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Calculating the **REAL ROI** from Lead Nurturing

The world of lead generation has traditionally been all about immediate gratification. By nature of business, many executives are laser focused on the current quarter and closing the next deal. Given this short-term focus, however, many BtoB organizations miss out on opportunities to cultivate and convert those leads with buying cycles that are undefined or stretch beyond the current year.

Although data from research consultancy SiriusDecisions has shown that 80% of the leads disqualified by sales do go on to buy a solution within 24 months, only a small portion of companies have prioritized lead nurturing practices and programs.

A benchmark survey, conducted by *DemandGen Report* in December of 2008, found **only 8%** of respondents currently have automated lead nurturing strategies and processes in place. The remaining 92% of organizations that have failed to develop a warming process for longer term leads, are **leaving money on the table** by allowing prospects to leak from their funnel and engage with competitive solution providers.

In order to quantify the revenue potential these companies are losing, we recently looked at a controlled sample of BtoB marketers who have successfully deployed lead nurturing tools and **found dramatic improvements to key conversion stages in the sales funnel**. By contrasting two different groups of nurtured versus non-nurtured leads within these organizations, the sample showed an **average 20% increase in sales opportunities** from the nurtured leads.

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THE ROI OF LEAD NURTURING

Since the BtoB companies we evaluated were able to add the nurturing campaigns by utilizing existing staff, they were typically able to **increase their pool of sales-ready leads by as much as 50%** with little to no incremental investments. Industry experts stress this ability to generate new revenue opportunities from investments in past campaigns will be a critical competitive differentiator as marketing budgets are stretched.

Jeff Pedowitz, CEO of The Pedowitz Group, a consultancy specializing in BtoB demand generation programs, has seen a rising tide of interest in nurturing programs as marketers look to maximize ROI. "Many of our clients have moved lead nurturing to the top of the list because it has great ROI," Pedowitz says. "You can market to leads you have **already spent money to acquire** and very effectively reach them with targeted marketing messages and keep them warm until they are ready to buy."

Pedowitz says the ROI equation becomes almost a no-brainer for most companies, as his clients have seen a **2-3x lift in conversion rates** on raw leads to qualified opportunities from nurturing programs. "If you can reactivate even 10 qualified leads and your close rate on opportunities is around 30%, the math correlates to 3 new deals. Depending on the cost of the solutions you are selling, we are finding customers typically only need to close one new deal to justify the costs of a nurturing program."

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John Watton, ShipServ

FEEDING THE FUNNEL

While the controlled sample of BtoB companies we evaluated showed consistently strong payback at the top of the sales funnel, some specific companies stood out for the impressive results they achieved at later stages as well. For example, ShipServ, a leading e-commerce marketplace for the maritime shipping industry, increased its contact-to-lead conversion rate from 10% to 25%, and also **raised the lead-to-opportunity conversion rate by 50%**.

“We’ve become better at improving the percentage of prospects that are moving successfully through the pipeline, and we need fewer contacts to satisfy our sales targets,” says John Watton, VP of Marketing at ShipServ. “The result is a **225% increase in the volume** of prospects that convert to sales opportunities, a massive improvement and clear validation of the effectiveness of greater collaboration between marketing and sales.”

Watton points out that ShipServ had previously nurtured prospects via manual processes, but the company was unable to connect the dots and track activity in real time. “We had great email marketing tools, but they were unintelligent in terms of lead nurturing. We could see if a prospect opened an email, but we had no way to **respond based on their action.**”

After implementing Marketo’s marketing automation solution last year, ShipServ has seen a **150% increase in contact-to-lead conversion rate**. “We’re nurturing cold contacts and driving them to sales when they’re ready. We’ve increased our hit rate, and we also measure the productivity of our salespeople and that’s on the rise as well,” says Watton. “Marketo is having a tremendous impact on our business because our salespeople are able to focus their time on the best opportunities.”

Another successful model for using lead nurturing to overcome the economic downturn is CenterBeam, a leading provider of outsourced IT services. Working with lead generation services provider PointClear on a program targeting CFOs and higher-value sales prospects, CenterBeam has seen a **12:1 ROI to date** on its nurturing program. In one of its recently concluded quarters, approximately 50% of its new business came as a result of the nurturing program, translating into millions of dollars of closed business.

Even with the economy in tailspin in recent months, Karen Hayward, CMO for CenterBeam, says the company is managing to increase its revenue through an emphasis

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on nurturing prospects over extended periods. “PointClear focuses on the **number of touches**, and what campaigns are working so that we can really turn the dials to deliver optimum performance given the amount of effort we’re putting into any one marketing segment,” Heyward says.

She adds that the dramatic shifts in the economy have driven substantial changes in the behavior of its prospects. “One of the things we look for is how PointClear is touching our inbound Web leads. We got an inbound Web lead from a company we had **touched 54 times since 2004** and then they suddenly became a lead. That’s a phenomenon we’re starting to see happen a lot more in the last 18 months,” Heyward says.

PointClear’s President Dan McDade predicts more companies will be shifting dollars and emphasis to nurturing this year as ROI becomes paramount. “This year, I expect more companies to focus on lead nurturing, **shifting as much as 20–35% of their budgets** toward **leveraging existing opportunities** rather than investing exclusively on new opportunities.”

PRIORITIZING PROSPECTS

In order to achieve these kinds of impressive ROI results, industry experts point out that lead nurturing programs should ideally be coordinated in conjunction with a **lead scoring** system. Scoring systems not only help to identify those hot leads which should be prioritized and handed over to sales for immediate follow up, they also pinpoint those prospects that require further education or justification before they are sales-ready.

By using **BANT** (Budget, Authority, Need, Timing) or other scoring criteria, organizations are able to learn more about the prospect’s business challenges and then follow up with a nurturing program that provides relevant information which ultimately **accelerates the buying cycle**.

Dave Green, the co-author of *The B2B Refinery* and President of PipeAlign, a consultancy which helps BtoB companies improve sales and marketing efficiency, points out that the combination of lead scoring and lead nurturing helps to provide a closed loop marketing process. “If you do close the loop, you see very quickly that a lot of inquiries are not converting into sales,” Green says. “You then understand what a big waste of money there can be if you don’t invest more in lead qualification and lead nurturing, and so you are motivated to try to fix the problem.”

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Green describes the process of automating lead qualification and lead nurturing as **Digital Dialogue**. He defines Digital Dialogue as “engaging customers and prospects in a scalable, low-cost, automated information exchange, primarily over the Internet.” He suggests that companies that sell complex solutions can use that information exchange to educate and **qualify potential business buyers** before those buyers talk to a live representative. “This education and qualification process can last for months across numerous, inter-connected exchanges,” Green says.

He argues that nurturing is essential in today’s Web 2.0 world because most prospects don’t want to talk to sales people early in an **investigation of a complex product or service**. “Every industry that sells complex products or services has far more tire kickers than buyers. The bigger the price tag and the more complex the solution, the longer prospective buyers stay in a tire-kicking mode,” Green says

According to the DemandGen Report Benchmark Survey, more than 1/3 of respondents indicated that sales/buying cycles had been delayed as a result of the economic downturn. In response to deals extending over longer periods, industry insiders argue that lead nurturing and qualification will become even more essential components of sales and marketing strategy. “Not only are sales cycles longer, but there are fewer buyers, period,” says Howard Sewell, President of Connect Direct Inc. (CDI), an agency specializing in demand generation for high tech companies. “So it makes more sense than ever to **stay in front of prospects in a systematic way**, and better ensure your chances that whenever any one individual prospect has a need, he/she thinks of your company.”

THE 4 PHASES OF NURTURING

In order to achieve optimal results from a lead nurturing initiative, Jon Miller, Vice President of Marketing at Marketo and the author of the Modern B2B Marketing blog, points out that there are several different phases of nurturing that will help align messaging and strategy around where the prospect’s buying behavior. Advanced marketers typically set up nurturing tracks or buckets, with relevant content and outreach which are distributed based on triggers or actions, such as Web visits, email opens, etc.

In order to build a successful nurturing program, Miller suggests mapping a plan around **the following 4 phases of nurturing:**

By following these **nurturing phases**, Marketo has experienced 50% higher ROI, including an increase of 3x on leads passed to sales and a decrease in the cost per sales lead. Marketo's customer and partner Demandbase has seen similar results, with an 18% increase in new pipeline opportunities from older, nurtured leads and commensurate increases in product registrations.

1. Triage: Taken from the medical process of allocating aid on the basis of need for or likely benefit from treatment, this initial phase is critical for prioritizing inquiries once they have responded to an offer or entered the contact database. Making sure these raw leads are assigned to the appropriate nurturing track could ultimately determine if the prospect converts to sales opportunity, so relevant and timely response is vital. PipeAlign's Green says this phase is often the most challenging for marketers. "Most companies are very unclear about how to figure out how to assess the depth of interest of an initial inquiry. Then, for those customers or prospects who are early in their consideration, most companies are not quite sure what kind of content is of value and what kind of frequency is appropriate."

2. Keeping In Touch: For non-responders or those inquiries where their interest level has cooled off, this phase helps companies keep their brand visible and also provides a way to present different topics and content options to draw the prospect back into a dialog and hopefully back for further research. Depending on the industry and the solution being marketed, industry experts recommend reaching out with a nurturing offer anywhere from 1x per week to 1x per month.

3. Lead Accelerators: After a prospect has responded to multiple offers or several different contacts within a company have shown repeated interest in a solution, one of the biggest payoffs of automated nurturing systems are the **rules engines** that help to determine the next best offer to move the prospect down the funnel. As part of its new Demand Ecosystem model, SiriusDecisions suggests sales and marketing teams align their messaging around "key knowledge inflection points" to meet the changing information needs of buyers.

4. Deep Nurturing: Lead nurturing can also be valuable for firming up those prospects that have met all of the lead scoring criteria to be passed over to sales, but wind up stuck in the decision stages of the funnel. By extending demos, free trials, competitive assessments and peer case studies, marketers who are proficient in lead nurturing are often playing a vital role in helping to push deals over the finish line.

CONCLUSION

Sales and corporate management often think there are pools of prospects who are ready to buy after responding to an email or attending a webinar, but the reality is that considered purchases typically take a great deal of hand-holding and education to move to close. As a clear example, the 2009 Lead Generation Metrics Report published last month by sales strategy consulting company's The Bridge Group found that **only 17% of leads convert to qualified opportunities.**

The Bridge Group study also found it takes an **average of seven touches** to convert a "suspect" to a "prospect," which grows to eight touches for enterprise-level accounts.

Despite this kind of data, marketing specialists say it is still often a difficult argument to overcome the infatuation with new leads and new campaigns. "Many companies I've known will think nothing of spending \$20,000 on a pay-per-lead media buy, even if all the leads are worthless. But ask them to spend the same amount (or less) on lead management, and suddenly it turns into an ROI discussion," says CDI's Sewell. "There's a perceived qualitative difference between generating new leads vs. recycling old ones. And so whereas in theory lead nurturing makes all the sense in the world, some companies would rather spend money chasing new, bad leads vs. **creating good leads from contacts they already have.**"

Other industry analysts argue that lead nurturing will actually emerge as one of the skill sets that differentiate the winners that emerge from this downturn. "Successful organizations cannot afford to spend

money generating qualified leads that slip through the pipeline when they do not result in immediate opportunities," says Ian Michiels, Senior Analyst, Aberdeen Group. "Laggard organizations will continue to look for excuses for why lead nurturing is too difficult. These organizations will choke on the dust of their competitors when the economy begins to grow again and spending starts to increase."

The ROI calculations that Aberdeen and other industry analysts have attributed to lead nurturing investments will likely make it nearly impossible for BtoB marketers to ignore for much longer. According to Aberdeen's recent report "*Lead Nurturing: The Secret to Successful Lead Generation*" report, the analyst stated that organizations deemed best-in-class see **double the bid-win-ratio** on nurtured leads compared to peers and nurtured leads at those organizations delivered **47% higher average order values** than non-nurtured leads.

While organizational hurdles may have prevented BtoB organizations from adopting lead nurturing in the past, industry insiders predict these ROI case studies combined with the economic challenges will actually make the process mission critical this year. "Ironically, 2009 could be the year when lead nurturing, and by extension marketing automation gain real traction," says CDI's Sewell. "Companies will need to **show a better return from the leads they already have**, and also because customers are delaying their decisions and lead nurturing programs offer a systematic, automated means of staying in front of prospects until those individuals are ready to buy."



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