Gleanster™

Deep Dive

Lead Lifecycle Analytics

Essential Metrics for Perpetual Revenue Growth

About the Pie Chart

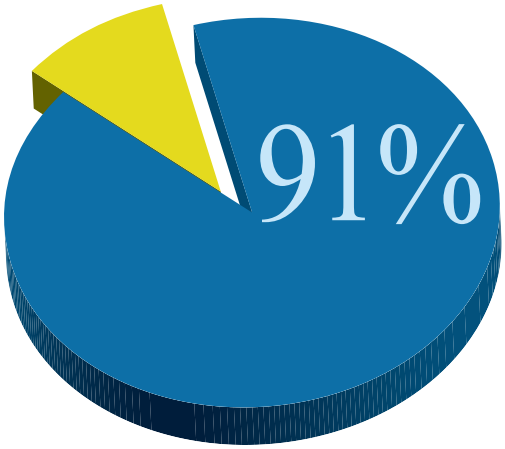
The data presented in the pie chart is derived from the Q2 2012 Gleansight benchmark report on Campaign Management (n=263). The data serves as the basis for this Gleansight Deep Dive, which provides analyst commentary related to a particular aspect of the topic. The objective is to provide additional perspective and illuminate certain key considerations regarding the implementation of the related technology-enabled business initiative.

Additional survey data utilized:

- Q4 2011 Gleansight benchmark report on Marketing Automation (n=378)
- Q2 2011 Gleansight benchmark report on Email Personalization (n=367).

To learn more about Gleanster's research methodology, please click here or email research@gleanster.com.

In 1981, Stephen Jay Gould, a leading evolutionary biologist, published *The Mismeasure of Man* in which he traced the history of scientists' failed attempts to measure human intelligence and explained why a single measure – e.g., an IQ test score – is fundamentally flawed. The main problem, he argued, is that human intelligence is *multifactorial*. Acquiring and applying knowledge stems from any number of factors and influences. The same principle applies to marketing measurement. Consider: Nine out of ten organizations today measure marketing performance using a single metric: revenue. That would seem to make sense on the surface, given that the primary goal of any company is to continuously increase revenue, profitability and overall shareholder value. Measure what matters, right? In reality, it's not so simple. That's because, like human intelligence, revenue outcomes are multifactorial.



Percentage of all companies using revenue growth as a primary metric for measuring marketing success

Top Performers recognize the shortcomings – and potential danger – of using "revenue" as the sole or even the primary metric for measuring marketing performance. In fact, new Gleanster research suggests that optimizing the lead lifecycle means implementing a broad range of different metrics, many of which are not in common use today. This Deep Dive analyst report explores how Top Performing organizations are able to consistently outperform their industry peers by truly measuring what matters and what metrics, exactly, they're using to track and measure success.

Top Performers Defined

Gleanster uses 2-3 key performance indicators (KPIs) to distinguish "Top Performers" from all other companies ("Everyone Else") within a given data set, thereby establishing a basis for benchmarking best practices. By definition, Top Performers are comprised of the top quartile of qualified survey respondents (QSRs).

The KPIs used for distinguishing Top Performers focus on performance metrics that speak to year-over-year improvement in relevant, measurable areas. Not all KPIs are weighted equally. The KPIs used for this Gleansight are:

- 12-month change in revenue
- 12-month change in return on marketing investment
- Current lead-to-sales ratio.

What is the Lead Lifecycle?

The lead lifecycle is the series of stages through which every individual consumer or company (in the case of B2B) passes before arriving at a purchase decision. It's the set of psychological (and physical) steps that proceed and ultimately culminate in a transaction. The degree to which a company is successful with its customer acquisition efforts directly correlates to its ability to address the different stages of the lifecycle based on the unique wants, needs and situations of each target prospect.

The sales cycle is generally depicted as a funnel, with new opportunities flowing into the top of the funnel and a small subset converting into new customers (and revenue), which then emerge from the bottom of the funnel. Where the funnel actually starts, however, tends to vary not just from one company to another but also depending on the specific and differing purviews of the sales and marketing functions. For the marketing organization, the funnel (which it views as "the marketing cycle") typically starts with the initial interaction with a previously unknown individual or company. For the sales organization, the funnel (which it views as "the sales cycle") typically starts once the individual or company has been qualified, generally through a conversation, according to a predefined set of criteria. Not to confuse matters, the lead lifecycle can also be viewed in the context of the customer or buying lifecycle, which is comprised of the pre-sales process ("the marketing cycle"), the sales process ("the sales cycle"), and the post-sales process ("the customer support and service cycle"), as shown in Figure 1.

Lead Lifecycle Management has become an increasingly popular business term and focus area in recent years, and for good reason. It encompasses all aspects of the prospect and customer experience, and what could be more important to driving revenue growth than the quality

Figure 1: Stages within the Customer Lifecycle

of an individual's cumulative interactions with a company? Clearly, a disjointed approach to prospect or customer engagement, in which the sales and marketing functions are primarily operating independently of one another, will never succeed in maximizing revenue potential. Creating alignment, therefore, should be seen as a strategic imperative.

How a prospect or customer is classified at different stages of the lead lifecycle determines how an organization should be engaging with them. It also determines what metrics it should use to track and measure success. As a first step, the sales and marketing organizations both need to agree upon a standard definition and categorization scheme for the different stages of the lead lifecycle. Most companies have yet to do that. In fact, according to the Q3 2011 benchmark report Lead Scoring and Prioritization, the sales and marketing functions in three out of five organizations currently lack a standard definition for a lead. Without a common language, it becomes impossible to

Definitions

The lead lifecycle and the customer lifecycle are generally used interchangeably. Both terms refer to the series of steps an individual (or lead) goes through in the process of becoming a customer.

"A disjointed approach to customer engagement, in which the sales and marketing functions are primarily operating independently of one another, will never succeed in maximizing revenue potential."

identify, qualify and route new leads in a systematic fashion. Start with a basic categorization scheme, such as the following:

Figure 2: Classifying Opportunities

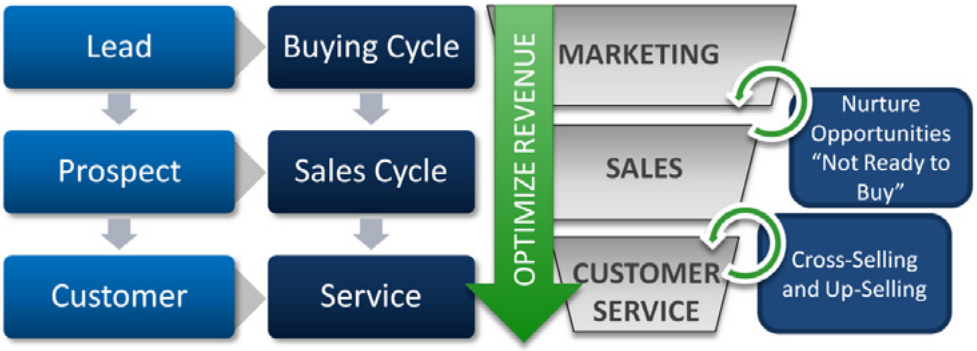
Inquiry: A potential prospect at this stage has entered the lead lifecycle by taking some initial action related to a product or service. Their buying intentions are unknown. The inquiry likely originated by way of the marketing organization's arsenal of demand generation tactics, which in a B2B context typically include whitepaper and market research report downloads, webinar registrations, trade show event interactions, and so on.

Lead: At this stage, a prospect has explicitly expressed interest in learning more about a company's product or service. Engagement with marketing content or another vehicle that may have required them to check some boxes on a registration form has confirmed they have an unmet need and are potentially seeking a solution that aligns with the company's solution. Marketing now owns the process of qualifying the prospect, and this should include an attempt to identify what specific benefits they're seeking, whether the prospect has budget and is in a position to make a purchase decision, and also the timing of the decision.

Prospect: At this stage, the company has had one or more conversations or online interactions with the individual or company and has determined that the lead is a qualified prospect with budgetary authority to make, or at least influence, a purchase decision. At this point, the baton is generally passed to the sales organization, which should be laser focused on engaging the individual in a personalized way and building a relationship that ultimately leads to a proposal and contract.

Customer: At this stage, the person or organization has purchased products or services from the company. The deal is done, and the new company logo may soon be featured alongside others on the client roster. At this point, the marketing and sales organizations may begin to assess future cross-sell and up-sell opportunities.

Figure 3: Aligning Marketing & Sales to Revenue



Four Stages of the Buying Cycle

The buying cycle is comprised of the following stages:

1. Attention. At this stage, the individual may not yet recognize they have an unmet need.
2. Interest. At this stage, the individual recognizes they have an unmet need.
3. Desire. At this stage, the individual actively begins researching solutions that address the need.
4. Action. At this stage, the individual is ready to engage with the sales organization.

Goals:

- Become a trusted advisor; provide guidance; refrain from overtly hawking your solutions
- Create highly relevant and personalized communications

"The Gleanster Lead Lifecycle Analytics Dashboard serves as a scorecard of sorts, a way for companies to socialize and adopt key metrics."

Metric-Minded Marketers

Today's most commonly used marketing metrics tend to be channel-specific and focused on counting responses to various types of calls-to-action (open rates, click-through rates, page views, downloads, "likes", etc.). The primary metrics implemented by Top Performers, however, tend to focus less on counting responses to calls-to-action (which, nonetheless, remain important as a measure of individual campaign performance) and more on tracking progress as leads enter and advance through the marketing and sales funnel.

Most of these metrics have yet to be widely adopted. A good example is conversion ratio from marketing qualified leads to sales qualified leads. Top Performers are 8-times more likely than Everyone Else to use this metric. Meanwhile, 87% of organizations currently track neither marketing qualified leads nor sales qualified leads, much less the conversion rate from one to the other. It's easier to track email open rates than conversion ratios, but only the latter has a strong and direct bearing on revenue growth.

Optimizing new revenue opportunities means measuring marketing and sales performance along the entire lead lifecycle. Metrics should be defined in relationship to each stage, with the goal of providing visibility – and accountability – into what is working and what isn't. Companies need to be able to identify any weak links in the chain and make adjustments when and where necessary. Certain metrics, including ones that may seem to be of little consequence at first blush, can play an essential role in optimizing the lead lifecycle, Figure 3 shows how the opportunity classifications map to the different stages of the lifecycle.

The Lead Lifecycle Dashboard

While Top Performers are more likely than Everyone Else to use a dozen or more metrics to keep close tabs on different parts of the lead lifecycle, few, if any, companies tracking every possible metric. The Gleanster Lead Lifecycle Analytics Dashboard, which includes performance data derived from Top Performers in the aggregate, serves as a scorecard of sorts, a way for companies to socialize and adopt unfamiliar metrics that may prove to be extremely valuable to them and also a way for them to see how they stack up relative to Top Performers with respect to metrics they may already be using.

The metrics featured in the dashboard fall into four main categories, as follows: Marketing Success Metrics, Marketing & Sales Alignment Metrics, Sales Success Metrics, and Customer Engagement Metrics. A handful of metrics align to each of these categories, but in aggregate these metrics can be used to back into actual marketing spend required to meet sales targets. That level of accuracy eliminates the unsavory yet seemingly inevitable need to fudge marketing budget by a percentage point increase or decrease each year.

LEAD LIFECYCLE ANALYTICS DASHBOARD

Lead Lifecycle Optimization

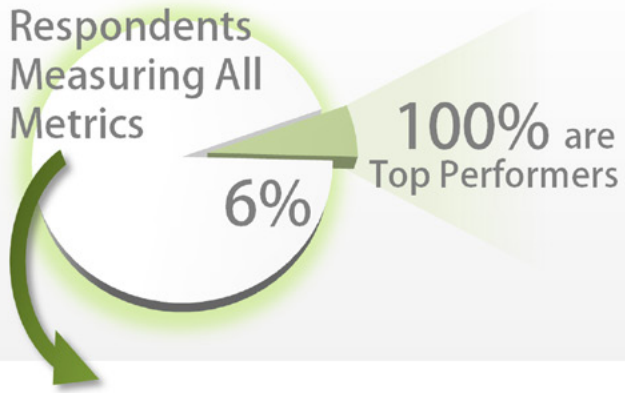
Using metrics to optimize customer engagement across all stages of a customers journey with your company — from Inquiry, to Lead, to Prospect, to Customer.

Customer Lifecycle Stages:

- Buying Cycle
- Sales Cycle
- Customer Service

Goals:

- Maximize revenue
- Personalize engagement for buyer needs
- Identify bottlenecks & opportunities



Automating the Lead Lifecycle:

MARKETING AUTOMATION	CRM	SPREADSHEET
43%	87%	54%

Use by Top Performers

MARKETING SUCCSS	MARKETING & SALES ALIGNMENT	SALES SUCCESS	CUSTOMER ENGAGEMENT
Spend Per Channel	Cost per MQL		
# Inquires per Channel	# of Sales Accepted Leads {SAL}		
# of Inquiries	Ratio of MQL to SAL	Ratio of SQL to Close	# SQL Not Ready to Purchase
# of Marketing Qualified Leads {MQL}	# of Sales Qualified Leads {SQL}	Average Deal Size	Revenue from Cross-Selling
Ratio of Inquiry to MQL	Ratio of SAL to SQL	Sales Cycle Time	Revenue from Up-Selling

~METRICS TO OPTIMIZE THE LEAD LIFECYCLE~

Does marketing engagement help qualify opportunities?

Quality over quantity. Is sales engaging real short term opportunities?

How successful is sales at closing qualified opportunities?

Are marketing and sales efforts being applied to existing customers?

MARKETING SUCCESS METRICS

SPEND PER CHANNEL

Track spend per channel if possible.

USE OF METRIC:

TP*: 76%
EE*: 45%

TOTAL # OF INQUIRIES

Estimate total inquires (for all trackable channels).

USE OF METRIC:

TP: 79%
EE: 85%

RATIO OF INQUIRY TO MQL

= TOTAL MQLs / TOTAL # OF INQUIRIES

USE OF METRIC:

TP: 68%
EE: 26%

OF INQUIRIES PER CHANNEL

Buying intent unknown. Usually first time touch → Not considered a lead yet.

USE OF METRIC:

TP: 42%
EE: 19%

OF MARKETING QUALIFIED LEADS

[MQL] Qualified through marketing engagement, ready for sales handoff.

USE OF METRIC:

TP: 71%
EE: 32%

MQLs are now leads that are ready to be engaged by sales, but Sales needs to *accept* or validate that they are educated...

MARKETING & SALES ALIGNMENT METRICS

COST PER MQL

Total marketing spend / Total # of MQLs.

USE OF METRIC:

TP: 35%
EE: 5%

COST PER SALES ACCEPTED LEAD

Marketing + Sales spend / Total # of SALs

USE OF METRIC:

TP: 31%
EE: 16%

RATIO OF MQL TO SAL

= TOTAL MQLs / TOTAL # OF INQUIRIES

USE OF METRIC:

TP: 20%
EE: 0%

TOTAL # OF SALES ACCEPTED LEADS

[SAL] Sales validates the lead is qualified and begins engagement.

USE OF METRIC:

TP: 38%
EE: 4%

TOTAL # OF SALES QUALIFIED LEADS

[SQL] The lead is validated as an opportunity and enters the pipeline.

USE OF METRIC:

TP: 85%
EE: 89%

If sales is not burdened with lead qualification but rather lead validation, the pipeline is more predictable to measure.

SALES SUCCESS METRICS

RATIO OF SQL TO CLOSED DEAL

of Closed Deals / Total # of Sales Qualified Leads

USE OF METRIC:

TP: 38%
EE: 0%

SALES CYCLE TIME

Length of time it takes for the average SAL to convert to a closed sale.

USE OF METRIC:

TP: 77%
EE: 65%

AVERAGE DEAL SIZE

Total # of Closed Sales / Total Revenue from Closed Sales

USE OF METRIC:

TP: 92%
EE: 85%

LIFECYCLE REVENUE METRICS

OF SQL NOT READY TO PURCHASE

of qualified leads sent back to Marketing for further nurturing

USE OF METRIC:

TP: 42%
EE: 12%

CROSS-SELLING & UP-SELLING REVENUE

Revenue growth/decline from cross-selling and up-selling.

USE OF METRIC:

TP: 27%
EE: 11%

* TP = Top Performers (Organizations achieving superior performance in revenue and lead conversion.
* EE = Everyone Else (All other organizations, excluding Top Performers).

Metrics that Matter

The following is a brief description of 15 metrics that can play an instrumental role in optimizing the lead lifecycle:

Spend per Channel. Top Performers are 8-times more likely than Everyone Else to allocate total marketing budget to a predefined number of channel buckets (digital, print, mobile, etc.). It's not enough just to track the total marketing spend for a given time period. Top Performers are able to optimize marketing investments by channel to maximize return on marketing investment over time.

Number of Inquiries per Channel. In most cases, calculating the number of inquiries per channel isn't a feasible option. That said, Top Performers are 3-times more likely than Everyone Else to consistently benchmark spend per channel in digital channels such as email, social media and paid search. Conversion on a website can be tracked using a web analytics or marketing automation tool. Dividing the number of inquiries per channel by the total spend in that channel tells marketers how effective a particular channel was in generating new inquiries. Even the most seasoned marketers often fail to predict which channels actually produce the highest quality inquiries per dollar spent.

Total Number of Inquiries. Tracking the total number of inquiries can serve as the basis for benchmarking changes in marketing spend. Keep in mind that marketing is rife with nonlinearities, and investing more or less money in certain channels may result in increases in inquiries in other indirectly related channels. Small investments in mobile may not seem to produce new inquiries, for example, when, in fact, the mobile marketing campaigns are resulting in nonclick-through traffic to the website. Tracking total new Inquiries over time can inform the optimal marketing mix and budget allocation across that mix.

Number of Marketing Qualified Leads (MQL). Marketing should own pre-qualification efforts before leads are passed to sales. Defining the parameters of MQL, therefore, should be a collaborative effort. Start by asking the sales function "What does the ideal prospect look like for you?" For Top Performers, marketing owns the qualification of the lead, which shifts the burden of finding the needles in the haystack away from sales. Marketing engagement should be about educating long-term opportunities and routing short-term opportunities to sales. This presents a significant shift in the way many organizations approach lead qualification. The sales cycle becomes far more predictable (and sales forecasts become more accurate) when marketing is focused on producing quality leads, not just large quantities of leads for the sales pipeline.

MQL classifications can be automated through lead scoring engines in marketing automation tools. Lead scoring automatically allocates a score based on prospect behavior as well as demographic and psychographic attributes. A lead scoring threshold should validate the prospect has interest and automatically move the opportunity into a CRM tool for acceptance by the sales organization, which should then change the status of the lead to Sales Accepted (or SAL).

Ratio of Inquiry to MQL. The ratio between inquiries to MQLs is a measure of how effective marketing engagement is at educating and qualifying prospects. This metric tells marketers if additional content is necessary to educate

prospects before they are acceptable as MQLs (or, ultimately, SALs). If the inquiries in the lead cycle are top heavy, this could be an indication that marketing content isn't effectively persuading individuals to seek further education regarding their unmet need and related solutions. It could also be an indication of a long buying cycle, which may call for a gradual increase in call-to-action marketing content or programs.

Cost per MQL (CPMQL). By dividing the total number of MQLs by the total marketing spend over a given period of time, marketers can benchmark the cost per MQL. Certain campaigns and programs can dramatically reduce the cost per MQL by producing more leads, despite the same spend per channel mix. This metric can be used to alert marketers when, for example, a campaign creative produces an abnormally high number of qualified leads in a given period of time. CPMQL should be monitored closely when the same campaign content is used across new marketing channels to determine whether those channels are more or less expensive for generating marketing qualified leads.

Number of Sales Accepted Leads (SAL). This metric is a tangible way to measure the volume of leads that flow from marketing to sales. It essentially forces sales to accept a qualified opportunity and take ownership for converting that opportunity into revenue. Top Performers typically set up the CRM tool to move MQLs into the CRM system as "leads" which are then converted to "contacts" and "opportunities" by sales when they become Sales Qualified Leads (SQLs). The total number of new leads that are added for a given period of time defines the number of SALs. SAL is a necessary metric because it forces the sales organization to: 1) validate that marketing has done its job, and 2) establish a baseline for sales performance.

Ratio of MQL to SAL. This is an easy metric to track. The percentage should be as high as 95% to 100% because MQLs should almost always be accepted by sales. Otherwise, something is broken. Slight dips in the ratio could indicate that changes in the market or company strategy have created a disconnect between what marketing and sales perceive to be a qualified lead. In that case, the two functions should revisit the definition of an MQL.

Number of Sales Qualified Leads (SQL). Top Performers recognize that some degree of qualification is necessary before a lead can be passed to the sales organization, hence the need for a SQL classification scheme. Opportunity stages are measured differently by different organization, but the end state is always the same: you want a closed sale.

Ratio of SAL to SQL. This is a measure of how effective sales is at qualifying MQLs and entering them into the short-term pipeline for opportunity stage management. Like the ratio of MQL to SAL, the percentage should be high, but this metric recognizes that sales will have to do some degree of pre-qualification before creating an opportunity. A dip in the ratio could be an indication that it's time to revisit the definition of an MQL.

Ratio of SQL to Close. This is a true measure of sales success because it essentially defines how well the sales function is converting qualified opportunities into revenue. Top Performers emphasize the importance

CRM Integration

The metrics included in the Lead Lifecycle Analytics Dashboard span both the marketing and sales function, which in most organizations are supported by separate technologies. An emerging best practice is to integrate marketing technologies with CRM to create a core system of record for prospects and customers.

- *46% of Top Performers using a marketing automation tool have integrated lead ccoring into their CRM platform to automate the flow of an MQL to SALs*
- *58% of Top Performers have integrated an email marketing tool within their CRM platform to give sales reps a window into recent communications (and click-throughs) on prospects and customers*

Note: This document is intended for individual use. Electronic distribution via email or by posting on a personal website is in violation of the terms of use.

of pushing qualified SAL opportunities into the top of the sales cycle because sales performance becomes far more predictable and measurable if they are not wasting time on unqualified leads. This is why marketing needs to take on the burden of qualification. This metric should remain fairly consistent over time, which means forecasting and marketing spend can be appropriately allocated to meet sales targets. A predictable number of MQLs should produce a predictable number of closed sales given the Average Deal Size, Sales Cycle, and SQL to Close Ratio.

Average Deal Size. This is a straightforward metric that is calculated by dividing the total sales for a given period of time by the total number of opportunities. Average deal size can be used to back into the number Inquiries needed to meet sales targets. For example, if the marketing function knows how many inquiries are needed to meet their target for a specific period and also the average cost per inquiry, then the formula is simply: # of inquiries *x* average cost per inquiry = marketing budget needed to generate $*x* in closed sales.

Sales Cycle Time. The length of time it takes for sales to move a lead from SAL to close impacts the revenue forecast. A sales cycle that is starting to get longer could be a sign that MQLs are not being sufficiently educated before entering the cycle. Additional marketing collateral or programs could help mitigate the problem.

Number of SQL Not Ready to Purchase. Inevitably, some qualified leads will exit the sales cycle. Maybe the purchase decision was put on hold or a key champion changed positions. Whatever the reason, it *was* an opportunity, but it's not anymore. But that doesn't mean it's dead in the water. On the contrary, these opportunities remain highly qualified and viable. In fact, according to Gleanster research, an average of 70% of them come back and make a purchase decision within the subsequent 9-month period. Today eight out of ten Top Performers have dedicated nurturing campaigns for opportunities that drop out of the sales cycle. The marketing organization should take ownership of the communications process until the prospect is once again ready to enter the sales cycle.

Revenue from Cross-Selling & Up Selling. Customers respond to the same marketing tactics that are used to generate new inquiries. The only real difference, generally, is the nature of the content and programs that are put into place. Top Performers are 4-times more likely than Everyone Else to consistently execute cross-selling and up-selling campaigns that result in additional revenue growth.

Consistency Rules

Lead lifecycle analytics focuses on the key metrics that impact revenue. Gleanster research suggests that there is no one-size-fits-all definition for these metrics. In fact, there shouldn't be, given the differences in industry verticals, the differences in firmographic attributes and target customer segments, and the differences in the ways that companies go to market and the benefits they deliver.

At the same time, it's important to maintain a consistent definition for each metric, thereby establishing a baseline for benchmarking periodic changes in metrics and creating cognitive (and process) alignment between the marketing and sales functions. It's hard

to benchmark against a moving target.

Many Top Performers are standardizing measurement practices through technology deployment, which helps explain why adoption of marketing automation tools has grown by 250% over the last two years. In fact, according to Gleanster research, 2 out of 3 Top Performers currently use out-of- the-box metrics from marketing automation solutions.

Regardless of how a company goes about creating standardized metrics, the goal is the same: to align and optimize the marketing and sales functions. With the right metrics, companies can identify opportunities to improve customer engagement across all stages of the customer lifecycle, ultimately leading to increased revenue growth. And that should be music to any senior executive's ears.

Deep Dive Talking Points

- By implementing a framework for Lead Lifecycle Analytics, companies can establish metrics for measuring the different stages of the customer buying and sales cycle, thereby optimizing interactions with prospects.
- Revenue growth by itself is a poor metric of gauging marketing success. Revenue is multifactorial, the outcome of many different marketing and sales activities.
- Lead Lifecycle metrics help organizations answer business questions like: "Exactly how many leads do I need to reach 2-times sales growth?" "Exactly what will it cost me to generate those leads." "How do I set realistic expectations with sales about meeting our targets… If we both deliver on our plan." "How do I justify more marketing budget?"
- Marketing should take ownership of qualifying leads before they're passed to sales.
- Sales forecasts become predictable when lead quality improves.

Related Research

Recently published Gleansight benchmark reports that may be of interest to senior industry practitioners include:

- Marketing Automation
- Lead Prioritization
- Integrated CRM
- Social Media Engagement
- Mobile Marketing
- Lead Nurturing
- Email Marketing Personalization

The Gleanster website also features Deep Dive analyst perspectives on these and other topics as well as Success Stories that bring the research to life with real-world case studies. To download Gleanster content, or to view the future research agenda, please visit www.gleanster.com.

About Gleanster

Gleanster benchmarks best practices in technology-enabled business initiatives, delivering actionable insights that allow companies to make smart business decisions and match their needs with vendor solutions.

Gleanster research can be downloaded for free. All of it.

For more information, please visit www.gleanster.com.

Headquarters

Gleanster, LLC
825 Chicago Avenue - Suite C
Evanston, Illinois 60202

For customer support, please contact support@gleanster.com or +1 877.762.9727

For sales information, please contact sales@gleanster.com or +1 877.762.9726