Series Title:

Breaking Traditions: The Next Generation of B2B Prospecting and Pipeline Management

Paper 1:

How Traditional B2B Prospecting and Lead Generation Approaches Cause Leaks in the Sales Pipeline

Introduction

Marketing and sales organizations across the U.S. spend more than $1.2 trillion each year in an attempt to acquire new customers and sell new products and solutions to existing customers. Yet independent research from Gartner Group, Cahners, Yankee Group and other research organizations suggest that traditional business-to-business (B2B) prospecting and pipeline management approaches do not work effectively.

Consider these uninspiring metrics:

- Seventy percent (70%) of leads presented to sales are never acted upon, are poorly worked or become lost in the system.

- Sales representatives spend only eighteen percent (18%) of their time calling on new business opportunities.

- Seventy percent (70%) of enterprise solution buyers report that when a purchasing need arises, it is unlikely a sales representative has recently called.

- Sixty nine percent (69%) of senior level enterprise executives say they regret their marketing and sales functions are not more tightly integrated.

- When asked to rate confidence levels in their lead generation initiatives on a scale of 1-10, 10 being the highest confidence, enterprise executives responded with a lukewarm 5.8.

When one considers the results of traditional business-to-business (B2B) lead generation and lead management techniques, it becomes apparent why most enterprise executives have little confidence in their sales and marketing processes ever delivering a return on investment that yields a sustainable competitive advantage. When discussing the merits of sales and marketing functions, most enterprise executives quickly admit that at least fifty percent (50%) of their marketing investments are wasted. When pressed, they reluctantly admit their greatest concern is “not knowing” which fifty percent (50%). So it should come as no surprise to marketers that, at executive levels, the though exists that barring significant innovation, the lead generation practices of traditional marketers are quickly becoming irrelevant and add little to enterprise value.

As a leader and innovator in B2B market development for more than 20 years, *** Group sees great opportunities amidst these problems and challenges. After much research, thought and collaboration with the groups it serves, *** Group came to understand that marketing strategies biasing analytics, tactical execution and accountability easily win influence in the enterprise over the traditional, intuitive and untested.

Thus seeking an innovative, analytical and measurable solution to end frustration with sub-par returns in marketing investments among enterprise executives, we developed a three-pronged approach that allows enterprises to optimize marketing resources and sales effectiveness. However, to understand these solutions, enterprise leadership must first acknowledge the problematic causes of ineffectiveness in traditional lead generation practices that result in sluggish marketing ROI.

Problem #1: Lack of "True Market" Visibility

More than a few marketing professionals attempting to identify new customers in business-to-business segments begin outside their organizations by purchasing or renting mailing lists based on key selection attributes such as number of employees, sales volume, geographic location or SIC code. From these lists, marketers construct ideal market universes by narrowing selection criteria until the final lists appear to fit their organizations' target audiences. Since each list is unique, marketing professionals must also infer linkages between given lists and desired attributes; such inferences are a constant source of targeting errors.

Typical list compilation techniques not only give rise to targeting errors. These traditional procedures also intensify sales organizations' continual criticisms of unqualified lead generation because they create wider-than-necessary market universes. More often than not, lists include allied industries, suppliers and those vaguely associated with a market; peripheral targets highly unlikely to buy a company's offerings. For instance, a search for targets by a specific SIC code will also result in a bevy of companies serving the specified market, as list providers cannot guarantee delivery of only targets worthy of pursuit.

In addition, rarely will a blending of list data ever represent the total available addressable marketplace. Marketers, therefore, are most likely addressing only twenty five to forty percent (25% - 40%) of their available universes—leaving much room for improvement.

Problem #2: Using Short-Term Segmentation and Targeting Models

Business-to-business enterprises with small numbers of large customers traditionally use dedicated salesforces to anticipate needs, understand value propositions and foster customer intimacy. But when a company has a larger number of customers that varies in needs and perceptions of value, it is critical to find an efficient way to keep a finger on the pulse of prospects and customer bases.

Virtually all marketing and sales organizations understand that segmenting and prioritizing prospect and customer data is a key component to marketing campaign success. Most recognize that all prospects and customers are not created equal. And most recognize that buying motivations and willingness to spend differ substantially.

However, Global 2000 companies have not yet fully realized the potential of segmentation and targeting. Not because firms don't segment, but because marketing professionals rarely follow a process for targeting relevant and profitable buyers, and rarely reexamine and refine segmentation and targeting models to build long-term competency. In fact, traditional marketing, targeting and lead generation strategies all emphasize quantity and the meaningless "cost per lead" over the relevancy, servicing and spending of prospect segments that drive the all-important "cost of sale" and customer profitability.

Problem #3: Reaching Out With Irrelevant Dialogues

Although one-to-one marketing has garnered much attention among enterprise groups, many marketing organizations still struggle to engage prospects and customers in systematic and relevant one-to-one dialogues. This struggle is evidenced by overall poor marketing ROI, low adoption rates of marketing output throughout the salesforce and shrinking confidence across senior executive ranks.

Because strategic one-to-one initiatives can be tough to implement and even tougher to manage, an overwhelming majority of Global 2000 marketing executives continue to search for prospects and customers based on perceived needs for their companies' products, services and solutions. Thus, marketing continues to produce marketing content and prospect communications that tend to lead with product features and general benefits—without ever knowing or understanding prospects' priorities, pains or objectives. While many enterprises have made worthy investments to train salesforces in solution and strategic selling methodologies, few have embedded the principles of these high impact sales approaches into their marketing and prospecting communications. As a result, traditional marketing practices decrease sales effectiveness by failing to initiate dialogs early in the buying cycle in ways relevant to prospects' solution interests.

Problem #4: Using First or Second Generation Prospecting Methods to Drive Leads to Sales

Traditionally, marketing's role has been seen as one of generating leads for sales. Sales' role, in turn, has been to focus time, skill and energy on what its representatives see as the most worthy leads presenting true sales opportunities. The problem lies with the fact that both first and second generation prospecting practices call for sales representatives to receive all of marketing's output.

In first generation prospecting, marketing generates leads en mass and routes all leads to sales. While these leads may include key data such as contact points and lead sources, they have not been qualified against sales criteria provided by the sales force. The salesforce must then filter through these unqualified leads to find the ten to fifteen percent (10% - 15%) of hot leads that meet sales expectations.

In second generation prospecting, marketing initiates qualifying activities against all leads generated. Leads are graded on a hot-to-cold continuum by inbound and outbound teleservices. These leads include qualifying sales criteria such as event triggers, budgets, anticipated implementation dates and other information for evaluating the promise of a sale. All graded leads are then routed to the salesforce to be worked according to the assumed prioritization as indicated by grade.

Unfortunately, both approaches drive what is perhaps the most disturbing outcome of traditional lead generation practices: the fact that seventy percent (70%) of all leads are not worked or are worked ineffectively. In the case of first generation prospecting, sales representatives become conditioned to the fact that eighty five to ninety percent (85% - 90%) of marketing's output represents time wasted talking to prospects that do not represent immediate sales opportunities. This ultimately drives low adoption rates of marketing output throughout the salesforce. In the case of second generation prospecting, sales representatives become conditioned to working <u>only</u> the highest graded leads because marketing has separated the ten to fifteen percent (10% -15%) representing immediate sales opportunities from those leads requiring additional nurturing. However, when companies fail to leverage relevant dialogs and consistent follow-up with lower-graded leads, they forego opportunities to mature those prospects into qualified sales opportunities. Thus, second generation prospecting limits a company's participation in all the qualified sales opportunities existing in a market … by as much as seventy five percent (75%).

Problem #5: Reactive Relationships between Marketing and Sales

A final, noteworthy (and correctable) problem leading to poor returns on marketing investment and a deteriorating confidence level among executives is that marketing and sales remain, for the most part, discrete processes. Traditional marketers generate leads through various campaigns and initiatives mostly likely based on available budget rather than on the resources required to support specific sales objectives. Typically, marketing plans its campaigns and activities for the year independent of sales input and independent of a sales objective. This lack of collaboration between sales and marketing naturally results in a misalignment between marketing resources and the objective the salesforce is responsible for. The salesforce is then thrust into reacting to an ebb and flow of leads not properly aligned with its objective (quota), capacity and effectiveness.

This ebb and flow of leads through the pipeline often causes times of congestion, missed quotas and lost sales. What happens when the sales pipeline is deluged with an inflow of leads it cannot effectively handle? The new inflow certainly contains a percentage of cold leads with no possibility of ever being converted to sales. But it also contains a percentage of hot sales opportunities. However, when sales is already operating at maximum capacity, any new inflow of opportunities is lost, wasting scarce marketing resources and aggravating executive management's frustration with unimpressive marketing returns.

Fixing Leaks in the Sales Pipeline: The Next Generation of B2B Prospecting and Lead Management

Enterprise management relating to the traditional prospecting and lead management approaches discussed in this paper may be experiencing:

- Eroded profits due to an inability to target and acquire high value prospects.
- Extended sales cycles due to a lack of relevancy in early marketing communications and prospect dialogs.
- Lost sales due to low adoption rates of marketing output throughout the salesforce.
- Missed opportunities due to not maturing lower graded leads into qualified sales opportunities.
- High acquisition costs due to an inability to balance marketing activities and resources against the capacity, effectiveness and objectives of sales.

Fortunately, *** Group has developed an innovative and proven approach that allows organizations to repair leaks in the pipeline before their cumulative effect becomes drastic. In the series of following white papers, marketing and sales organizations discover how to implement a new three-pronged methodology that delivers shorter sales cycles, increased sales efficiency and substantially higher returns on marketing.

Through this series, *** introduces you to next generation prospecting practices that allow your company to:

1. Implement a "relevant dialog strategy" in the early engagements of high value prospect segments.
2. Transform traditional marketing output (leads) into what sales wants most—qualified business opportunities.
3. Optimize sales and marketing resources by deploying supply chain management principles to dynamically provision and replenish the sales pipelines with qualified business opportunities.

To learn more about the first step towards marketing ROI and increased sales efficiencies, download the next paper in *** Group's four-part Breaking Traditions series, "Shoring Up the Sales Pipeline with Relevancy and Profitability," at www.***.com/xyz.

Sidebar 1: List all the documents in the series and tell where to get them

Sidebar 2: (This paper may lend itself well to using pull quotes since it mentions statistics. Another idea is to put notable, relevant quotes in the paper. I can look them up…just say the word!)