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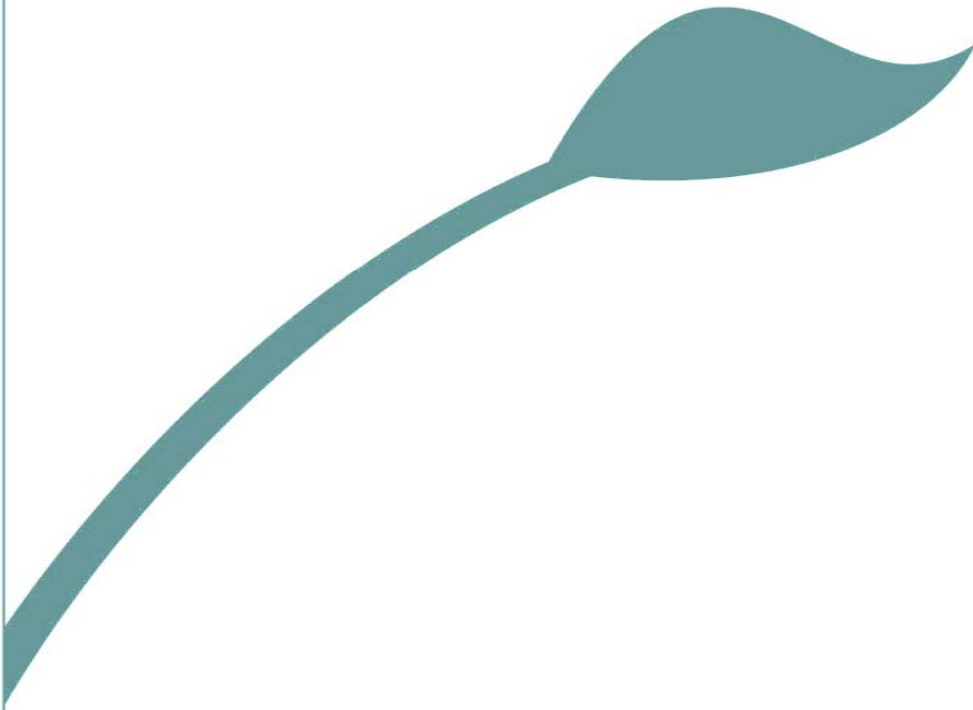
White Paper

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Re-Thinking Lead Management in a Channel-Based Business Environment



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e-solutions for growing business

This white paper covers the challenges that manufacturers face with responding to sales leads in a Channel-Based Business Environment, and the steps involved in implementing an effective Lead Management Solution.

The Unanswered Online Sales Lead

Responding to Leads is Not a New Problem

The story is a familiar one: a customer, having done his homework online, is almost ready to buy a complex or big-ticket product, but wants to (or must, if no e-commerce option exists) talk to a real person before making the purchase. So he uses the “contact us” e-mail link or web form on the company’s web site to submit a lead inquiry. He then waits a day with no answer, or two days, or a week, or maybe he never gets an answer. If he’s persistent, he may find a way to buy the product, but the longer he waits for an answer, the greater the chances he will go to a competitor, or lose interest altogether.

A 2004 study showed that only 8% of enterprises responded to e-mail sales leads within 1 hour. Only 48% responded within 24 hours.

The Internet is, of course, infamous in this regard. Numerous marketing studies have shown just how poorly many businesses—including some of the world’s top brands and enterprises—respond to contacts via e-mail or from their web sites. For example:

- A study of top financial services firms conducted in 2000 found that only 45 of the FTSE 100 and 38 of the Fortune 100 companies responded to e-mail inquiries within 2 days.ⁱ
- Another study of financial institutions, also in 2000, found that only 6% of web inquiries from researchers “posing as highly-qualified individuals and small business owners in need of a variety of financial products and services” received any kind of real follow-up contact.ⁱⁱ
- A 2004 study of 250 of the UK’s top companies sent “targeted e-mail enquiries...that demonstrated a clear intention to buy a high-value product or service.” Not surprisingly, only 8% of those companies responded within 1 hour, and only 48% responded within 24 hours.ⁱⁱⁱ

And when asked, many companies will readily admit that they do a poor job of handling online inquiries in general and sales leads in particular.

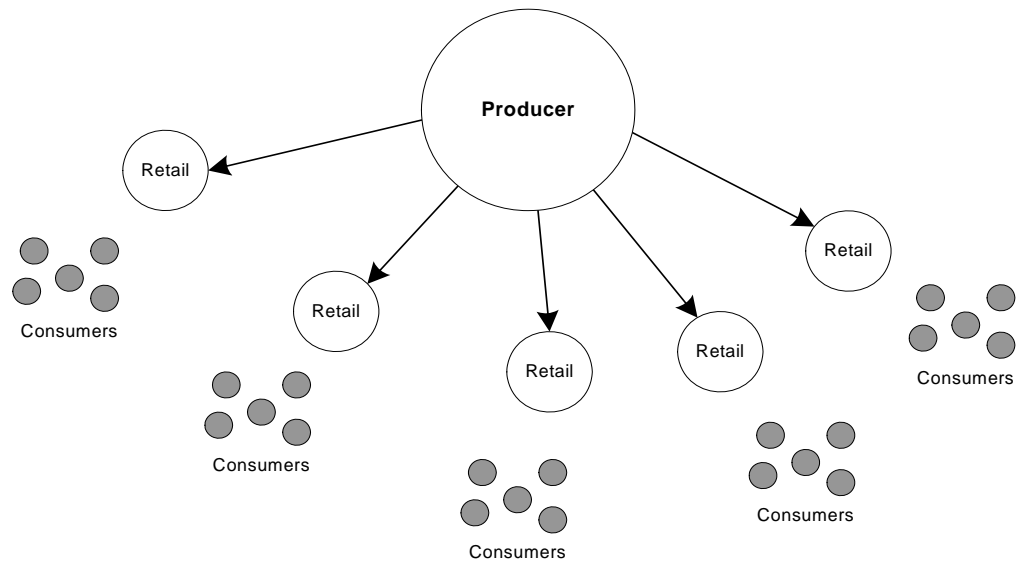
Key Points

- **Many manufacturers do not manage online leads effectively due to their slow adoption of Internet Technology.**
- **Inefficient Lead Management results in lost customers.**
- **Implementing a Lead Management Solution can help convert more leads to sales by ensuring the correct distributor receives the sales lead quickly.**

Focus on Lead Management for Retail Channel Business

In this paper we look specifically at what we will call traditional producers: primarily manufacturers, but also any businesses that offer a product of some kind, including service

products, financial products, imported goods, etc., and that depend on a retail network to market and sell their products to end consumers. This model places the producer at the hub of the network, and dealers—usually independent, brick-and-mortar retail locations that sell multiple products and brands—at the endpoints, facing the consumers.

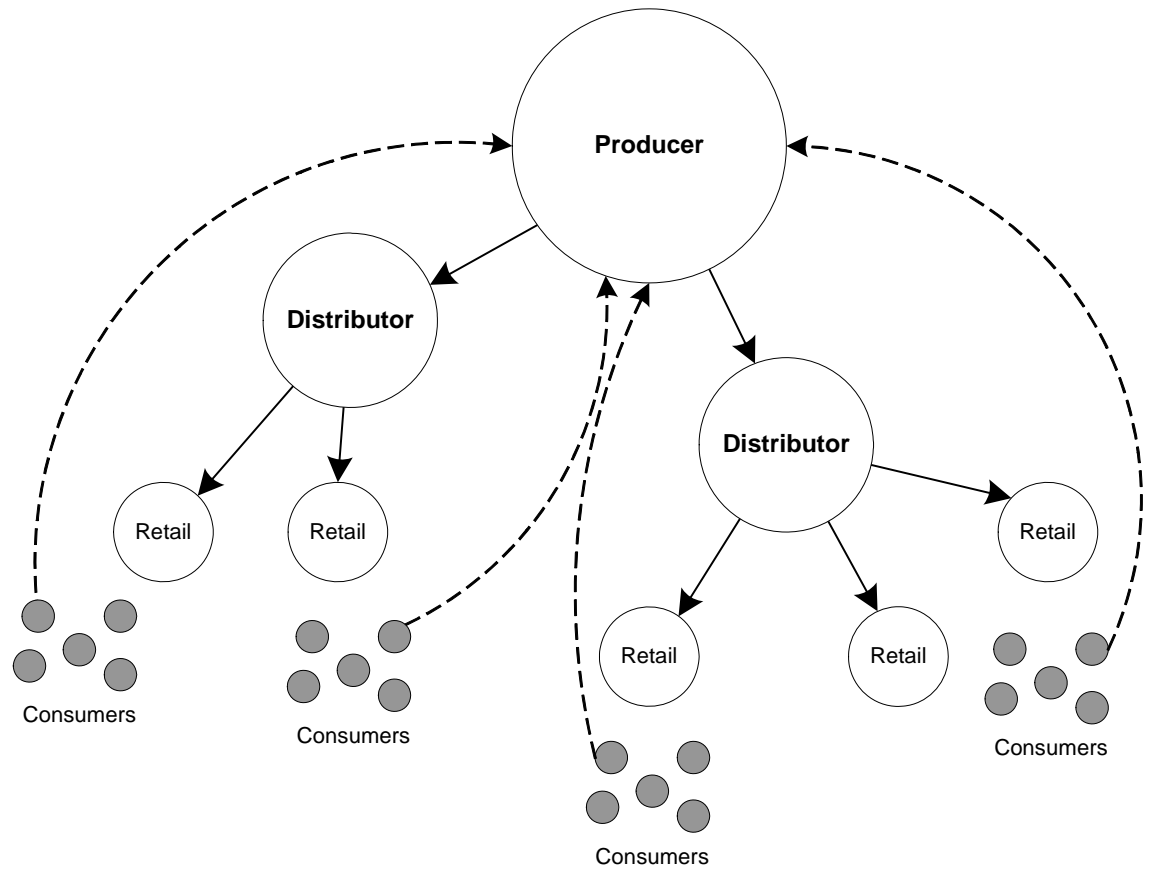


Many enterprises that sell their product through this kind of retail network also rely on an intermediate distribution layer comprised of either independent distributors or the company's own regional sales reps or territory managers to manage leads. In general, this layer is invisible to the end consumer, so the observations in this paper apply to both flavors of retail distribution model.

Understanding the Problem: Retail Channel Business, the Internet, and Managing Sales Leads

So why is the inability to respond well to online leads such a pervasive challenge? On one hand, the relatively recent expansion of the Internet into the marketplace of consumer products gives producers an unprecedented ability to communicate product information directly to their end consumers. The problem is that this same opportunity also works in the opposite direction: consumers have direct access to producers, and the opportunity to talk directly to them is obvious. Most producers recognize this opportunity, and feel compelled to accommodate it with some form of input function on their public web site, ranging from a simple “contact us” e-mail link to a detailed inquiry form.

What many producers fail to do is to implement the right systemic changes to manage online sales leads.



However, many producers historically do not have the infrastructure or mechanisms in place to handle direct contact from end consumers, especially in the sales process. Typically, companies that do not sell directly to consumers do not have resources dedicated to or skilled in working with consumers. Some companies may have customer service resources, but even these people are neither expected nor equipped to close sales.

What many of these producers fail to do, then, as they open the door to web or e-mail inquiries, is to implement the right systemic changes to handle them. The fate of web and e-mail inquiries is to be handed off to a customer service rep or an office assistant or a marketing intern, who is faced with the task of sorting out questions from sales leads, manually figuring out to whom each should go, manually forwarding them, and fielding responses and follow-ups. It is not surprising that he or she doesn't relish this work, and so puts it off as long as possible. And in the end, the more stale the leads are, the less likely they are to be converted into sales, so even if our intern could see an outcome, it would be minimally successful, making the process self-defeating.

A Broader Perspective

From a more abstract point of view, what we are looking at is an operational gap between the marketing functions of a retail channel-based company and its sales force—the retail stores. Corporate marketing engages in activities that increase consumer interest in the product or service, and it is assumed (from the long-standing business model) that those consumers will find a retail point of sale to complete the sales process. But new communication options afforded by the Internet enable the consumer to respond directly back to the corporate marketers, often in the form of actual sales leads. This is where the gap exists: corporate marketing doesn't have the means to efficiently channel these leads back to the proper place in the sales channel in the early stage of the sales lifecycle.

Paying the Price for Unanswered Sales Leads

The inability to respond well to online sales leads is, clearly, a pervasive problem for many producers. But perhaps for that very reason, it remains a low priority for many companies: they have plenty of problems to worry about, and everyone's in the same boat, so why pay attention to this right now?

To answer this question, it is worth taking a closer look at the costs involved. These costs fall primarily into four areas:

If Company X could convert just 1% more of these sales leads, the net incremental profit would be \$100,000

Resource Costs

An inefficient system for routing and handling web leads usually means that one or more employees spend time manually reviewing inquiries, deciding what should be done with them, and trafficking them to the appropriate places. This is often a time-consuming and burdensome task, compounded by the fact that what little return might still be gained from it (after the inquiries have been languishing for days or weeks) cannot be seen or accounted.

Missed Opportunity Costs

This is the most tangible, yet most overlooked, cost. Let's look at a hypothetical example: suppose Company X makes a product that sells, on average, for \$10,000 with a profit margin of 40%, or \$4,000 per sale. Let's also say that Company X receives about 10 inquiries a day from their web site, or 2,500 a year (5 days a week for 50 weeks). If Company X could convert just 1% more of these leads into sales, simply by responding quickly and appropriately to them, the net incremental profit would be \$100,000 annually.

Wasted Marketing Dollars

Traditional corporate marketing is typically focused on general product and brand awareness, and is designed to motivate the consumer to seek out a retail source for the product. These activities generally include print, television, and radio advertising, sponsorships and product placement, and maybe some tradeshow attendance. Again, though, the Internet affords opportunities for new and potent forms of marketing that reach directly to consumers: online banner advertising, search engine optimization (SEO) and paid search, and direct e-mail marketing. Corporate marketing departments undoubtedly feel the pressure to pursue these new channels, and many are spending real money on them. But the same problem exists: what happens when the consumer responds? If the company has not closed the gap between these marketing activities and their sales channel, the lion's share of this money is wasted as consumer inquiries go unanswered.

Dealer Relationship Cost (Opportunity)

Less tangible, but equally important, is the opportunity cost in using leads to get more out of the producer's relationship with its dealers. If we assume that many of these sales leads are highly qualified, we can see that they would be of significant value to the retail salesperson, whose livelihood depends on making sales. Beyond just increasing sales directly, delivering leads to dealers—while they're still hot—can be an excellent tool for building dealer allegiance and influencing dealer behavior in favor of the producer's product. This in turn can mean yet more incremental sales, beyond the leads themselves.

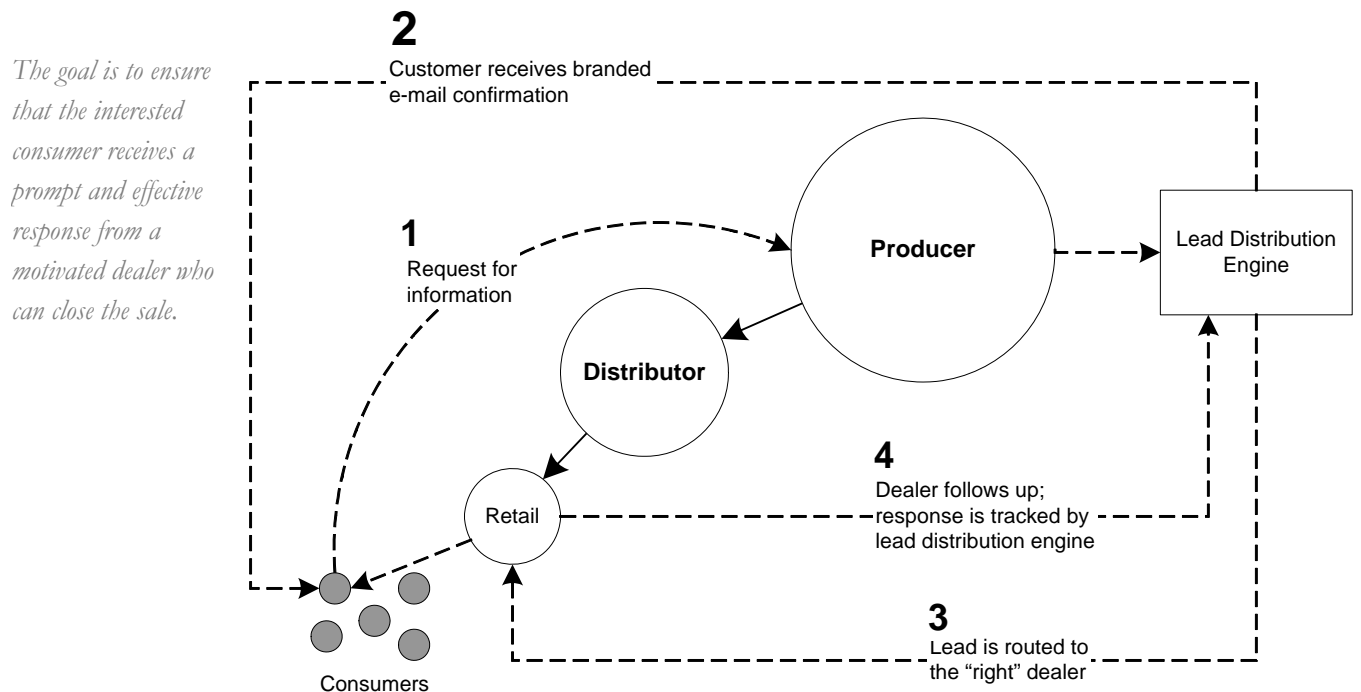
Implementing a Lead Management Solution

Implementing an effective solution to recover the value of these lost leads can be viewed as having three components: creating the basic infrastructure, optimizing the response, and cultivating leads. The following sections discuss each of these in more detail.

Creating a Basic Lead Management Infrastructure

The first objective of a lead management program is, of course, to route incoming leads to the “right” dealer(s) as quickly as possible. The determination as to which dealer gets which leads is determined by the nature of the producer’s relationship to its dealers. In many cases, it is most appropriate simply to send each lead to the nearest dealer or dealers. In some cases, though, dealers are sensitive to the number of leads they get vs. other dealers, so some sort of leveling mechanism (e.g., round-robin distribution) is required. In other cases, dealers have priority or even exclusive rights to defined territories, and leads from those territories must be routed to the exclusive dealer.

The foundation of the lead management system, then, is to capture the business rules that govern the producer/dealer relationship into an engine that can automate the distribution of leads accordingly. This engine typically will use location data from the lead itself (i.e., ZIP code) to perform an initial proximity or territory search to find eligible dealers, and then apply business rules to choose one or more dealers to receive the lead. The engine also should include mechanisms for tracking dealers’ responses to the leads sent to them, and for automatically handling leads for which no dealers are found.



Optimizing the Response

Once the basic technology and processes are in place to get leads where they need to go, the next goal is to optimize the entire response chain. The objective, obviously, is to move the

interested buyer from initial request to purchase as effectively as possible. Accomplishing this goal requires creativity and insight into both the customer and the dealer to facilitate the interaction. Factors in this process include:

- **Branding:** The producer has the opportunity to communicate directly with the consumer in a confirmation e-mail and possibly other follow-up before or after the dealer response. This communication is an opportunity to reinforce the brand message, thereby increasing the likelihood that the consumer won't lose focus and switch to a competitor's product in the purchase process.
- **Dealer Behavior:** Because dealers benefit from leads—and benefit more as leads are fresher and better qualified—producers can offer access to leads as an incentive to desired behavior on the part of the dealers. For example, dealers who carry demonstration or floor models, or who maintain adequate inventory, could receive priority status that gives them access to more or better leads. Likewise, dealers who participate in tracking activities or marketing promotions can be rewarded with good leads.
- **Response Time:** If the premise is that faster response to the interested buyer's inquiry maximizes the likelihood of closing the sale, then optimizing the dealers' response times is critical. If dealers allow leads to languish as the producer used to do, then little is gained. The first step, then, is to monitor and evaluate dealer response times. Using the tracking capabilities of the lead management technology, the producer can see how long it takes most dealers to respond to leads, which dealers respond faster or more slowly, etc. the second step is to take action to improve response times. These actions could include general communication and coaching for the dealers, direct intervention with problem dealers, or even incentives, such as weighting the distribution algorithm to favor faster responders.

Ultimately, the goal is to ensure that the interested consumer receives a strong brand message from the producer, followed by a prompt and effective response from a motivated dealer who can close the sale. Visit [Bullseye Store Locator and Lead Management Software](#) for more information on solutions to optimize response to leads.

Cultivating Qualified Sales Leads

While getting leads to the right dealers and optimizing the response chain will dramatically improve results, the fact is that many kinds of non-lead contacts will come through the lead source as well. The last component, then, is to implement a process that cultivates real leads from this mix: weeding out non-leads, diverting potential future leads for “nurturing,” and forwarding the remaining qualified leads on to dealers.

A critical part of this effort is determining a common definition of what comprises a good, qualified sales lead. While the producer may have a good idea as to what this is, it is crucial to learn from the dealers themselves what kinds of leads are most easily converted into sales, and what kinds of leads are not yet ready. In some cases it may even be true that different qualifications apply to different dealers, or that qualifications vary by region or territory. The key

is to learn—and then codify and express as business rules—which leads are valuable, and which ones need further incubation.

Finally, the nurturing process should not be overlooked. While it is helpful to separate non-productive contacts from hot leads, every contact should be viewed as a potential future lead. Those that are not suitable for action now should be directed to a marketing program that feeds them with targeted marketing messages and activities designed to bring result in a good sales lead at some future time.

Conclusion

It is no surprise that many producers are challenged by the kind of direct consumer contact that is possible in a wired world. It is also clear, however, that these contacts can represent a significant source of value, such that even an incremental change in conversion to sales can result in dramatic revenue increases. The solution, then, is three-fold: (1) implement the technology infrastructure and business processes to direct sales leads to the “right” dealers; (2) optimize the response chain, from the initial acknowledgement, through the dealer response, to closing the sale; and (3) cultivating sales leads by weeding out non-leads, nurturing potential future leads, and moving qualified leads to the best dealers as quickly as possible.

Finally, it is worth noting that *lead management*, as discussed here, is not the same as *lead generation*. The latter concerns reaching out to potential new customers and eliciting some kind of contact—preferably a purchase request—from them. What we have been discussing is what happens to the lead once it comes in. This is interesting because, given the nature of the retail channel relationships, the corporate marketing departments of producers often play a game of trying to generate interest in the brand without encouraging direct contact from the consumers. Instead, the consumer is expected to take it upon themselves to find a dealer to complete the transaction. In other words, corporate marketing often tries to avoid *generating* leads, because they don’t have a good process for handling them. However, with an effective *lead management* solution in place, corporate marketing can actively engage in *lead generation*, knowing that leads will be effectively routed to eager dealers who can close sales. These new sources of leads then become, effectively, fuel for the lead management engine, yielding better results for both dealers and producers.

ⁱ “Major Firms Not Responding to Web Inquiries,” by Steve Gold. *Computer User*, 7/12/2000.

<http://www.computeruser.com/news/00/07/12/news18.html>.

ⁱⁱ “Study Reveals 89 Percent of Financial Institutions Are Struggling to Follow Up on Customer Inquiries Through Internet and Call Center Channels.” Onyx Software Corporation, 7/23/01.

<http://www.onyx.com/NewsAndEvents/PressReleases/celentstudy.asp>.

iii “30% of UK Companies Fail to Respond as E-Mail Volume Doubles.” *CRM Today*, 2/16/2004.
<http://www.crm2day.com/news/crm/EpZyAkuuAVjZVMRUIJ.php>.