There's More to Pipeline Metrics Than Leads

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Many marketing organizations use lead volume as the primary way they evaluate program effectiveness. This metric is too limiting. Here's a common scenario to help illustrate why marketing organizations need to use metrics beyond lead volume when evaluating program effectives and marketing's contribution.

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 place whether each program met its performance target aside and explore why just tracking the number of qualified leads may lead 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/lead and it is $15/lead for Excalibur. Again, ignoring for the time being whether these costs were within the target zone, it might now 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 convert to sales (25%) accepted opportunities and for Camelot only 10 convert (20%). To keep things simples, let's say both programs have the same close rate of 10%, (2 deals for Excalibur and 1 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 another 45 days on average to convert these prospects to customers. But for Excalibur leads it took 30 days on average to move them to prospect stage and 90 days on average to customer stage. This means that the time and cost to close is less for Camelot deals than Excalibur deals. So now Camelot is squarely back in the game.

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

Lastly, we can consider the performance targets which were set for each program. These were 200 qualified leads from Excalibur at $10/lead with a 30% conversion rate and 50 qualified leads from Camelot at $5/lead with a 30% conversion rate. If we can improve the conversion rate for Camelot deals and understand why the average order is lower, then Camelot is actually performing better and worth additional investment compared to Excalibur. However, if we had made our decision solely based on volume of leads then 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/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, we hope you 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