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OPINION

Who Needs Leads?

There isn't a sales team on the planet who'll say they have enough leads. But what if "more leads" is the wrong answer…to the wrong question?

By David Taber, Taber Consulting

Jun. 16, 2009

Print page

In high-tech marketing, most of the attention is paid to lead generation and piling more prospects into the pipeline. If you remember the movie "Glengarry, Glen Ross," Alec Baldwin held the pile of Glengarry leads like they were sacred.

Problem is, most leads just aren't worth that much. The vast majority of them will never go anywhere, and too many marketing programs are a waste. Worse, sales reps - the best-paid individual contributors in the company - waste time and effort on duds. In the Enterprise sales model, the true cost of acquiring a new customer can easily exceed $40,000. While follow-on business makes for cash-flow, the initial cost of growing your customer base makes for a serious cash burn.

Of course small companies need to start somewhere: customers don't come out of thin air. But with a failure rate of 95% or more, you have to ask yourself "who needs leads?"

Look at revenue generation another way - skipping the conventional pipeline or waterfall models for now - and view it as a business process. The outputs of the business process are revenues, fat commissions, and happy customers. But are leads *the* critical input to the business process? If you take the data from your SFA system and do some serious analysis, you're likely to discover three things:

- the data is flakey and may have been gamed by both Sales and Marketing
- many leads have been dropped on the floor
- only a small portion of closed deals can be conclusively linked to leads

Even leads from events that Sales is very enthusiastic about probably don't produce that much revenue. So where are the juicy deals coming from? Sales will say the whales come from their black books, and they're right: people buy from people, and previous relationships count for a lot. These relationship sells may make for some big deals, but not many of them - the typical rep can only pull a couple of rabbits out of their hat before their black book runs dry.

Research across B2B and B2C industries show that the most profitable business comes from upsells, cross-sells, and expansions from existing customers. Repeat business costs between 1/3 and 1/10th of what new business costs. Further, analysis from Bazaarvoice and Forrester Research shows that customer references are the single most credible and effective source of information for influencing purchase decisions. So, happy customers really matter for both profitable deals and new customer acquisition.

But you can't limit yourself to your customer base and their friends.

Continued…

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LIVE DISCUSSION

Join live discussion

Pelcos-Rhodes 4 weeks ago
This is an excellent article! My question is, is there a summary of all the benefits (cost savings, ROI, effectiveness etc) that you can expect if you run do this?

gregg 4 weeks ago
Question: how does your website, Taber Consulting, fulfill the lead nurturing criteria you suggest in your article? why does it greet visitors with a full bore 'let me tell you how great we are"?

Alex 4 weeks ago
Sounds great, but nothing really all that new. I feel like Taber is just rewriting what any experienced sales manager should already knows.

MikeB 4 weeks ago
Good article, but I agree nothing really new here. At the end of the day, its still all about lead nurturing, education, and cultivating interest to the point where it makes sense to tuurn over the sales. Using online marketing automation systems (with the relevant targeted content by audience, tracking activity and interest levels) together with sales development teams building relationships with prospects is not new. Nor is the practice of sales people following up trade show leads (or mass online leads) and complaining that the quality is low.

Jonathan 4 weeks ago
Good sales people, other than setting up relationships with their existing network, should be selling as opposed to prospecting. Last thing I want is one of my six figure sales reps dialing the phone all day.

Jeff 3 weeks ago
Leads are the issue, but businesses need to follow a process. Start with the customer and buying process and work back to the company/product. Map marketing materials and offers to the buying process. Score leads so only good leads go to salespeople.

Jeff 3 weeks ago
www.findnewcustomers.net and read How to Find New Customers white paper. It's free.

Jeff 3 weeks ago
Results of a program like this? Bearcom increased leads from 450 to over 2,600; cost of a lead dropped from $44.50 to $4 and marketing cost dropped 16%. Those are real numbers.

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