

Timing the handoff

By Steven S. Ramsey, Brian K. Crockett and Marianne Seiler

Converting prospects to paying customers is more expensive—and far less effective—than it should be for many companies. Here's a systematic way to help you improve the distribution of leads to sales reps.







■ Did you hear the one about the traveling salesman? He spent so much time in his office trying to develop new leads that he didn't travel anymore.

For many companies—particularly in a tough economy when they need their salespeople to be out meeting with potential clients and closing deals—this is no laughing matter. But far too often, sales professionals are either burdened with the task of identifying strong prospects—a task for which they are overqualified—or are asked to follow leads with little potential.

Many companies could substantially improve the way they handle the process of converting prospects to customers—an activity Accenture calls *lead management*. The benefits of this improvement can be considerable. Generating more and better sales leads—and then refining and following up on those leads more effectively and efficiently—can give a powerful boost to a company's drive for new revenues and profitability. Even small improvements in lead management effectiveness can yield a significant increase in net present value (see chart, page 64).

A number of businesses and industries are trying to improve their management of customer leads. Among those that have been struggling the most are companies that sell to a large customer base of small to midsize businesses.

These companies come from a range of industries, from telecommunications and energy to shipping and financial services. They face some specific challenges—including, for many, the inherent difficulty of mass-marketing a complex product with a strong service component. They've tried various ways to improve their sales conversion

efforts, most notably training programs for their large sales forces. For the most part, however, they haven't gotten the results they hoped for.

Sales training has its place, to be sure. But there's always the risk that human performance capabilities added through training will leave the organization when the people trained do. Improvements in lead management, on the other hand, are *process* improvements; once they are embedded in the organization, they make an ongoing contribution to shareholder value.

So are their lead management efforts doomed to inefficiency? Accenture doesn't think so.

Other kinds of business-to-business companies—notably those with a small base of large customers, such as a chipmaker selling to companies that use its chips to make computers or handhelds—and business-to-consumer companies tend to be better at lead management than B2B companies with mass markets, and thus have some key lessons to teach them.

B2B companies with a smaller base of larger customers prosper in part by knowing a good customer—and hence a good prospect—when they see one. Typically, they take a team-selling approach, which provides the rigor and focus needed to qualify and manage opportunities well. B2C companies, meanwhile, are noteworthy for the systematic processes they apply to generating leads from a large pool of potential prospects—particularly testing offers and messages, using multiple channels, prospecting among current customers, and providing a continuous loop of feedback and analysis.

All of these practices are also highly relevant for companies selling to a

Step by step

Lead management is a multistep process spanning lead generation through lead monitoring and reporting.



diverse business audience. But the most fundamental issue that these companies need to address is a lack of continuity between marketing (ideally, the lead originators) and sales (the lead users). At a good B2C organization, marketing and sales will be well integrated, with marketing generating demand and the sales organization (including call centers) closing sales. This is not the case for most B2B companies with mass markets. Because they are dealing with a large customer base, marketing is more difficult for them. Many don't have strong in-house marketing functions. And the marketing departments they do have often are not well coordinated with their large sales forces—whose members may well feel that they know the customers best anyway.

A systemic approach

Fixing this problem can be a major task, ultimately requiring a willingness to reassess responsibilities, change compensation structures or revamp selling processes. Different remedies, of course, will be appropriate at different organizations. But any improvement will begin with an understanding of lead management as a multistep process (see chart, above) and an examination of how well the organization is performing at each stage—from lead generation through lead monitoring and reporting. Then the organization can start moving toward a better approach.

So what are the characteristics of a good lead management system? The most salient one is that it is, first

and foremost, a *system*—managed and monitored as a whole, and continuously improved. Managing leads in a systematic way entails meeting some key requirements at each stage of the process.

Lead generation. Start at the beginning, with lead generation. Some very large companies are surprisingly casual about how they generate leads—relying entirely on their sales forces, for example, and treating all leads as pretty much equal. But hunches and rules of thumb are no match for a well-planned lead generation campaign. Such a campaign taps multiple channels, including third parties, for fresh leads. It uses predictive modeling to identify the best prospects, and testing to develop strong messages and offers. And identifying the best prospects doesn't just mean finding those likeliest to buy; it also means recognizing the profiles of the company's most profitable customers and looking for more like them.

Finally, running a good lead generation process means employing data querying and reporting to analyze the success (or shortcomings) of a campaign—and using that analysis to determine best practices and refine future campaigns.

Lead qualification. Qualification of leads is the next stage. The key here is to use lower-cost resources, rather than high-cost sales reps, to qualify, rank and score the leads. Trained qualifiers, relying on analytical tools, can make valuable judgments

at this point. With some insight into the kinds of closes and levels of service the prospects would require, these qualifiers can direct leads into the appropriate sales channel, whether that means direct, telemarketing or third-party agents. In some organizations, the qualifiers may handle simple closes themselves.

Lead enhancement. Next is the enhancement of leads with additional data—including transaction histories, demographics and psychographics—which will add considerable value. B2B companies face a challenge here, because the outside data sources available to them aren't nearly as rich as the ones that B2C companies can tap. Business demographic data, available from government sources and private-sector

business profilers, can help B2B companies build profiles of their prospects. But the more important ingredient will be prospect- and customer-profile data that the company can capture itself.

Customer-specific profile data—indicating the customer's awareness and understanding of your product—can be gathered from various customer interactions, including any contact made during the lead qualification process. Information on customers' previous sales and service interactions, if any, should be gathered as well. Customer usage data can be collected from the company's transactional databases. Last, and most valuable, is data about a customer's or prospect's current intent to pur-

Are you mismanaging your sales leads?

Many companies—especially B2B companies serving a large, fragmented customer base—have trouble with lead management. Here are the most common mistakes made at each stage of the sales process.

Lead generation

- Use of only one or two channels, instead of multiple ones
- No testing to see how different offers and channels affect lead quality and quantity
- Insufficient prospecting among current customers

Lead qualification

- Poor to no qualification, ranking or scoring of leads
- Qualification done at wrong point in process
- Qualification done by wrong people—sales reps themselves or untrained support staff

Lead enhancement

- No attempt to enhance qualified leads
- No strategy to guide data validation
- No ability to integrate internal and external data to create prospect profile
- Failure to capture and append pertinent information obtained during interaction with reps

Lead distribution

- Untimely and insufficiently controlled distribution
- Lack of easy-to-reference format for leads
- Ranking or scoring leads without corresponding follow-up guidelines
- Distributing leads without regard to sales reps' expertise and skills

Lead follow-up

- No timely follow-up on leads
- Inability to track leads through process and determine their disposition
- Systems focused on near-term opportunities; medium-term opportunities often cannot be captured for later follow-up

Lead analysis and reporting

- Failure to conduct lead analysis
- Inability to determine return on investment for leads by product, channel, geography, sales rep, etc.
- No centralized lead repository to support lead evaluation, analysis and modeling
- No timely reports to support ongoing lead management
- No use of "lessons learned" to enhance future performance

chase and reasons for doing so, which must also be captured in the course of customer interaction.

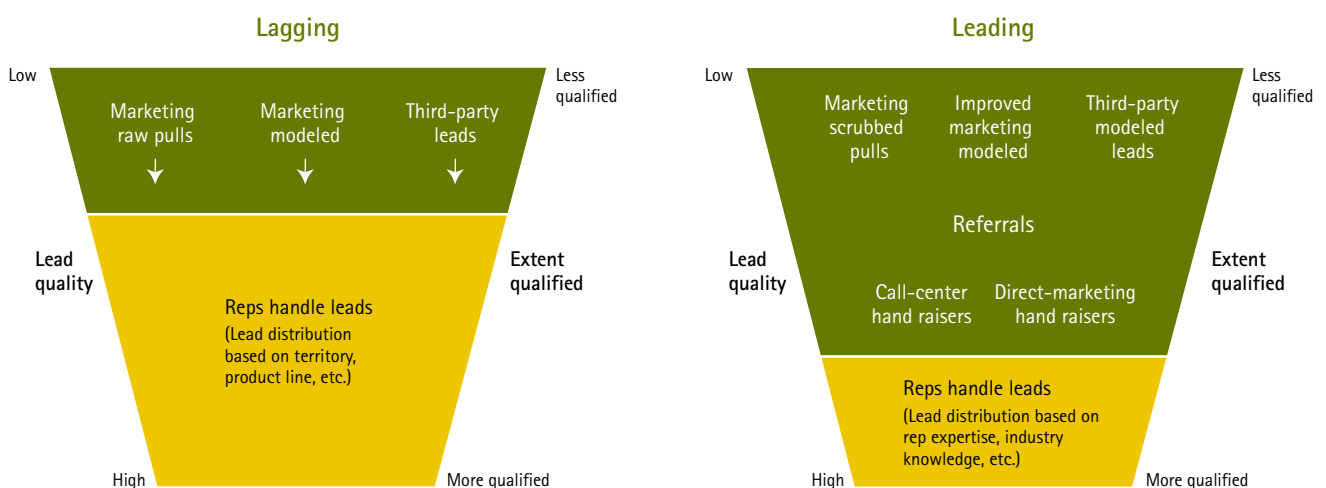
Lead distribution. The distribution of leads should come later in the process—toward the bottom of the opportunity funnel (see chart, below). In many companies, sales reps work with raw, nonqualified leads at the top of the opportunity funnel, which is too early in the process for reps to be involved. They are doing work that could be done more effectively by other, less expensive staff and, as a result, are not spending enough of their time actually selling. These companies need a systematic approach in which reps receive better, more qualified leads, keyed to their expertise, later in the process. The goal is

to have reps spend more of their time knocking on the right doors—and making sales.

In addition, rather than being assigned geographically (still standard practice at many organizations), leads should go to sales reps based on their particular expertise and industry knowledge. With virtual selling environments that don't require extensive face-to-face interactions with prospects, this could mean having someone from Michigan serve a prospect in New York. More likely, though, it means a company would need to build some level of expertise by industry in each territory. The benefits of this later, smarter handoff are many: The reps reach more decision makers per contact and spend more time selling,

Putting reps to better use

Companies need to take a systematic approach to the distribution of leads so that sales representatives receive better, more qualified leads, keyed to their expertise, later in the process—toward the bottom of the opportunity funnel. Lead qualification is done more effectively by other, less expensive staff.



Reps handle leads higher in funnel

- More unqualified leads
- More funnel management
- Higher cost/lead

Reps handle leads lower in funnel

- More decision makers reached per contact
- More time selling/less funnel management
- Lower cost/lead
- Lower cost/conversion

and the organization lowers its cost per lead converted.

Lead follow-up. Lead follow-up is a vital part of any lead management system. A given lead may produce multiple interactions as the customer relationship progresses from initial contact to close. Consider this example: A telemarketer makes the initial contact, and the prospect asks for a visit from a sales rep. The rep works up a proposal, which requires the participation of a third-party agent. Both agent and sales rep participate in the negotiation phase, and then the rep ultimately follows up to close the sale. The selling organization has used three distinct channels to make this sale and has learned more about its customer at each step along the way.

Tracking the lead through this process helps seamlessly orchestrate the multiple handoffs required. Lead tracking systems should support real-time tracking and reporting of leads according to multiple criteria. The organiza-

tion should be able to track leads at any stage in the pipeline, as well as across sales groups and channels; by campaign, sales rep, and customer or prospect; by product and geography; and by score, length of time in the pipeline and likelihood of conversion.

Lead analysis and reporting. Tying the previous lead management activities together—and providing insights for steadily improving them—makes up the lead analysis and reporting function. Analysis will help an organization recognize the value of similar leads in the future, and will also help it act on medium-term (as opposed to just near-term) opportunities.

This information becomes the lifeblood of the lead management system, driving improvements in each stage of the process. Results from current campaigns are used to make future efforts more effective.

The drive for effectiveness makes particular sense today when the economic outlook remains uncer-

The payoff

One \$4 billion B2B company has achieved modest improvements in a number of aspects of lead management, listed below. If this even relatively minor level of improvement can be sustained over a five-year period, the company's value could jump by nearly \$50 million.

Contact rate	4.5% increase
Close rate	0.7% increase
Average revenue per sale	2.3% increase
Average cost per sale	0.3% decrease
Annual sales agent attrition	30% decrease
Annual churn	1.7% decrease

SOURCE: ACCENTURE ANALYSIS

tain, and businesses have to work harder to bring in new revenues. In the boom years, many companies implemented sales force automation—often with a lead management component—and realized significant efficiency gains. They enabled their sales reps to knock on more doors, and with, say, one out of two prospects willing to buy thanks to the strong economy, the companies got a good return on their invested capital. But the companies did not establish the process changes needed to improve the lead evaluation component.

So in tougher times, when perhaps a smaller number of prospects are likely to buy, it becomes important for sales reps not just to knock on more doors but to knock on the right ones. If the reps are doing that—rather than wasting their time qualifying leads—then new sales will follow.

A lead management system with the characteristics outlined here can make an ongoing contribution to the effectiveness of a company's sales and marketing efforts, to its revenue stream—and to its ability to build value for shareholders. ■

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