

**BENCHMARK REPORT**



# Lead Generation: Fueling the Revenue Engine



# Introduction

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The marketing funnel – the model that represents how leads become sales – has changed. It's far more sophisticated than it once was, with more lead sources, paths through the funnel, and metrics to track it all.

**While marketers do much more than just manage the funnel, when it comes to its relationship with sales, the focus is generally about delivering enough qualified leads to keep the revenue engine going.**

Almost every organization has a lead generation process (just 11 percent in this study claimed not to have one), but excellence in lead generation is hard to come by, with just nine percent of this study's participants reporting that their process is highly effective. The process is in the critical path to revenue, accounting for a significant chunk of budget money and marketing resource.

**The performance of the lead generation process is also quite often the greatest point of friction between the sales and marketing team. For most organizations, there is clearly room for improvement.**

In a recent study, we explored how marketers are doing lead generation.

Answers to these questions were pursued to better understand the current lead generation process:

- How well is the process working and which lead generation techniques are in use?
- How are leads captured and where are they stored?
- How does the process perform in terms of volume and quality of leads?
- How much budget is allocated to lead generation and what is the estimated cost per lead?
- How is the effectiveness of the process measured?
- What process changes would produce the greatest benefit?
- How will the investment in and emphasis on lead generation change in the next year?

These study results provide a report card of sorts, providing benchmark data useful for comparison, planning and improvement.

# EXECUTIVE SUMMARY

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Primary research for this study was done using a survey, and the data analysis provides these key findings:

- **Almost all organizations (89 percent) have a lead generation process, and almost half of them rate their process as moderately to highly effective.**
- **The top three approaches to lead generation are email marketing, tradeshow or event marketing, and content marketing** - this mix remains constant regardless of company size.
- **The most common mechanism (73 percent) for capturing leads is an automated one: a web form.** The second most common mechanism (66 percent) is manual: data entry. Regardless of how leads are captured, the most common lead storage repository is a CRM system.
- Two key dimensions of lead generation process performance are volume and quality. **In this study, 58 percent of participants say their process doesn't produce enough leads, while 85 percent rate the quality of leads generated from moderate to very high.**
- The existence of a standard or definition for lead quality seems to have a positive influence on quality of leads the process generates. **For study participants that report their process produces high or very high quality leads, 74 percent had a moderately or very effective lead quality standard in place.** Just 48 percent of the full survey sample reported this same level of effectiveness for their lead quality standard.
- No single metric can adequately indicate the performance of the lead generation process. **The most common metric is number of leads generated and 59 percent of study participants use three or more metrics to track the effectiveness of their process.**
- **The approach to lead generation targeted for the greatest increase in investment is content marketing (70 percent);** the approach targeted for the largest decrease is tradeshow or event marketing (40 percent).

This report details the results and insights from the analysis of the study data. For more detail on the survey participants, please see the Appendix.

# LEAD GENERATION SNAPSHOT

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This study begins with a “snapshot” of the lead generation process.

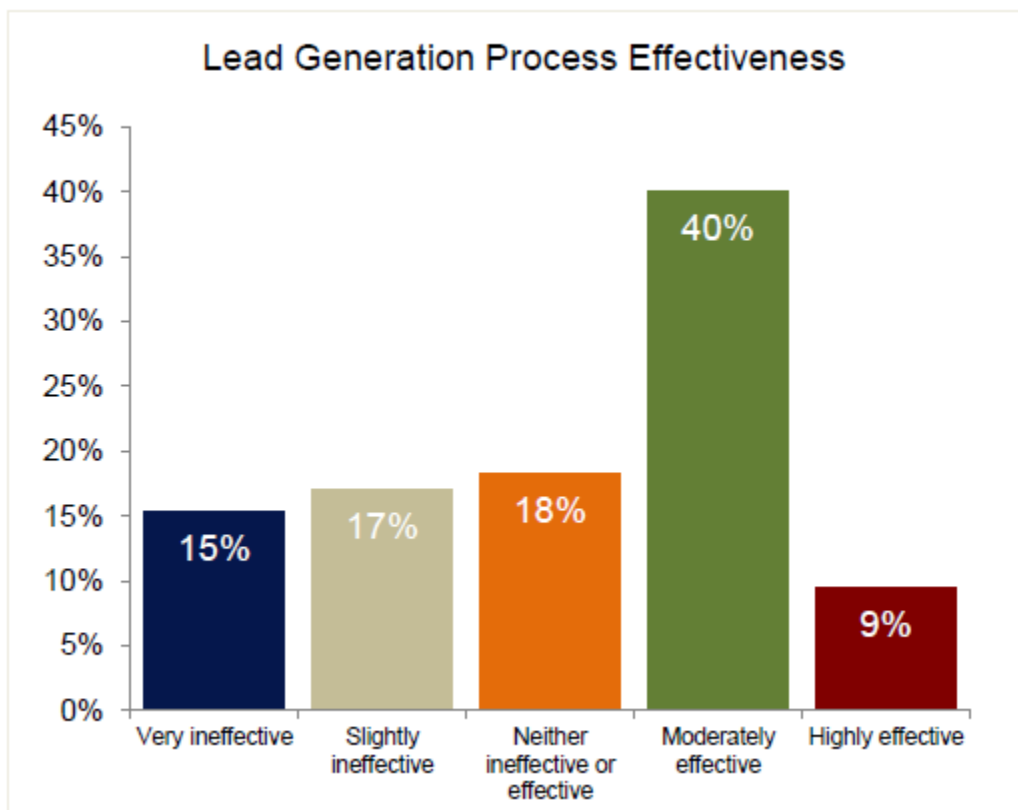
*For the companies that are doing lead generation,  
how effective is their process and what approaches are in use?*

Almost 90 percent of companies in this study have a lead generation process, and the way they assessed its effectiveness is depicted in *Figure 1*.

**This assessment is a subjective one, as no criteria were given to guide participants in rating their process effectiveness.**

For most companies, lead generation effectiveness is a function of both quantity and quality. This study will explore both of these dimensions of lead generation effectiveness.

*Figure 1: Almost half of respondents report their lead gen process is moderately to highly effective.*



# LEAD GENERATION SNAPSHOT

An ever-expanding set of channels is in use to generate leads and within each channel there is tremendous variation in their use. A few approaches to lead generation still dominate the landscape.

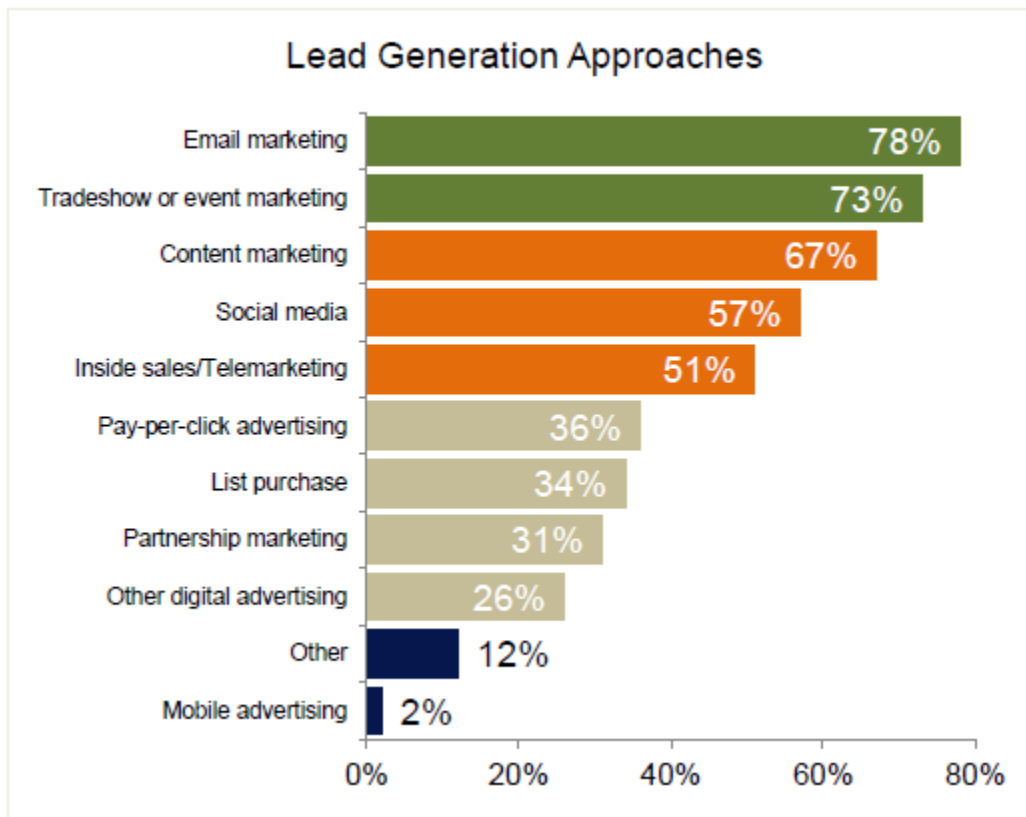
A goal of this study was to determine which approaches are currently in use.

**The top three approaches – email marketing, tradeshow/event marketing, and content marketing – are constant regardless of company size.**

In fact, the order of popularity doesn't change for companies that are experiencing revenue growth or have flat or declining revenue.

Likewise, those participants that assess their process effectiveness as very or slightly ineffective are using the same approaches as those who are on the opposite end of the effectiveness scale.

*Figure 2: Email continues as the "workhorse" of lead generation efforts.*



# LEAD GENERATION SNAPSHOT

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*If everyone is essentially using the same lead generation approaches, why are some having success and others are not?*

If the approaches are the same, the only variables remaining are frequency and sophistication.

**The logical conclusion is that the issue with effectiveness is not a function of which approach is in use, but how the approach is executed.**

It's a quality issue. While not all lead generation is done digitally, much of it is.

Data from a recent Demand Metric study on digital marketing, "Digital Marketing Landscape: The Power of Digital Experiences in 2014" demonstrates that the more sophisticated the digital experience is, the greater its influence on brand perception.

**This finding has direct application to lead generation, where generating a favorable brand impression is tantamount to success.**

# LEAD CAPTURE & STORAGE

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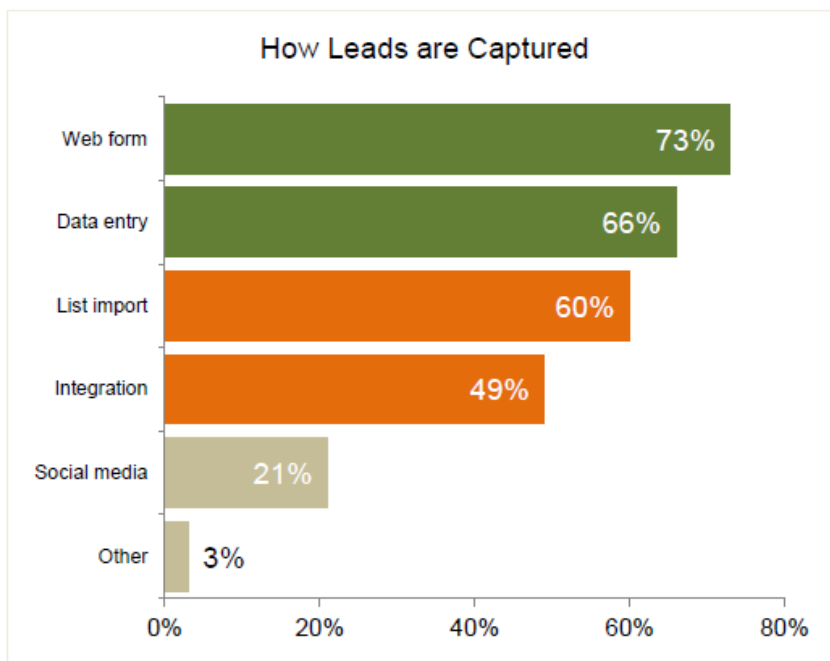
It is the goal of lead generation to capture a lead for subsequent nurturing and ideally conversion. Despite lots of technology that can assist in lead capture, a fair amount of leads are captured using low-tech means.

This study posed a question about lead capture, and the response options for this question were:

- **A web form:** Typically this is part of a landing page where a lead is directed through some type of offer.
- **Data entry:** Manually entering lead information into whatever systems are used to store them.
- **List import:** Lists acquired from some external source, such as through participation in a trade show.
- **Integration:** Direct integration between a lead capture point (i.e. landing page) and the systems in which leads are stored (CRM or marketing automation systems).
- **Social media:** Harvesting leads directly from social media posts, comments, likes or follows.

Most organizations rely on multiple methods to capture leads – 80 percent of this study's participants are using at least two of the methods presented as response options and one-third are using three of these methods. As the channels for lead generation continue to expand, using multiple capture methods becomes increasingly important.

Figure 3: Web forms are the top lead capturing mechanism.



# LEAD CAPTURE & STORAGE

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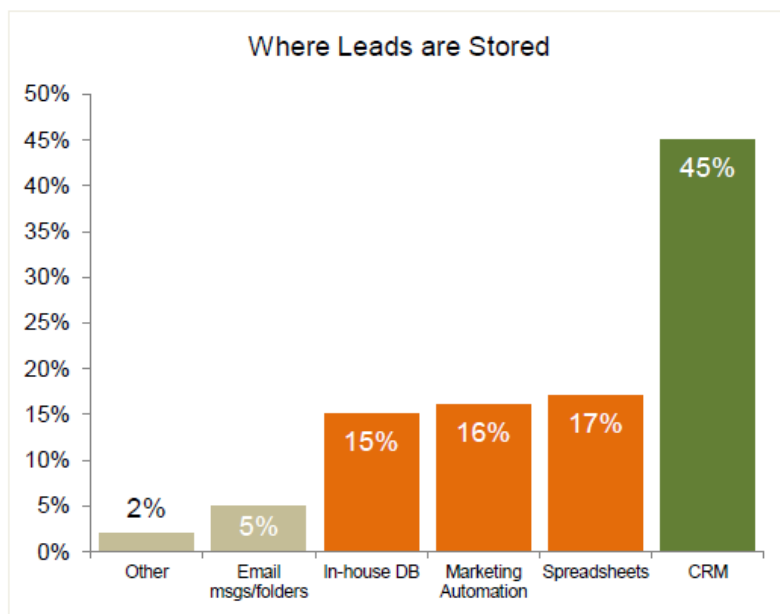
Capturing leads is just the first stage in the process of nurturing and ultimately converting them. Where leads are stored has a lot to do with how consistently the nurturing process works.

A lead is a rather simple collection of information and is therefore storable in relatively unsophisticated systems, including hardcopy. The problem, when leads are stored in places or systems not specifically designed for managing leads, is that they aren't uniformly nurtured. It's too easy for leads to "fall through the cracks" when they're stored in spreadsheets or email folders.

CRM and marketing automation systems are designed to house leads and they provide tools and automation to make sure that leads make it to the sales team. Furthermore, these systems are designed to track and report on the status of leads stored within them.

**Participants in this study that report using CRM or marketing automation systems as the primary repository for leads rate their lead generation process as moderately or highly effective 59 percent of the time, compared to 49 percent for the full survey sample.**

Figure 4: Most leads are stored in CRM systems.





# PROCESS PERFORMANCE –

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# VOLUME & QUALITY

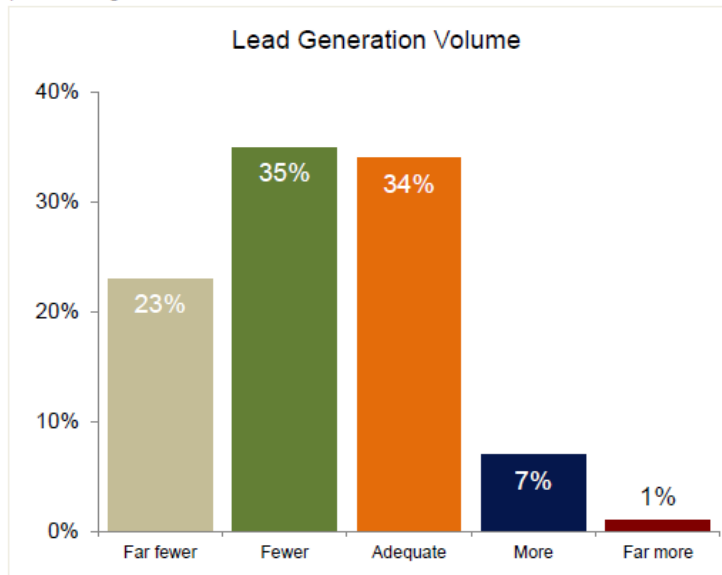
**Most lead generation processes are judged across two dimensions – volume and quality.**

The sales team usually has an insatiable appetite for leads and when the generation process doesn't produce enough of them, it risks idling the sales team and negatively impacting revenue.

It's tempting to dismiss these lead volume results as just the constant refrain from the sales team demanding more leads.

**Two-thirds of the study participants, however, were from the ranks of marketing, over half of which are essentially admitting that their process doesn't produce enough leads.**

*Figure 5: Over half the organizations in this study report their lead generation process does not produce enough leads.*



# PROCESS PERFORMANCE – VOLUME & QUALITY

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*Should other processes come into play when talking about lead volume as well?*

**Of course, such as customer retention: keeping the customers you already have offsets the need to acquire new ones.** There is also simply the effectiveness of the lead nurturing process:

*Is marketing required to generate leads of such high quality that little in the way of sales effort is needed to convert them?*

Lead generation volume is not a metric to consider in isolation, just generating more leads is not the cure to all the ills of the sales process. In fact, an overemphasis on quantity can enable or disguise critical process flaws in other areas. **However, the process must generate an adequate number of leads and more participants in this study say it does not than does.**

The other side of this lead generation process performance coin is quality. When evaluating the performance of the lead generation process, it's necessary to consider both quantity and quality.

**Conventional wisdom says that a sales team can live with lower lead volumes if the quality of leads generated is high and the reverse is also true, low lead quality is offset by higher lead volume.**

*Figure 6 (on the next page) summarizes the lead quality data from this study.*

# PROCESS PERFORMANCE –

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## VOLUME & QUALITY

In any process, there is room for improvement and that need was apparent when considering the volume of leads generated by most organizations in this study.

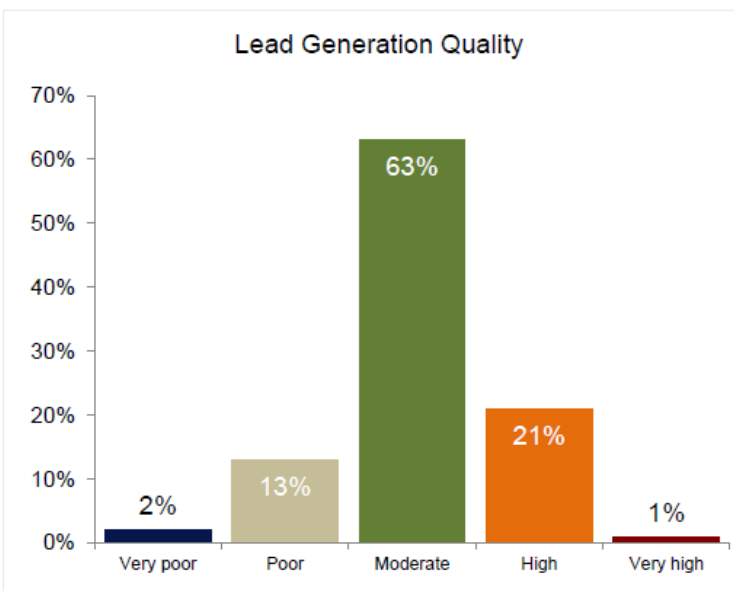
**Here too, when considering quality, there is room for improvement, but much less so, with 85 percent of organizations in this study reporting lead quality as moderate to very high.**

Conceptually, it is ideal if lead quality is at the highest possible level, but realistically, there is a point of diminishing returns when too much is being invested to get it there. If the supporting processes are working as they should – lead nurturing in particular – the need to consistently produce high quality leads is less important.

**Moderate quality is probably really what an effective lead generation process should produce, assuming the surrounding supporting processes are in place and working well.**

If an organization has the proper systems in place, primarily CRM and marketing automation, it doesn't need to overinvest in producing consistently high quality leads at the expense of related and equally important processes.

Figure 6: 85% of participants rate lead quality as moderate to very high.



# PROCESS PERFORMANCE –

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## VOLUME & QUALITY

**Assessing lead quality is often very subjective.**

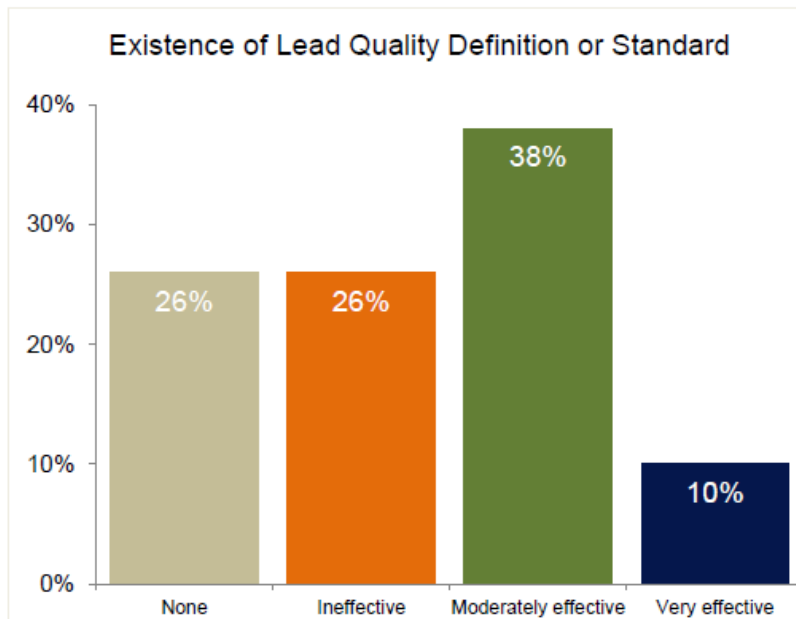
Even within the same organization, what the marketing team considers high quality may differ substantially from the sales team's definition. Organizations that are more mature in their lead generation processes and efforts have lead quality definitions in place, often formalized through agreements between marketing and sales.

**Having a standard or definition in place for lead quality is a critical step to managing the lead generation process to higher performance.**

However, the mere existence of a standard or definition does not assure that it is effective.

Figure 7 summarizes the results of the study's inquiry about the existence of such standards.

*Figure 7: Over one-fourth of study participants have no lead quality standard or definition.*



# PROCESS PERFORMANCE –

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## VOLUME & QUALITY

An ineffective standard is no better than no standard for lead quality, which puts over half the participants in this study without a useful means to judge lead quality.

**The value of having a standard is first to give everyone the same view of a quality lead.**

In the absence of a standard, it's too easy for marketing and sales to point the finger at each other using subjective assessments for lead quality that differ. This leads to unproductive bickering and quite often is the single greatest point of friction between marketing and sales.

**The second reason to have a lead quality standard is to measure and manage the process.**

Without a standard, there is no way to assess how the process is performing in the area of quality, let alone attempt to improve it.

**For study participants that report high or very high lead quality, 74 percent have a moderately or very effective definition or standard in place for lead quality, compared to just 48 percent for the full survey sample as depicted in *Figure 7*.**

# PROCESS PERFORMANCE –

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## VOLUME & QUALITY

Lead quality assessment is made far easier by having systems in place with tools for lead scoring and tracking.

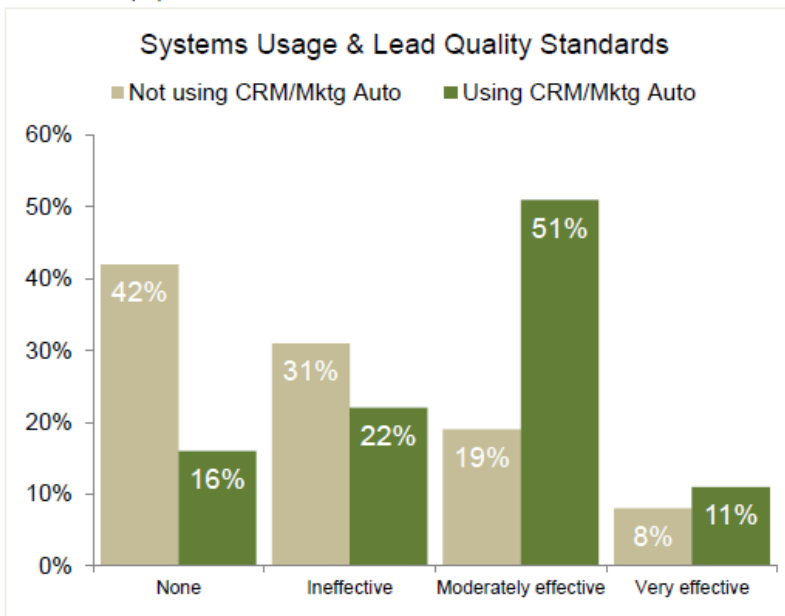
**Only 16 percent of organizations that are using and storing their leads in CRM or marketing automation systems report having no standard for lead quality.**

Furthermore, 62 percent report that their existing standard or definition is moderate to very effective. The contrast with organizations that are not using these systems is sharp and comes as no surprise.

CRM and marketing automation systems have tools to record lead quality standards and score leads, making measuring and reporting compliance almost automatic.

**It is very difficult to take a serious approach to enforcing lead quality standards without a system in place to do it.**

*Figure 8: CRM and marketing automation systems make defining, scoring and tracking lead quality a more realistic proposition.*



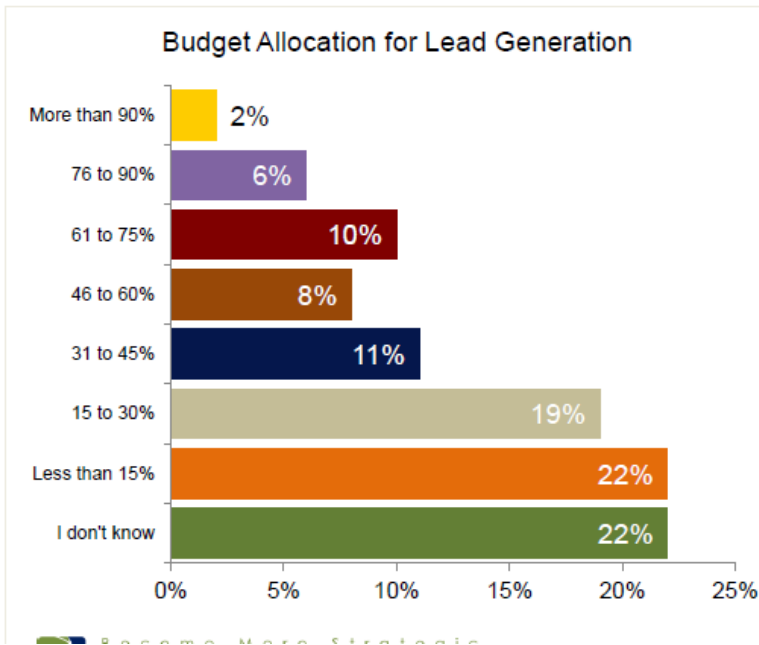
# LEAD GENERATION BUDGET & COST PER LEAD

For some organizations, lead generation is the primary marketing activity, while for others it is just one slice of the marketing pie.

This study examined the budget allocation for lead generation as one way to gauge its importance. This data is summarized in *Figure 9*.

**Using the data from this study, Demand Metric estimates that the average budget allocation for lead generation is approximately 35 percent.**

*Figure 9: Just over half this study's participants allocate less than 45% of their marketing budgets to lead generation.*



# LEAD GENERATION BUDGET & COST PER LEAD

Developing an accurate budget allocation for lead generation shouldn't pose a challenge for any company that understands the metrics associated with the marketing funnel.

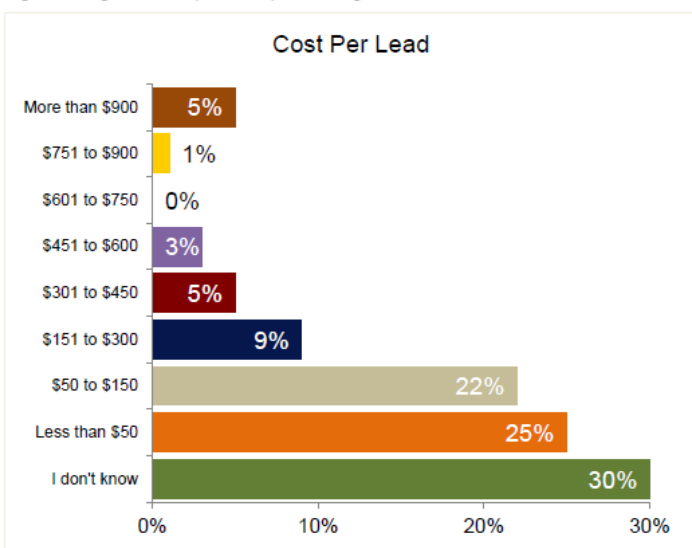
If conversion rates and cost per lead data is tracked, these figures allow a company to back into a budget allocation. A company simply needs to start with a revenue target and then apply the qualified lead-to-sale conversion rate to estimate the number of qualified leads needed. With an estimate of qualified leads, apply the conversion rate for leads to qualified leads to estimate the total number of leads required and then multiply by the average cost per lead.

This calculation can provide a reliable budget estimate for lead generation to achieve targeted revenue. This approach, of course, depends on having reliable data about leads as they move through the marketing funnel.

In the case of both budget allocation and cost per lead, these figures do not vary significantly when comparing just the organizations that report moderate, high or very high lead quality.

**In other words, the data from this study does not lead to the conclusion that organizations with higher quality leads are paying more to get them.**

Figure 10: Organizations report a cost per lead range from less than \$50 to over \$900.





# MEASURING LEAD GENERATION

Lead generation is often a highly measured process, and *Figure 11* shows the frequency with which various measures are in use.

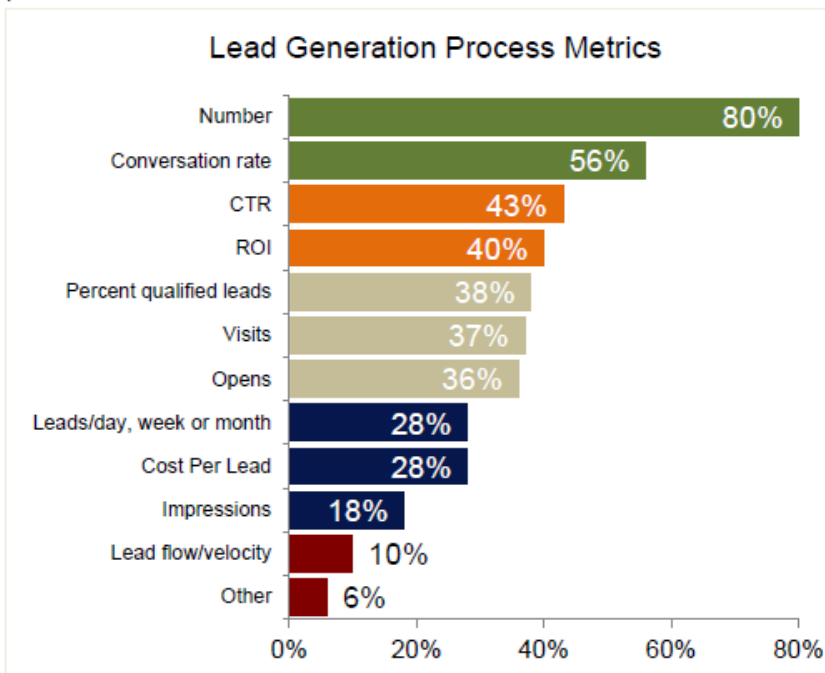
**There isn't a single metric that provides all the information needed to manage the lead generation process.**

The most frequently used metric – number of leads – is an appropriate one, but it reveals nothing about lead quality.

**Just 11 percent of participants in this study use a single metric to track their process, and by doing so they are at risk of failing to monitor their process adequately.** The process needs metrics to measure both quantity and quality, and often multiple metrics for each of these categories.

**In this study, 59 percent of study participants used three or more metrics to track their lead generation process.**

*Figure 11: The number of leads generated is far and away the most popular lead generation process metric.*



# CHANGING THE LEAD GENERATION PROCESS

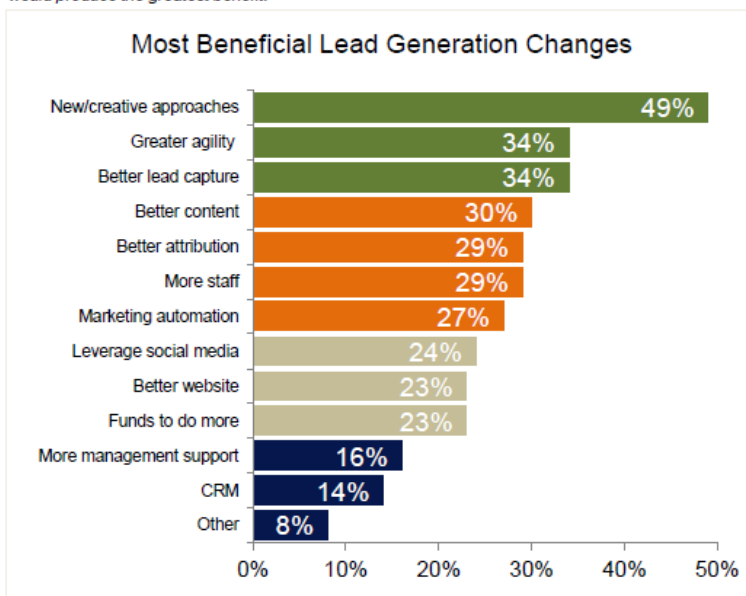
*How could the lead generation process improve?*

With only nine percent of this study's participants rating their process as highly effective, there is clearly room for improvement. The study survey asked participants to select the three changes to their process that would produce the greatest benefit, and those responses are summarized in *Figure 12*.

**Organizations of all sizes were unanimous in selecting new or more creative approaches to lead generation as the change that would produce the greatest benefit.** This study has already suggested that lead generation effectiveness is less an issue of which lead generation approaches are in use, but how well they are executed.

However, there is still value in developing new and creative approaches to lead generation, or simply using some creativity within the approaches in use. **The market almost always rewards creativity.**

*Figure 12: New or more creative approaches to lead generation are perceived as the change that would produce the greatest benefit.*



# CHANGING THE LEAD GENERATION PROCESS

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Some analysis was completed to determine if company size had an effect on how these potential changes were prioritized. New or more creative approaches to lead generation remain the top choice regardless of company size, but the second priority is different for small, medium and large companies.

**Small companies list better content as the second priority; medium-sized companies greater agility in developing lead generation campaigns; and large companies rank marketing automation systems as their second priority.**

Some of the comments offered by participants that selected “Other” as a response provide insights into improvements they need in their processes:

- “Formal process and responsibilities.”
- “Better follow-up capability.”
- “Better follow-up by sales.”
- “Better lead to sale tracking.”
- “Linking lead gen to opportunities.”
- “Better lead scoring/routing and integration with content marketing.”
- “Better qualification process.”
- “More qualified leads.”
- “Trust and belief from the ‘traditional’ Field Sales Team.”
- “Proven and structured programs that we could adapt.”

# CHANGING THE LEAD GENERATION PROCESS

To bring about these changes, companies will adjust their level of investment in the things they do to generate leads. A list of approaches was presented to participants with instructions to indicate where they planned to increase their investment in the next 12 months. These results are summarized in *Figure 13*.

Input on areas for increased investment offered in the comments section by those study participants selecting the “Other” response category include:

- Virtual events
- Networking
- Local traditional marketing
- Workshop presentation
- Lead-to-revenue management
- CRM
- SME blogging
- Outside sales
- Print mail
- SEO

*Figure 13: Content marketing is the top approach targeted for increased investment in the next 12 months.*



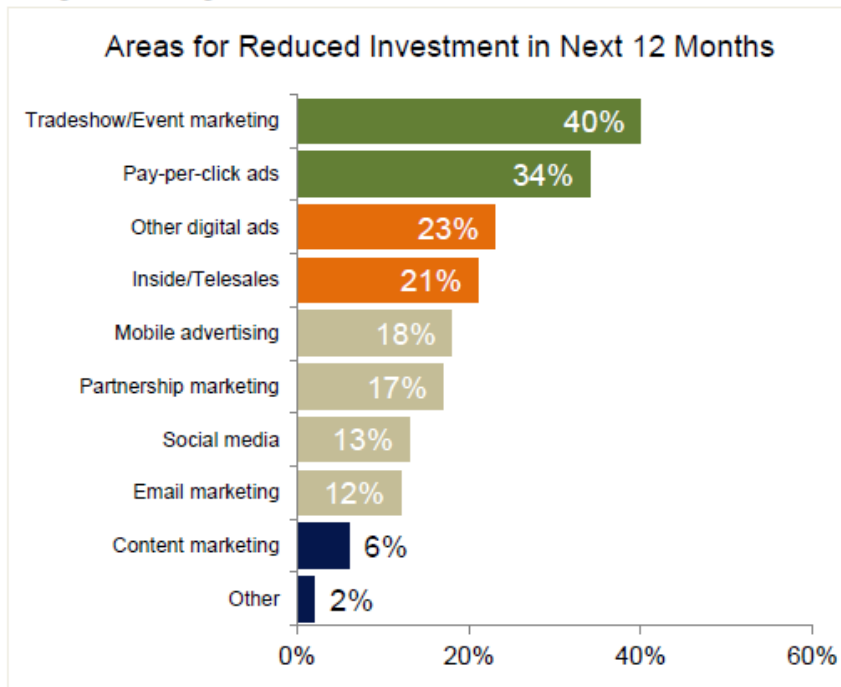
# CHANGING THE LEAD GENERATION PROCESS

Areas identified for decreased investment in the next 12 months are summarized in *Figure 14*.

This data on changes to approaches and investments in the lead generation context are useful benchmarks, but they require the context of the bigger picture:

- *What is the overall importance of the lead generation process?*
- *Is it growing in importance or on the wane?*

*Figure 14: This study's participants target tradeshow and event marketing as the top areas for scaling back their lead generation investment.*

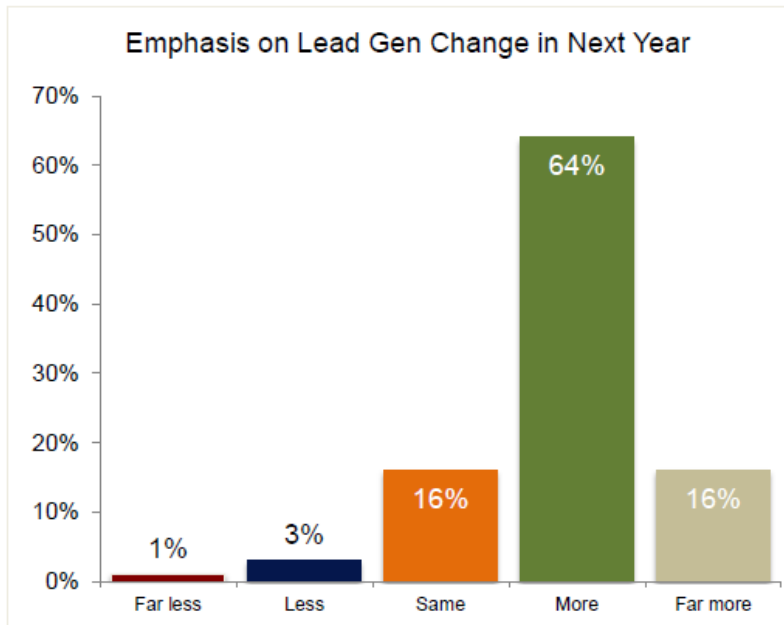


# CHANGING THE LEAD GENERATION PROCESS

Study participants were asked to look ahead over the upcoming 12 months and indicate if the emphasis on lead generation would increase or decrease. *Figure 15* summarizes the results of this inquiry.

**Almost every organization plans to keep the emphasis on lead generation at the current level or increase it.** This study finding, more than any other, reveals the mission-critical nature of lead generation.

*Figure 15: 80% of study participants will put greater emphasis on lead generation in the next 12 months.*



# ANALYST BOTTOMLINE

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**Leads are the fuel for the revenue engine, and the company that neglects the process risks a revenue shortfall.** Despite the many nuances and variations to the lead generation process, most organizations are doing the same things, but with different levels of effectiveness. To improve the performance of the lead generation process, organizations should focus on two, related areas: quality of execution and process consistency.

**As this study reveals, most organizations, regardless of size or lead generation process effectiveness, are using the same lead generation approaches.** Despite identifying the most sought after change to lead generation as “new or more creative approaches” the difference in mediocrity and excellence is execution. New or more creative approaches to lead generation are worth seeking and implementing. While a brilliant new approach may provide a temporary performance surge, it’s unlikely to cure long-term lead generation ills.

**The place for emphasis is quality of execution.** So if an organization relies on email marketing to generate leads, then it is wise to relentlessly investigate email marketing best practices, keep its email list clean, perform A/B testing and do the things that boost the performance of that lead generation channel.

**The other main area of focus to improve lead generation is process consistency.** Among other things, this involves identifying and tracking a set of metrics that are useful for measuring results and ensuring that all the things in the lead generation process that should happen do happen. An effective definition for lead quality must exist, as should a system for scoring leads. A nurturing process is also imperative as are metrics and mechanisms to make sure no lead falls through the cracks.

**The only way to ensure process consistency and thus peak performance of the lead generation process is through a system, such as CRM or marketing automation that helps you define and execute the process with a high degree of precision.** This focus on quality of execution and process consistency will produce the best results, but it is not the path of least resistance. Many organizations will simply play the numbers game by spending more on the same things to make up for diminishing results.

**The solution is not simply scaling up a bad process, but improving it. This requires more effort, but produces far better results.**

# BACKGROUND

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## **About PipeRocket**

Our cloud funnel management solution leverages machine learning to process ALL your inbound lead data, analyzes it in real-time and delivers actionable results. Stop the group meetings and lead waste; no need to hire more staff or buy more tools, PipeRocket does it all!

PipeRocket means explosive pipeline growth from improved “lead-to-deal” conversions with less work.

## **About Demand Metric**

Demand Metric is a global marketing research & advisory firm serving a membership community of over 38,000 marketing professionals, CEOs, and business owners with advisory services, custom research & benchmarking reports, vendor studies, consulting methodologies, training, and a library of 500+ practical tools and templates.

Using Demand Metric resources, members complete projects faster and with greater confidence, boosting respect for the marketing team and making it easier to justify needed resources. Our 1,000+ corporate clients range from start-ups to consulting firms to members of the Global 1000.



# APPENDIX – SURVEY

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## BACKGROUND

This Demand Metric Lead Generation Benchmark Study was administered online during the period of January 28, 2014 through February 17, 2014. During this period, 204 responses were collected, 182 of which were qualified and complete enough for inclusion in the analysis.

Summarized below is the basic categorization data collected about respondents to enable filtering and analysis of the data:

### **Annual Revenues:**

- \$10 million or less (38%)
- \$11 to \$25 million (13%)
- \$26 to \$100 million (19%)
- \$101 to \$500 million (12%)
- \$501 million to \$1 billion (5%)
- Over \$1 billion (13%)

### **Type of Organization:**

- Mostly or entirely B2B (76%)
- Mostly or entirely B2C (8%)
- Blend of B2B/B2C (11%)
- Agency (5%)

### **Primary Role of Respondent:**

- President, CEO or Owner (17%)
- Marketing (67%)
- Sales (7%)
- Finance, IT, HR (3%)
- Other (6%)