Sales' and Marketing's points of view arise and how can it be resolved? To the first question the answer may largely be that many, if not most, companies have no standard agreement on the definition of a "qualified lead." For example, at one company we interviewed, the head of marketing said a lead was qualified when a prospect had an identified need in the area the seller addressed, an established budget, and a timeline for action within six months. The head of sales' definition was much more detailed. In addition it included the contact information of a key buying influence, what business pain had caused this project to be identified and budget established, and a clear preference for the seller's solution.

The marketing exec's position was that sales didn't consider a lead qualified if it fell short of the buyer sitting poised with pen in hand asking, "Where do I sign?" And, not surprisingly, the sales exec felt that marketing was unconcerned about qualifying the leads being generated by various campaigns and events. While there is no single right or wrong answer, no standard definition of what constitutes a "quality" lead there does need to be an agreed upon answer within each company. If not unnecessary time and energy will be lost to exactly this kind of back and forth debate.

Another key factor contributing to lead quality is time, of which there are two components. The first is the time value of a lead and how long it takes sales to get and follow up after an initial inquiry (e.g., trade show visit, RFP, web site registration, etc.). For example, the hit rate on trade show leads will be lower if it takes six weeks for any follow up.

The second time component, a clear timeline for concluding the buying process, needs to be established. A prospect can have budget, need and interest, but there should also be some sense of urgency. More than one in five deals forecast to close end instead in no decision. These are extremely costly efforts to result in no purchase being made. Qualifying leads before sales accepts them and/or enabling sales to rigorously and continuously qualify leads after they have accepted them is key to improving return on effort.

Those prospects that have intent should be instantly followed up on; those that don't have clear intent should be taken out of the sales pipeline and remarketed to or incubated until they are ready. Overall revenue attainment for the company and the percentage of individual reps making quota track directly with companies' ability to properly identify the types of accounts to pursue and their ability to prioritize selling efforts. Figure 3 shows this correlation.



**Figure 3**  
*Revenue and quota attainment increase in direct relationship to their ability to qualify and prioritize leads.*

Identifying high quality leads (i.e. fit to target audience, budget, timeline) coupled with timely follow up clearly pays dividends. But wait, there's more.

## **WIN MORE**

While the quality/quantity and revenue/quota attainment figures are telling and dramatic there is yet another set of numbers worthy of comment. Taking a page straight from the quality improvement playbook, if the quality of inputs to your process increases and your process execution remains unchanged, the quality of your outputs will also increase. There are instances where lessons learned from the quality movement in other functional areas do not translate directly to sales but this is one where they do.

Simply stated, better quality leads result in easier/better quality sales cycles. And the “booked versus forecast” results of companies that exceeded expectations in prioritizing which opportunities to pursue perform 10% better than the group needing to improve. Specifically, the win/loss/no decision percentages of forecast deals were 56%/25%/19% (exceeds) versus 46%/31%/23% (needs). How big a difference in leads and deals does this 10% make?

Let’s first look at a top down perspective. The overall revenue attainment figures of the “exceeds” group is 5.7% higher than the group that “needs improvement” at identifying/prioritizing opportunities. On \$100 million of revenue, that’s nearly \$6 million in incremental revenue.

Or you can look at this from a bottom up approach. Assume a sales rep in each of the three categories had a \$1.5M quota and an average deal size of \$75K. Then successfully booking twenty deals would mean a rep would attain 100% of assigned quota. But with differing win rates a rep at 56% must pursue 35 deals through the sales process to yield 20 eventual wins. At 46%, closing 20 deals would require 43 deals. At \$75K those deals represent an overall pipeline difference of \$600,000—per rep!

## **BUT THEY EACH MAKE QUOTA, RIGHT?**

Given that one-half of leads are generated by the reps themselves a first priority should be putting tools in the hands of sales reps so that they are prioritizing, focusing, and responding (i.e., selling) in the most timely, rational and relevant manner.

Again, quality leads equal easier/better sales. Intuitively sales reps and their managers know this. So don’t reps naturally gravitate to prospecting better quality leads? It is fair to say that no one intentionally goes looking for bad business or seeks out prospects that are a poor fit. However, since a key sales management metric is the total volume of opportunities each rep has in his/her pipeline—if marketing only provides 30% of the leads needed—then sales reps will prove to be much less selective in what they identify as leads and include in their pipeline.

Said another way, when quantity of leads (i.e., total sum of the pipeline) is the issue, sales reps will count anyone who’ll “fog a mirror” as a lead and the quality of each lead goes out the window! And it is a safe bet that without some consistent level of rigor in identifying and inspecting leads, right now you have good people working hard trying to get business your company either does not want or is poorly positioned to deliver.

The example above shows that differing win rates require different numbers of opportunities (35 vs. 43) to close 20 deals. If you now consider the number of leads needing to be generated--and the time involved in generating them--improving your reps' batting average becomes much more urgent. For example, if 40 leads result in 10 presentations that eventually result in 1 closed deal then to close 20 deals would require 1720 (40 X 43) leads for a 46% win rate versus 1400 (40 X 35) for a 56% win rate.

**WHAT BETTER LOOKS LIKE**

But there is another approach to this challenge over the brute force “numbers game” historically practiced by so many firms. Consider the contrasts shown in Table 1 below.

	<b>Properly Identifying/Prioritizing</b>	<b>Brute Force</b>
<i>Prospect Attributes</i>	Define prospect attributes that favor your solution  Identify prospects with need and budget  Pursue prospects that have interest NOW	Pursue anything that moves; qualify anyone who'll fog a mirror
<i>Lead Quality/Quantity</i>	It's a quality game	It's a numbers game
<i>Connect Success</i>	More great calls	More average calls

Table 1

*Shifting lead generation focus/methods from right to left means more/better leads and less wasted effort. Sales reps spend more time closing rather than prospecting.*

To eliminate the gap between Sales and Marketing and move your entire organization from the right column in Table 1 toward the left, take the following steps:

1. Define what constitutes a qualified lead including key attributes of best prospects;
2. Provide your sales reps (i.e., your #1 lead generators) tools to recognize when prospects are interested NOW;
3. Integrate each of the above steps into your CRM system to enhance access, reporting and process improvement.

**CONCLUSION**

Regardless of whether leads are generated in Sales or Marketing, the best thing to do to improve sales performance is to identify the attributes of a qualified lead.

Since today many buy cycles start months before sellers are sometimes even aware of them, there is more than ever a time-value associated with every lead. Having a system in place that provides reps with immediate awareness of a lead's interest is critical.

Identifying key sales process improvements that increase win rates while reducing the number of costly sales cycles (that proceed all the way to a competitive loss or no decision) will also free up valuable selling time. Concurrently, it will dramatically reduce the number of leads needed to be generated.

Over time linking marketing's and sales' efforts, coordinating campaigns, and consolidating access to information (e.g., past customer purchases, prior marketing campaigns, etc.) and reporting—including manager dashboards—will produce significant sales performance gains. The return on the investment should be similarly substantial. And the more immediacy associated with executing on each facet, the more quickly this increased return will be realized.

If you want to know more about specific best practices companies are employing to address the lead quality challenge give us a call.

Jim Dickie  
(303) 530 6930  
[jim.dickie@csoinsights.com](mailto:jim.dickie@csoinsights.com)

Barry Trailer  
(415) 924 3500  
[barry.trailer@csoinsights.com](mailto:barry.trailer@csoinsights.com)

### **About CSO Insights**

CSO Insights is a research firm that specializes in benchmarking how companies are leveraging people, process, technology, and knowledge to optimize the way they market and sell to customers. Over the past fourteen years, CSO Insights' sales effectiveness survey of over 9,000 sales effectiveness initiatives has become the benchmark for tracking the evolution of how the role of sales is changing, the challenges that are impacting sales performance, and most importantly, what companies are doing to address these issues. For more information on this research go to: [www.csoinsights.com](http://www.csoinsights.com).