Point C: From Chaos to Kickass

3 Steps to Sales and Marketing Optimization

By Dan McDade

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How well are your B2B organization's sales and marketing behaviors, practices and processes reliably and sustainably producing required outcomes? Are you mired in chaos, spending lots of time getting little done? Are you like most companies, achieving just average results and not knowing why? Or are you among the few that are kickin' it?

No matter where you are now, there are specific steps you can take to get to Point C. You can emerge from a chaotic state … you can rise above average … you can achieve a fully optimized state of prospect development.

It takes just three steps to get there. Read on and learn how you can get better ROI on marketing, how you can let your sales people focus on what they do best … and how you can close significantly more deals than you did before.

Optimized Prospect Development™—*Getting to Point C*

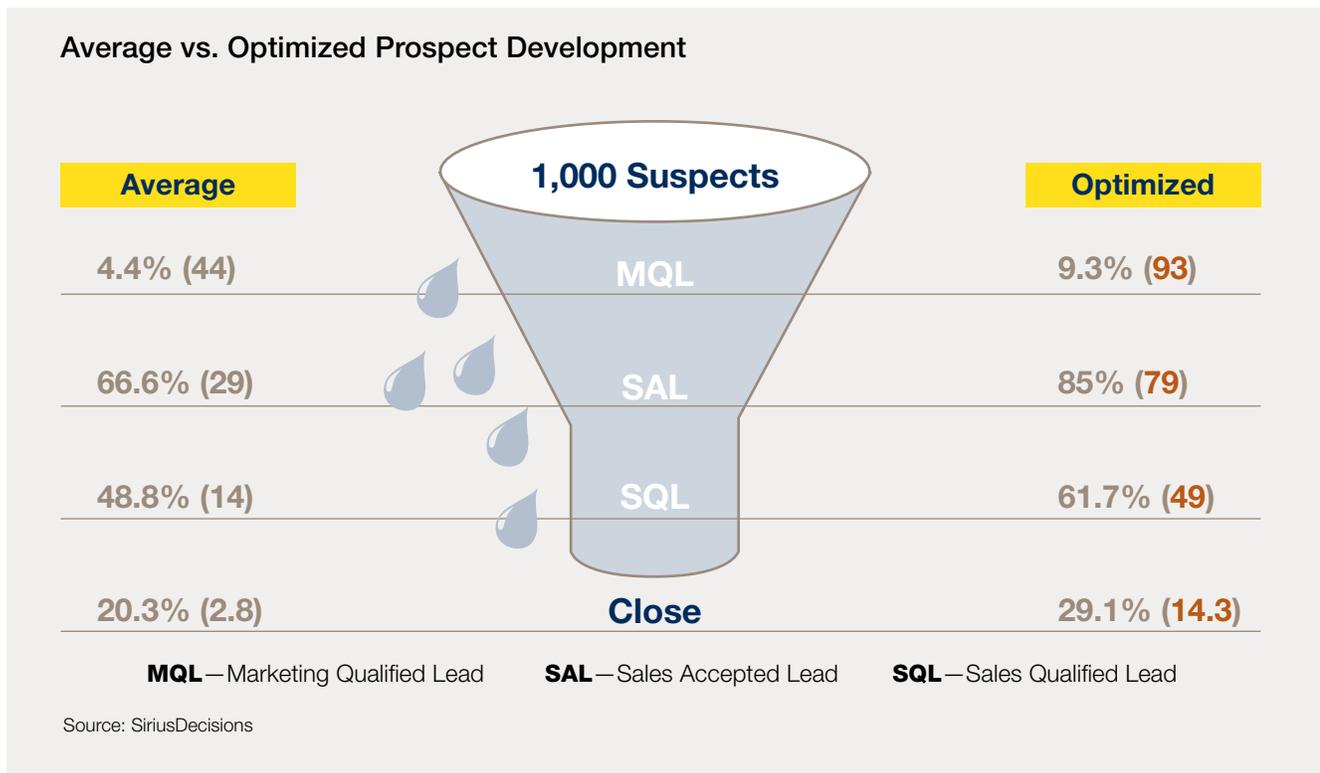| Point	Environment	Result
C	**Optimized**	• Virtually 100% of leads sent to sales are sales-qualified • Sales execs focus on deal-making rather than prospecting • Close rate 5X that of Chaotic or even Average companies
B	**Average**	• < 50% of leads sent to sales are sales-qualified • Sales-qualified leads often lost among less qualified leads • Sales expected to generate 50% of leads needed • Just 50% of sales execs meet quota
A	**Chaotic**	• Few leads sent to sales are sales-qualified • 70% to 94% of all leads generated are ignored • Little to no ROI on marketing investment

Getting to Point C

Winston Churchill once said, "I never worry about action, but only inaction." I'll be blunt. The problem with most companies' sales and marketing today is confusion about what action really is. Activity is not action. The vast majority of companies today are filled with people executing activities—with little action, hence little effect.

Optimized Prospect Development

Optimized companies outperform average companies by up to five times. These outperformers generate five times the revenue based on comparable starting places.

Below is a comparison of results for average companies as compared to optimized companies:

Average vs. Optimized Prospect Development

Average	1,000 Suspects	Optimized
4.4% (44)	MQL	9.3% (93)
66.6% (29)	SAL	85% (79)
48.8% (14)	SQL	61.7% (49)
20.3% (2.8)	Close	29.1% (14.3)

MQL—Marketing Qualified Lead   **SAL**—Sales Accepted Lead   **SQL**—Sales Qualified Lead

Source: SiriusDecisions

The average company closes just 2.8 deals for every 1,000 inbound inquiries.

Optimized companies close 14 deals for every 1,000 inbound inquiries.

Based on these statistics, what company wouldn't want to optimize? As a senior executive, you can easily do your own math to understand what achieving an optimized level of prospect development could mean to your bottom line.

It's worth noting that metrics for outbound prospecting are similar to those of inbound prospecting as well.

The Three Steps

Companies with optimized sales and marketing achieve kickass results by doing three things well. Not 50 things. Three things:

1. **Agree on your market, media and message**

2. **Measure what matters**

3. **Deliver fewer, but better, leads to sales**

Before we get into the details let me address a possible objection by readers. The more senior you are in your organization the more likely it is that you feel that these actions should be (whether or not they can be) handled by others in your organization. The reality is that not only are they not being managed by others in your organization, they are likely being mismanaged. It's not that your people mean to screw up, it's just that they are herded into a direction of ineffectiveness by the actions or inactions of others in your company. To make this a more valuable read and good use of your time, for each of the three actions I will provide a specific example of mismanagement and what you can do to fix it.
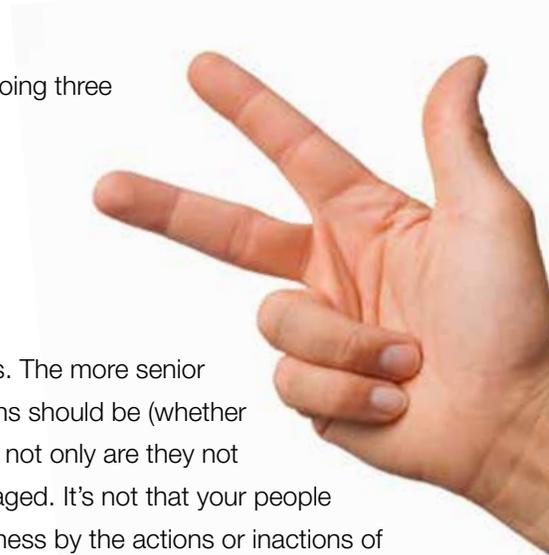
1. Agree on market, lead definition, message

Walk out of your office and ask the first three marketers and the first three sales executives you encounter three questions:

1. **How do you define our market?**

2. **What constitutes a good lead?**

3. **What is it that we sell?**

I suspect that you will get 18 almost entirely different answers to these essential, strategic questions.

Here's a story that drives home the point: Some years ago I worked with a client that had $100 million in venture capital and an experienced management team. Within three years the client, which had superior products, had blown the money and was absorbed in a fire sale by their largest competitor. So what happened? Marketing marketed point solutions to mid-sized companies while sales was only interested in enterprise deals at larger companies. The elephant-hunting sales team was put through an extensive boot camp (at the cost of $15,000 a head) and $250,000 was spent on a logo and tagline by marketing. The final curtain on this company was a $40,000 plus dinner for 12 (complete with 100 year-old brandy and expensive cigars) and today the vast majority of people in the business world have no idea this company ever existed. This is all because the company did not agree internally on its market, the definition of a lead or what they sold.

While this may seem like an extreme example, it is not so extreme that you should ignore it.

- Generally speaking companies define their market too broadly, resulting in wasted time and effort applied to too many prospects. Are we marketing to IT decision makers in the Fortune 100? Or are we

looking for IT security heads at enterprise-level healthcare organizations? Knowing the difference lets us engage the "real" leads in a meaningful and far more efficient manner.

- By the same token, the definition of a lead is not shared by marketing and sales (or even within marketing or sales). If there is not agreement on what a good lead is, there will continue to be infighting between organizations, and waste. Is a good lead only one where a decision will be made in the next quarter? Or do we recognize the value of a longer-term lead and the opportunity we have for developing a relationship? Is a good lead only one where a c-level executive is involved? Or do we prioritize influencers in a larger-size deal? This kind of detailed definition, based on testing and analysis, is key to efficiency and effectiveness, staying on course … and achieving the benefits of prospect optimization.

- And finally, while most companies say they sell a solution, not a product or service, the message around what that offering is (made up of a product, price and delivery mechanism) is more likely than not described differently by every marketing and sales executive in the organization. Do we provide staffing, or are we an HR services firm? Are we a niche vendor, consultants, or service aggregator? All involved need to agree and have the ability to articulate who we are, what we do, and why we're better and different consistently and concisely.

Political Consultant Roger J. Stone has a great expression: "No one ever built a statue to a committee." YOU— the one ultimately in charge—need to gather input and then make a decision. You can't expect a committee of marketing and sales executives to come to conclusions that will stick. Once you make decisions (about market, lead definition and messaging), stick with them.

It's also your responsibility to enforce the decisions. As you inspect activity you will find non-compliance. End it. The next action provides some specifics having to do with what to inspect.

2. Measure what matters

In average companies sales reps close about one out of five leads they qualify. Note that, on average, sales reps only qualify about one third of the leads they are provided—so close rates measured against delivered leads are often less than 10% in average companies.

Optimized companies close just a little less than one third of the leads they qualify— and they qualify roughly half of the leads they are provided. Close rates for optimized companies are close to 150% of those in average companies.

How can optimized companies do so much better than average companies? It's simple— they measure what matters.

Here's a corresponding case in point: This real life example is classic—and repeated over and over again in most companies. Over the past year marketing has generated thousands of "leads" from many sources with the most preferred source called Downloads

from Content Syndicator—see table Lead Source Analysis. The team was thrilled with their results. Sales executives, however, were not thrilled. During the year, marketing spent a lot of money driving thousands of so-called leads—while sales reported that they got absolutely nothing of value from marketing. A deeper dive pointed to the fact that the relatively low cost per lead was offset by the relatively poor quality of the leads as indicated both by the percent of qualified leads generated, 1.28% as a percent of raw leads, and the overall percent of qualified companies. In fact, proactive outbound prospecting produced the most cost-effective method of highly qualified sales opportunities while other sources cost substantially more—as much as two to nine times more.

The following are actual statistics though the source names have been changed to protect the guilty:

Table: Lead Source Analysis

| Lead Source | Incoming Data | | PointClear Dispositions | | | | | | Cost Analysis | | |
	Leads	Net Leads After Scrubbing	Qualified Leads	Nurture	Disqualified	No Response	Identified as Existing Customer	Bad Data	Cost Per Net Lead	PC Cost Per Disposition	Cost Per Qualified Lead
PointClear Prospecting/Nurturing	--	--	8	95	59	217	11	12	$0	$27.01	$1,357.25
Webcast with Industry Authority	1162	720	21	135	218	216	89	27	$13.89	$27.01	$1,375.02
Webcast	206	114	2	10	29	22	43	4	$4.39	$27.01	$1,727.00
Downloads from Content Syndicator	3117	1242	40	514	381	983	81	124	$23.15	$27.01	$2,662.24
Educational Webcast	139	107	1	23	16	23	5	7	$56.07	$27.01	$6,231.00
Targeted Webcast	264	215	2	29	36	77	25	39	$93.02	$27.01	$12,483.12
Grand Total	4888	2398	74	806	739	1538	254	213			$4,305.94

What to do? In a white paper called *How Much Should a Lead Cost* (available for the asking), I ask and answer the question as follows: "So, how much should a lead cost? More than you probably think, but probably a lot less than you are paying."

In addition to analyzing the actual cost of a qualified lead (not just the cost to generate a raw lead), you should also carefully measure the progression of leads through the sales process. You are probably saying to yourself right now: "We do that" or "That is what I pay sales managers to do." But I guarantee you that it is not happening.

Here is why: In the average company the close rate on qualified leads (called sales-qualified leads in the Optimized Prospect Development illustration on the cover of this article) is about 20%. That means the average sales rep loses four out of five times. What sales rep wants to sign up for that? So, what happens is that sales reps provide visibility into the status of leads only when they are sure they are going to be closed (and won). That is why when you ask the average sales rep what percent of leads they close they will tell you 60% to 80% if they are qualified. That is just baloney.

In truth, you may partially be responsible for why this is happening in your company. A new rep might provide more visibility than an experienced rep … *until* they find out that they spend more time reporting on each and every potential deal than they do selling because everyone wants to know the status of every deal—practically real time. Relatively small improvements in what is called the demand waterfall from marketing-qualified lead to sales-accepted lead to sales-qualified lead can make a huge difference on the top and bottom lines. If you have defined your market, media and message and if you are inspecting outcomes and conducting in-depth analysis at every step, you can substantially improve results.

3. Deliver your sales force fewer, but better, leads

In the whitepaper *Why Your Sales Force Needs Fewer Leads* (available on our website or just ask me for it) I open with: "Contrary to popular belief, sales reps don't need more leads. They need fewer leads—or more accurately fewer raw, unfiltered, unqualified leads."

Sales reps need leads that have been carefully qualified, properly and consistently nurtured and appropriately developed, increasing the likelihood of a completed sale. The problem is that there is so much confusion (and snake oil) out in the marketplace today that:

1. **Marketing is paid, in fact rewarded for, lead quantity and not quality.**

2. **Technology solutions push more, poor quality, leads to sales faster and more efficiently than ever.**

3. **Over one-third of sales reps miss quota.**

Here is a report from marketing: "We're on track for a great quarter in lead generation. This month we generated 1278 leads from all sources—that's a 30% gain over last year! And in spite of higher PPC costs, we continue to keep our leads under $100."

When sales executives receive these so-called leads from marketing, here is how they respond:

- **Not a senior enough executive? Out!**

- **Budget undefined? Goodbye.**

- **Next-year decision? No way.**

Here is what marketing should be reporting: "This month, marketing added 14 new prospects to our Optimized Prospect Development™ program. A total of 41 sales opportunities are currently under development by marketing. Last month, sales received 10 fully nurtured sales opportunities representing $3.5 million in potential revenue. Attached are the details."

SiriusDecisions characterizes the mess this way: "It's a bizarre, often co-dependent relationship; working at arm's length, sales has the latitude to dismiss the leads marketing creates as not qualified or nurtured enough, while marketing can claim that they are holding up their end of the bargain when you consider things purely from a volume standpoint."

Here's a real-life example: We once provided services to a large software company and I got a call from our day-to-day contact one morning about our lead cost—he said we were too expensive. I asked him how much our leads cost and he said $650. I asked him how much the other vendor's leads cost and he said $350. I asked him what percentage of leads delivered by PointClear were considered high quality and he said 100%. I asked him what percentage of the other company's leads were high quality and he said about 50%. Then he said, "I know where you are going with this, but can't you just find some way to reduce the cost per lead—$350 is all we can spend."

Following that conversation I telephoned 10 of that software company's largest partners and asked them about lead quality from the other vendor. They said the quality sucked. I asked them why they didn't do something about it and they said because they were afraid that the big software company would stop sending them leads. That conversation was about eight years ago and we still do business with the big software company (when they are looking for high quality leads). However, most of their spend is going through the equivalent of "sweat shops" and they literally waste millions on low quality, poorly qualified, so-called leads that are never followed up. They have even come up with a way of justifying the spend. They calculate how much the average deal is, assume a 20% close rate and calculate ROMI (return on marketing investment) based on these estimates. Forget that the actual return is in fact almost zero.

What is missing in most companies, from an execution standpoint, is the following:

1. A process to measure the quality and cost per REAL lead.

2. A judicial branch (that is, the c-level executive) that provides the checks and balances needed to keep the other branches (sales and marketing) honest by evaluating opportunities that are not worked by sales to see if there is a quality or an effectiveness problem.

3. A group to nurture leads until they are sales-ready; and to take opportunities back if sales cannot gain traction for one reason or another. Right now these opportunities are disappearing into a black hole.

about PointClear

B2B marketers count on PointClear to deliver leads their sales teams trust. Founded in 1997, the Atlanta-based teleprospecting firm provides the lead generation, qualification and nurturing services that assure 100% of leads turned over to sales are quickly followed up and closed.

On your way to Point C

When I share the Optimized Prospect Development matrix (see cover) with senior executives they almost always place themselves in "Chaos" from an effectiveness standpoint. What I recommend is that you ask us to help you evaluate where your company is right now, and allow us to compare your actual results with those of "Average" and "Optimized" companies. Then we can work together to move you and your team from Chaos … to Kickass.

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