Measuring Beyond The Lead

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Whether you are a marketing professional in a large or small organization, working in a B2B or B2C company, you are expected to demonstrate the value, impact and financial contribution of the marketing investments you make on behalf of your organization. Your leadership team wants to know how marketing is affecting the creation of new customers and the retention of and new business from existing customers.

As a result, marketers have embraced various approaches to measuring marketing program performance and ROI particularly when it comes to demand generation. In the world of B2B, marketers have places a significant emphasis on measuring cost per lead, lead volume and lead quality.

A Forrester Research study, "Redefining B2B Marketing Measurement," found that "the metrics that most B2B marketers say they use -- like number of leads generated and cost per lead" -- rank in the lower half of the effectiveness list." In fact, cost per lead may actually work against us if we don't look further into the buying process. At first blush, one program may produce more leads than another at a lower cost and therefore appear more efficient.

But what is really important is how many of the leads convert to the next stage in the buying process. If there is a higher conversion rate from the more expensive program, than it is actually more effective. But if we only look at a marketing program in terms of qualified leads generated and cost, we could potentially be eliminating programs that actually help build the pipeline.

Therefore, we need to move beyond the lead as the marketing metric and leverage metrics more meaningful to the organization -- metrics that are more closely tied to revenue. Revenue -- that is, sales -- is for most organizations one of the most important business outcomes. Every company establishes a revenue goal. This revenue target is generated by some amount of business or dollars from existing customers and some amount of business or dollars from net new customers.

These dollars represent the opportunity dollars the organization needs to generate. So while Marketing may not be directly responsible for closing these deals, Marketing is responsible for generating some or all of the opportunities dollars or opportunity pipeline that will close. By looking at the opportunity pipeline from end-to-end we can see that generating leads provides only a partial view into marketing's contribution.

So what marketing metrics are more aligned with the opportunity pipeline? These three categories of pipeline-related metrics enable Marketing to measure its contribution in terms of opportunities:

1. Pipeline contribution How are marketing programs and investment positively affecting the number of leads that convert into sales opportunities and new deals? How has marketing reduced the number of qualified leads that wither and die?

2. Pipeline movement How are the marketing programs and investments accelerated the rate at which opportunities move through the pipeline and convert into the deals?

3. Pipeline value What increase in the revenue in the pipeline have marketing investment generated?

By moving beyond the lead and by improving our effectiveness and efficiency in terms of these three metrics, we can actually improve Marketing ROI. Ideally, over time, by monitoring results and analyzing the data, Marketing can begin to create more predictable results in terms of contribution, conversion, and value.

Of course, we must remember that in addition to pipeline metrics we must also measure strategic metrics related to customer retention and value, topics for another time.