Leads Alone Don't Determine a Marketing Program's Success

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Many marketing organizations use lead volume as the primary way to evaluate program effectiveness. This metric, however, is too limiting. Why? Because focusing on lead-centric metrics may work against you if you don't look further into the buying process.

While one program may produce more leads than another at a lower cost and appear more efficient, the true measure of effectiveness is how many of those leads can be converted to the next stage in the buying process.

Even if a program is more expensive but yields a higher conversion rate, it is actually more effective. By evaluating a marketing program only in terms of qualified leads generated and cost, you risk eliminating programs that may result in a higher conversion rate. It, therefore, makes sense to move beyond the lead as the key marketing metric and instead use metrics tied to something more relevant, such as consumption, purchase, and/or revenue.

First Glance Is Misleading

Imagine you have two new customer acquisition programs in play: Program Excalibur produces 100 qualified leads, and Program Camelot produces 50 qualified leads.

At first glance, it might appear that based on volume or the quantity of qualified leads, that Excalibur is the better program. For the moment, let's set aside whether each program met its performance target and explore why tracking just the number of qualified leads may take you down the wrong path by pursuing Excalibur and terminating Camelot.

Most marketers would agree that cost is an important metric, so let's add cost to the illustration. The cost per lead for Camelot is $5 per lead, and it is $15 per lead for Excalibur. Again, ignoring for the time being whether these costs were within the target zone, it might seem that Camelot is worth further investment because while it didn't produce as many leads, it produced quality leads less expensively. Do we have enough to make the decision? Maybe. But what if we added conversation rate as a metric to the equation?

Of the 100 qualified leads produced by Excalibur, 25 (25%) convert to sales-accepted opportunities. And for Camelot, only 10 (20%) convert. To keep things simple, let's say both programs have the same close rate of 10% (two deals for Excalibur and one deal for Camelot). With this additional color, Excalibur once again looks like the champ.

What if we add velocity to the equation? Upon analysis we learn that it took only 15 days for Camelot leads to convert to prospect stage, and it took another 45 days on average to convert those prospects to customers. But for Excalibur leads, it took 30 days on average to move them to the prospect stage and 90 days on average to move to the customer stage. This means that the time and cost to close is less for Camelot deals than Excalibur deals. Now Camelot is back in the game.

Let's weave in another bit of information into the equation. The average order value for the Camelot deals is $50,000, while the average order value for the Excalibur deals is $75,000. Excalibur once again is back on top.

Lastly, we can consider the performance targets that were set for each program. There were 200 qualified leads from Excalibur at $10 per lead with a 30% conversion rate, and there were 50 qualified leads from Camelot at $5 per lead with a 30% conversion rate. If we can improve the conversion rate for Camelot deals and understand why the average order is lower, you can see that Camelot has the potential to outperform Excalibur and is worth investing in. However, if we had made our decision solely based on volume of leads, we might have prematurely dismissed Camelot.

We can use the chart below to illustrate the example. This example identifies several important pipeline metrics beyond lead volume. Cost per lead, lead velocity, average lead value, time to close, and win rate are all important metrics for analyzing the success of programs and making investment decisions.

In addition, the performance targets set in advance provide valuable insight because they reflect how well marketing executed the program. As you evaluate marketing's contribution to the opportunity pipeline, you should include these metrics in the analysis.

Program	Lead Volume	Lead Cost	Lead Velocity (conversion rate and time)	Avg Lead Value	Time to Close	Win Rate	Performance Targets
Excalibur	100	$15	25%	$75,000	120 days	2	200 MQLs @ $10/lead w/ 30% conversion
Camelot	50	$5	20%	$50,000	60 days	1	50 MQLs @ $5/lead w/ 30% conversion

As the above scenario illustrates, cost per lead, lead volume, and lead quality together can be helpful metrics. But alone they are insufficient to evaluate the success of marketing initiatives. As you create your marketing metrics associated with the customer acquisition process, other metrics such as marketing contribution to the pipeline volume, the rate at which marketing generated opportunities move through the pipeline and convert to wins, and marketing's contribution to pipeline value may serve you better.