HOW TO DEFINE A LEAD

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WHAT IS A LEAD?

To build out your lead generation strategy, you need to start with the basics. Every organization will have their own definition of a "good lead". If you don't know yours, lead generation 101 is where you need to begin.

There are many definitions of a lead, and there are even more definitions of a "good lead". According to Marketo, in our own revenue cycle, a lead is "a qualified prospect that is starting to exhibit buying behavior".

Craig Rosenberg, sales and marketing expert and author of the Funnelholic blog, states that "there are two elements to a lead—demographic and psychographic. When it comes to the psychographic element, your definition of a lead will depend on your company, where you're selling, and who you're selling to."

Easy enough. But a company's definition of a lead is not often agreed on by both sales and marketing. How do you come to an agreement? Simply put, the two teams need to meet and have a discussion until they can agree—*the success of your lead generation efforts depends on it.*

Sales and Marketing Lead Alignment Checklist

Here's how sales and marketing can create a universal lead definition that is agreed upon by both teams:

1. **Schedule some time to meet.** Get all of your key stakeholders in a room and pick each other's brains.

2. **Ask the hard questions.** For marketing, what does your target market look like? Who do you have in your system, and what are they engaging with? For sales, what prospects are you speaking to? What types of buyers are closing?

3. **Decide how good is "good enough".** Set a base level. What does marketing consider a good enough lead to get passed to sales? Conversely, what does sales think is a lead worth following up on?

4. **Get the flip side of the story.** What does marketing consider a bad lead? And what does sales consider a lead not worth their time?

5. **Agree on a definition and write it down.** Now that you have your definition, write it down and abide by it. Add it to your marketing automation system, post it up on walls—do whatever is necessary to keep both teams on point.

6. **Iterate your definition over time.** Meet regularly to review this definition. You should be iterating and changing your definition as your company grows and priorities shift.

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Demographics

When profiling your leads, you need to look at demographics—quantifiable identifiers which characterize your lead population. Typical demographic attributes for both B2C and B2B can consist of the following:

- Gender
- Title
- Company
- Years of experience
- Personal email vs. corporate email
- Education (B2C)
- Age (B2C)
- Income (B2C)

Firmograhics

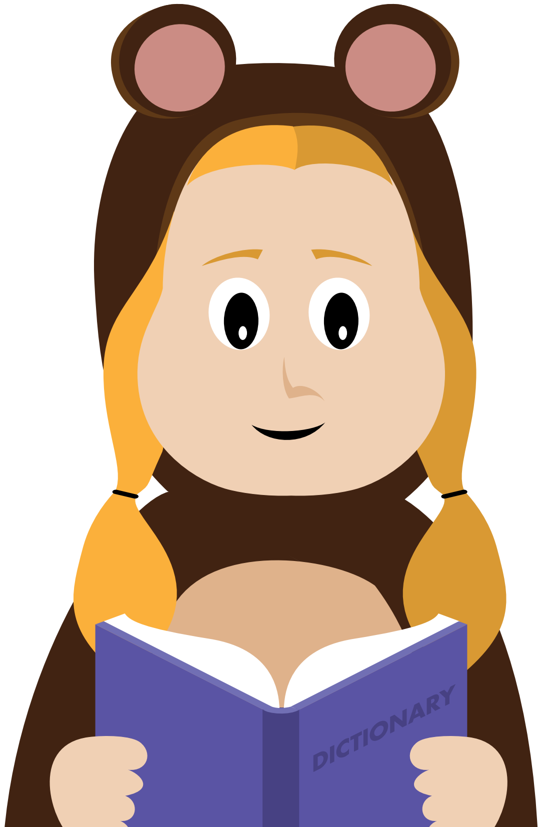
Firmogaphics, which are used as criteria by B2B companies, are organizational characteristics which help you find your ideal customer organization, e.g.:

- Name of company
- Company size
- Company location
- Revenue
- Number of divisions
- Number of products/services sold
- Geographic markets served
- Industry
- Products already owned

BANT

You can also often determine a prospect's place in the buying process by analyzing his or her BANT (Budget, Authority, Need, and Timeline) attributes. BANT is a more advanced lead qualification practice than demographic and firmographic analysis alone.

- **Budget:** Can this lead afford your product or service?
- **Authority:** Does your lead have the authority to purchase your product? Is he or she the decision maker?
- **Need:** Your lead has to need your product or service. Is there a pain that your product or service can solve?
- **Time:** What is your lead's purchasing timeframe? And does that align with your sales cycle?



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Lead Handoff

Just as sales and marketing must agree on the definition of a lead, they must also agree on lead handoff—when that lead gets sent to sales. This ensures a seamless transition from marketing to sales, and immediate follow-up on hot leads.

Lead Stage Definition

To agree on lead handoff qualifications, your sales and marketing teams must define together the two main categories of lead stages: Marketing Qualified Leads (MQLs) and Sales Qualified Leads (SQLs).

- **Marketing Qualified Leads (MQLs):** These prospects are considered viable marketing leads, taking implicit scoring criteria, explicit scoring criteria, and (if available) BANT (Budget, Authority, Need, and Timeline) into consideration.
- **Sales Qualified Leads (SQLs):** These leads are sales-ready, which often must be determined through direct contact with sales. Once sales has tested to determine the qualifications of an SQL, marketing can use that data to improve MQL quality.

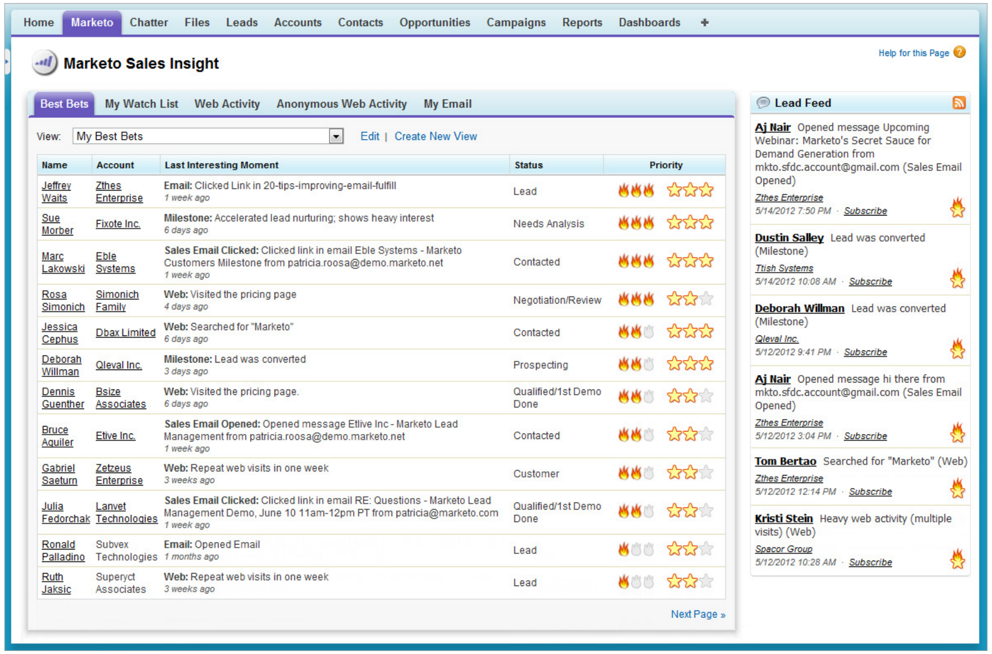
Sales Notifications

Once a lead hits a certain score threshold in your marketing automation tool, your lead becomes an MQL and your inside sales lead qualification team should be notified to make contact. Because marketing automation tools sync with many customer relationships management tools (CRMs), this data can be transferred directly into the lead record in a CRM.

CRM-compatible tools like Marketo's Sales Insight offer a tightly integrated way to notify sales about lead activity. The Sales Insight dashboard highlights the best leads and opportunities for sales to focus on, has icons to indicate urgency and key activities, and tracks interesting behavior that indicates hand-raising.

Also consider using "Act Now" scores, which elevate leads to "Act Now" status when they engage in activities that indicate buying intent. At Marketo, these include:

- Filling out a free trial form
- Filling out a "Contact Us" form
- Downloading key late-stage content
- Viewing a weekly live demo
- Viewing a "deep dive" demo



Marketo's Sales Insight dashboard, showing lead activity and score.

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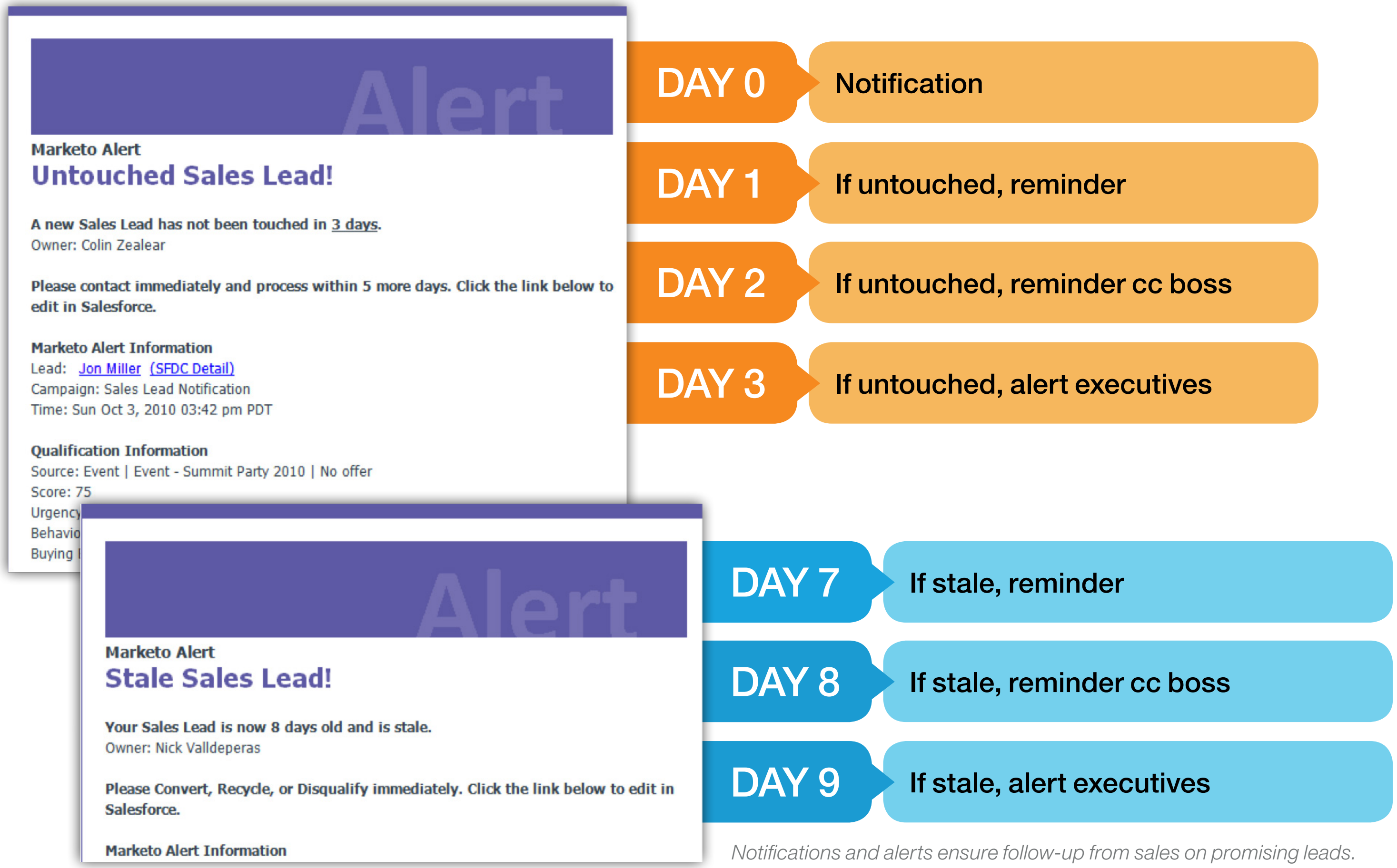
Service Level Agreements (SLAs)

Once you've agreed upon the lead lifecycle and handoff process, how can you ensure that sales follows through on your hot leads? At Marketo, we have implemented Service Level Agreements (SLAs) between sales and marketing to ensure proper follow-up.

SLAs are written agreements between sales and marketing, ensuring closed loop lead processing by indicating specific timeframes for follow-ups. If a lead is not followed up on within the indicated timeframe, an alert is sent to a sales rep's boss, and ultimately to the executive team.

A critical element to note:
SLAs only work when sales is heavily involved in the process and champions the SLAs internally.

Take a look at an example of how we have implemented SLAs:



Notifications and alerts ensure follow-up from sales on promising leads.

ASK THE EXPERTS: WHAT IS A LEAD? Q&A WITH TRISH BERTUZZI, PRESIDENT & CHIEF STRATEGIST, THE BRIDGE GROUP

MKTO: What are your top tips for sales and marketing alignment?

TB: To truly get serious about sales and marketing alignment, you have to measure the leaders of both teams on the same goal—revenue. Not all personnel on the marketing team need be 100% revenue-focused, but whomever is "large and in charge" should have the same compensation plan as the VP of Sales. Live and die by the revenue sword, baby!

On the flip side, sales leaders need to belly up to the bar. Assume that only 50% of your pipeline (at maximum) will ever come from marketing efforts. What's your strategy for making up the rest of that pipeline? Figure it out, get your reps executing against the strategy, and stop pointing fingers at marketing!

MKTO: How should sales and marketing agree upon lead definitions?

TB: This will never happen, but it is my dream scenario: first, sales and marketing executives should get together and create lead definitions. Next, they should each grab a list of 100 companies and put them through the qualification process—I'm not talking about the reps, here, but the execs themselves. Then, based on the real world output they have created, they sit back down to re-examine their lead definitions. How awesome would that be?

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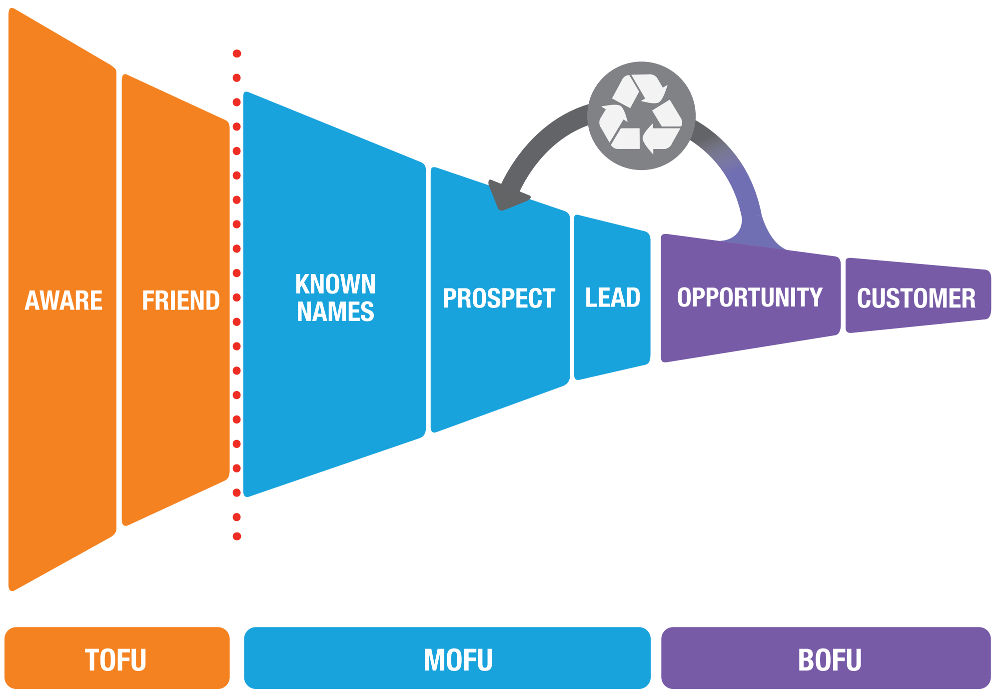
MAPPING LEAD GENERATION STRATEGIES TO YOUR FUNNEL

The next step is to understand your lead's buying journey. Revenue funnels may vary between companies, but we'll use Marketo's funnel to show how buyer intent and campaigns can be mapped to different stages.

At Marketo, we break our funnel up into three parts: Top-of-Funnel, Middle-of-Funnel, and Bottom-of-Funnel. *(Note that a lead only enters our database after they cross the red dotted line.)*



Top-of-Funnel (TOFU)

A person in this buying phase is at the beginning of your sales and marketing funnel, and is aware of your product or service but is not ready to buy. Individuals in the TOFU stage should be primarily offered educational materials.

We break the TOFU stage down into three sub-stages:

- **Name:** This indicates an individual whose name has officially entered our database—but names are just names, not leads. Names are not yet engaged with our company—just because they dropped their business cards in a fishbowl at an event doesn't make them actual leads.
- **Engaged:** We don't move names into the next stage until they have had a meaningful interaction with us. Engaged individuals know they are in our system, and they expect us to email and communicate with them over time.
- **Target:** Once an individual has engaged, we use our lead scoring to find out whether they are a qualified potential buyer—which means they fit our demographic and behavioral criteria.

MAPPING LEAD GENERATION STRATEGIES TO YOUR FUNNEL

Middle-of-Funnel (MOFU)

This buying phase occurs in the middle of your sales and marketing funnel. A person arrives here after he or she has displayed buying behavior, engaged with your content, and is potentially a sales lead. Your offers for MOFU leads are still educational, but they will be more geared towards your product or service—in Marketo's case, buying guides or ROI calculators.

We break the MOFU stage down into two sub-stages:

- **Lead:** This stage is where a target actually becomes a lead. At Marketo, we score our targets using Marketo's lead scoring capabilities. When our scoring suggests that it's time to reach out, we connect with them personally. Once an SDR (Sales Development Rep) has a conversation with them, we convert them into an official sales lead. And if they are not yet ready to buy, we can recycle them back to the target stage for more nurturing.

  Note: the majority of leads are not sales ready. This doesn't mean the SDR's conversation was a waste of time—human interaction is an important part of developing (or nurturing) the relationship.

- **Sales Lead:** If leads are qualified buyers, the SDR then passes them to an AE (Account Executive). That sales rep has seven days to either turn the sales lead into an opportunity and have a sales interaction, or to send that lead back to marketing for more nurturing.

Bottom-of-Funnel (BOFU)

This buying phase occurs at the bottom of your funnel, and indicates that your lead is close to becoming a customer. Your offers for BOFU leads are very specific to your product or service—think datasheets and pricing guides.

We break the BOFU stage down into two sub-stages:

- **Opportunity:** At Marketo, only sales reps can create opportunities. Leads in this stage are sales accepted and are actively being worked by sales. In fact, opportunities are how both our marketing department and SDRs get paid. We actually maintain an opportunity quota to make sure enough opportunities are created each period. Note: if people are paid based on opportunity creation, opportunities require a very solid, agreed-upon definition. They can not be subjective.
- **Customer:** Lastly, we have the customer stage! These are closed-won deals.

Marketing Software. Easy, Powerful, Complete.

Marketo (NASDAQ: MKTO) provides the leading cloud-based marketing software platform for companies of all sizes to build and sustain engaging customer relationships. Spanning today's digital, social, mobile and offline channels, the Marketo® svvolution includes a complete suite of applications that help organizations acquire new customers more efficiently, maximize customer loyalty and lifetime value, improve sales effectiveness, and provide analytical insight into marketing's contribution to revenue growth. Marketo's applications are known for their breakthrough ease-of-use, and are complemented by the Marketing Nation™, a thriving network of more than 190 LaunchPoint™ ecosystem partners and over 40,000 marketers who share and learn from each other to grow their collective marketing expertise. The result for modern marketers is unprecedented agility and superior results.

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