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Case Study #CS31636:

Budget Cut Prompts Marketing Performance Review: 7 Tactics to Reduce CPL and Boost Leads 12%

SUMMARY: There's nothing like a 40% budget cut and staff reduction to make a marketing team focus on activities that have the biggest impact for the lowest cost.

Read how a team analyzed its marketing performance to determine which programs were really working – and which weren't. Adjusting strategy based on those trends boosted total leads 12%, while increasing the value of opportunities in the pipeline by 65%.

CHALLENGE

In 2009, Thomas VanHorn, CMO, Application Security, got word that his budget and staff were being reduced by about 40%. There was no choice but to examine his team's past marketing activities, and then make hard choices about the specific tactics and channels they were using.

"I think it's real easy to get sucked into a mentality of, 'I have to do all of these things: I have to do events, I have to do print, direct mail, social media...' the list goes on and on," says VanHorn.

With less money to spend, VanHorn and his team needed to discover which programs were really contributing to the company's sales. And with fewer staff members and outside help to perform early-stage lead development and qualification, they needed to automate as much of their processes as possible.

CAMPAIGN

VanHorn and his team analyzed all past marketing activities to determine their ROI. Based on the trends they saw, they either reduced or increased their use of certain channels, or changed their objectives for specific activities.

Here are seven tactics they used to perform their analysis and adjust their marketing strategy:

Tactic #1. Measure each channel's cost-per-lead

The team had a system in place that tracked the originating source of each lead in their database. They then compared how much they spent in each channel to the number of leads the channels originated. This calculation determined a basic cost per lead.

Immediately, they saw that some channels were costing the team $100 per lead and more, while others were only costing them $4 to $5 per lead.

Tactic #2. Measure the value of opportunities created by each channel

A basic cost-per-lead analysis didn't factor in lead quality. So the team conducted further analysis to determine the dollar value of the sales opportunities created by each channel.

- Working in their marketing automation system, they traced each opportunity back to its initial lead source, mapping every marketing touch along the way.

- Then, they took the dollar value of the opportunity and divided it equally among each marketing channel with which the lead had interacted before becoming an opportunity.

For example, if an opportunity was worth $X, and the lead had engaged in 10 specific activities -- such as a downloading a whitepaper, attending a webinar, etc. -- each of those activities received one tenth of $X.

Although imperfect, the analysis gave the team insight into how each marketing program was contributing to closed deals.

"When we checked the dollar volume of opportunities created we found no correlation to the cost-per-lead of the program," says VanHorn. "In fact, some of those [higher cost tactics] resulted in the lowest contribution to pipeline."

Tactic #3. Dial back on high-cost activities

Once the team could see how much they were paying for leads from specific programs, they made decisions on what they could -- and could not -- afford to do.

For example, they saw that major trade shows and other large events were generating some of the highest-cost leads, which also took the longest to become opportunities. So VanHorn and his team reduced their participation in major events.

They did not eliminate events entirely. Instead, they looked for more opportunities at smaller, local events. They also maintained a presence at a few major industry trade shows, but changed their objectives for those activities.

Rather than viewing the trade shows as a strong lead generation opportunity, they approached them as ways to build brand awareness and buzz. They also used the events to meet with partners and existing customers -- recording those contacts in the marketing automation and CRM system, so the channel would get attributed a portion of any future revenue from that customer.

Tactic #4. Expand use of low-cost activities

Limiting activities with a high cost-per-lead allowed the team to increase use of channels that delivered lower-cost leads. Here are a few examples of activities they created or expanded:

- Informal email updates

The team wanted to expand its use of email messages that revealed the personality of the company, and positioned it as a trusted advisor. So VanHorn created an informal email program to send a quarterly update to a large list of prospects.

The messages were personalized with VanHorn's signature, and did not contain sales pitches. Instead, they offered insights into important database security issues, alongside a touch of entertainment. For example, a message sent early in 2010 contained a belated "Happy New Year" message and links to two company web video projects (more on those below).

- Email drip nurturing

The team also expanded its use of automated drip nurturing for prospects that downloaded content from the website.

- Thought-leadership oriented virtual events

They began hosting more virtual events that were not product or sales-oriented. For example, when a researcher discovered a vulnerability in a particular type of database software, VanHorn's team worked with the company's technical experts to develop a free fix for the problem, and then hosted a free webinar to explain how to implement the solution.

Tactic #5. Use CPL benchmarks to negotiate sponsorships and other paid marketing efforts

Thanks to the team's cost-per-lead analysis, they were able to determine optimum CPL for various programs. Then, they used their optimum CPL to set limits and get guarantees from vendors for sponsorship or other paid-media campaigns.

For example, when the team set a limit on its cost-per-lead for a whitepaper hosting deal that was significantly lower than the vendor's offer, the vendor responded with several new options to guarantee a number of leads at a cost that would meet the team's goal.

"They made opportunities available to me that I otherwise wouldn't have known about," says VanHorn.

Tactic #6. Try new things

Despite their focus on tactics with a proven ROI, the team continued to test new tactics and creative approaches.

"I don't think you can base everything on past results," says VanHorn. "We spend fair amount of time trying new stuff to see what sticks."

Here are a few examples of new activities:

- Online film series

In 2009, the team created an online film series called "The UnProtected." The six-episode miniseries dramatized the importance of database security and risk management through the fictional story of a financial services firm that failed a database security audit and had its credit card files hacked.

The team hosted the videos on a microsite, which they promoted through email, social media and public relations. Besides the videos, the microsite included sections dedicated to the company's security solutions, including:
o Trial-version software downloads

o Data sheets
o Online demos

- User-generated video contest

The team also ran a contest called "The Database Security Video Smackdown," which asked users to make their own creative, entertaining online videos about the importance of database security. A panel of security experts would then choose three to five finalists to receive $500 prizes.

Tactic #7. Review numbers regularly

After conducting their initial analysis, the team began reviewing key program performance metrics on a weekly and monthly basis.

VanHorn personally reviewed the previous week's reports each Sunday, then held a weekly meeting with the company's executive sales staff, CEO and other executives to review the company's current pipeline.

He also held monthly meetings with the marketing team to review performance metrics and decide whether to adjust programs and activities based on emerging trends.

RESULTS

The team's marketing ROI analysis and shuffling of activities paid off in 2009:

- Even with the 40% budget cut, VanHorn and his team increased the number of leads generated by 12% year-over-year. And they did it while also tightening the definition of what they considered a lead.

Previously, the team considered any name associated with a particular marketing effort a lead. For example, if they attended a trade show and received a list of 1,000 attendees, they considered all 1,000 of those names viable leads.

But VanHorn raised the bar for lead definition by requiring a lead to have proactively engaged with the company, such as by downloading a whitepaper, registering for an event, and so on.

- They boosted the value of opportunities in the pipeline by 65%.

- They reduced their average cost-per-lead "significantly," says VanHorn.

"That's also about setting the bar for what you're willing to pay for a lead, and then saying 'Sorry, you're not going to come in at right number,' when something is too expensive to justify."

The team's willingness to test new ideas also delivered strong results:

- 45% of the visitors to the "UnProtected" microsite became qualified leads when touched with other marketing programs.

- 12.5% of the visitors to the Database Security Video Smackdown page became qualified leads when touched with other marketing programs.

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Members Library -- Leave 'Em Laughing: How to Use TV Parody to Educate, Entertain, and Get Plenty of Leads

Marketo: The team's marketing automation platform

The UnProtected: Online film series and microsite

Database Security Video Smackdown

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