# PART ONE

# The Basic Tools of Lead-Generation Marketing

# What Is Lead-Generation Marketing?

TO BEGIN, we need to answer two basic questions: What exactly is lead-generation marketing? And what exactly is a lead?

*Lead-generation marketing* is getting people to "raise their hands" and say they are interested in buying, or learning more about, your product or service. By "raise their hands," I mean they show interest in a very palpable way.

*Leads* are people who have identified themselves as candidates who can potentially be turned into sales. Depending on where they are in the buying cycle, they may be "thinking about buying" or "shopping around" or "considering alternatives" or "ready to buy." Whatever their stage, they have a genuine interest in your products or services, and are considering you as a viable option to meet their needs.

Lead-generation marketing is a way to generate what I call *marketing-qualified leads* (MQLs). An MQL is a lead that is legitimate, honest, and actionable. *Legitimate* and *honest* mean your prospective customers have a

true intent to buy. They have the money and the authority to buy, and are serious about evaluating your product or service for possible purchase. *Actionable* means your sales engine can act on the lead.

A *sales engine* is whatever mechanism you use to engage the sale of your goods and services. It used to be that "sales engine" referred almost exclusively to a company's sales department, but a shift in practices is taking place. In the 21st century, lead-generation marketing is changing not only how companies handle marketing but, in some cases, how they handle sales as well.

## A Paradigm Shift

We live in an interesting time for lead-generation marketing. It is (and always will be) a sales support function. Its traditional goal in corporate marketing is to provide warm, actionable leads to the company's sales force, enabling salespeople to close more deals and generate more revenue. A sales force used to be an essential requirement for any business, and lead-generation marketing provided support for the sales. Previously, only a few specialty companies, such as L.L.Bean, were able to get by without a sales force, relying exclusively on print catalogs to drive sales.

But the role of lead-generation marketing is evolving, as more companies adopt e-commerce and mobile technologies as sales vehicles. With the evolution of online catalog marketing and self-service sales, some e-commerce companies don't even need a sales force. They just need highly effective lead-generation marketing.

This is one of the most exciting transformations that has occurred in the world of business over the last decade. With the development of e-commerce, some organizations have been able to take the sales force entirely out of the equation. This development puts greater influence on the marketing discipline, to the point where, in some organizations, lead-generation marketing could effectively serve as both sales and marketing for the company. It's a very powerful paradigm shift.

This shift first played out in the travel industry. Companies like Expedia introduced self-service travel concepts that essentially put travel agencies

out of business. You no longer have to hire a travel agent to purchase an airline ticket or to book hotel or rental car reservations. Now you can make your own reservations online.

This paradigm shift is extending to the real estate field. Companies like Redfin and Zillow now provide real estate search engines and databases that allow Web users to offer or search for homes for sale online. As a home buyer, you can check the location, property values, and other information about the house, get a home price estimate, compare mortgage options with different lenders, and ask advice from a community of real estate experts. As a home seller, you can offer your home for sale and post information about it. You may not even need a real estate agent to buy or sell a home.

The car buyer's market is also being affected by this paradigm shift. Auto industry marketers are now providing car buyers with information that was formerly provided by salespeople in the dealer's showroom. These days, 80% of the car-buying experience is done online. People research car models, read consumer reports and reviews, check out the 360°-view on the car maker's website, download a list of the car's features, and get an estimate of the price. When the buyer walks into the dealership, marketing has already done most of the work for the sales force. You may never be able to buy a car without a salesperson to sell it to you, but it's a definite power shift.

What's driving this shift in business practices that gives lead-generation marketing more influence and importance in e-commerce businesses? Consumers want more control over the buying experience. They want to do their own research on products and understand their options before making a purchase. The Internet provides a means for consumers to find product information quickly and easily and, in many cases, to make purchases more conveniently.

As companies seek to fulfill the consumer's need for more buying information and control, they are relying more on lead-generation marketing. This reflects a dramatic shift in the importance of marketing in relation to sales.

To further understand this shift, let's look at where lead-generation marketing falls in the world of marketing, and how it relates to its "brother"—brand awareness marketing.

## Brand Awareness vs. Lead Generation

In general, the world of marketing is dominated by two disciplines: brand awareness marketing and lead-generation marketing. These two disciplines are the "big brothers of marketing," and they have a kind of yin/yang relationship with each other. (There are other equally important forms of marketing, of course, such as product marketing. But these other forms have only a casual relationship to lead-generation marketing, so I won't focus on them in this book.)

*Brand awareness marketing* (commonly known as brand marketing) is all about making people aware of your product and/or your company. It's about creating an impression of what your brand stands for in people's minds, and repeating that impression until they have an explicit or implicit awareness of your brand. Coca-Cola spends billions of dollars a year for just this purpose. They plaster their brand and pictures of their soft drink across billboards, posters, print ads, TV commercials, online ads, and many other places so that, when you're thirsty and looking for something to drink, you automatically think of Coke. Or if a Coca-Cola bottle is sitting next to a Pepsi bottle, you've already formed your opinion of Coca-Cola's product in your mind, and you can make your choice.

For decades, brand awareness marketing has been considered the sexy part of marketing. The hit TV show *Mad Men* is built around the lives of advertisers in a top New York ad agency in the 1960s. During this time, ad marketers were perfecting the concepts of art and copywriting, and the concepts of advertising aimed at building awareness of a brand (Chevrolet Oldsmobiles, Lucky Strike cigarettes, etc.) in the public mind, and then invoking an implicit desire to buy the product.

*Lead-generation marketing* has long been considered the underbelly of marketing. Lead-generation marketers ask this question: Once you have established an awareness of your brand and/or product in the marketplace, how do you get the customer to move from considering your product to actually *buying* it? It's one thing to make your customers aware that you offer the newest, most innovative smartphone; it's another thing to convince them to spend $479.99 to buy it. That is the art of lead-generation marketing.

## Who Uses Lead-Generation Marketing?

It's difficult to measure the exact percentage of companies that use lead-generation marketing. But here's an interesting statistic: A McKinsey Global Survey found that 83% of companies worldwide use some kind of online lead-generation tactic (e-mail marketing, search engine ads, etc.).[1] If we include the few companies that use only traditional lead-generation tactics (trade shows, direct mail, and cold calling) without using *online* tactics, we might estimate that roughly 85 to 90% of all companies worldwide use some form of lead-generation marketing.

The companies that have the most use for lead-generation marketing are those that acquire sales through a website or sales staff. Any company that has a direct sales process and/or a direct sales force—either an internal sales force or a field sales force—will receive significant benefits from using lead-generation marketing tactics.

The ways that companies employ the two major marketing disciplines—brand awareness and lead generation—fall across a range of three categories. Figure 1.1 shows the breakdown of how companies fall into each category.

*Lead generation–dependent* companies rely exclusively, or almost exclusively, on lead-generation marketing. Usually, these companies are manufacturers or service providers (e.g., Intel or Caterpillar) who may sell directly to a targeted set of customers who have a specific need for their products or services. (For example, Caterpillar usually sells its equipment products and vehicles to construction companies, mining companies, warehouse companies, or whoever has a specific need for it.)

Or these companies may be original equipment manufacturers (OEMs) that sell directly to client companies, who then install the OEM's components in their own products and sell them under their own brand name. (For example, Intel manufactures microprocessor chips and sells them to manufacturers of computers, mobile devices, entertainment systems, etc.)

For these companies, brand doesn't matter nearly as much as lead generation because the company relies more on the sales team, the catalog, or the website to push their wares. Yes, their brand helps in terms of recognition.

*FIGURE 1.1.* **Marketing Mix**



**25%**
Use
Lead
Generation
Only

**60%**
Use Both

**15%**
Use
Brand
Awareness
Only
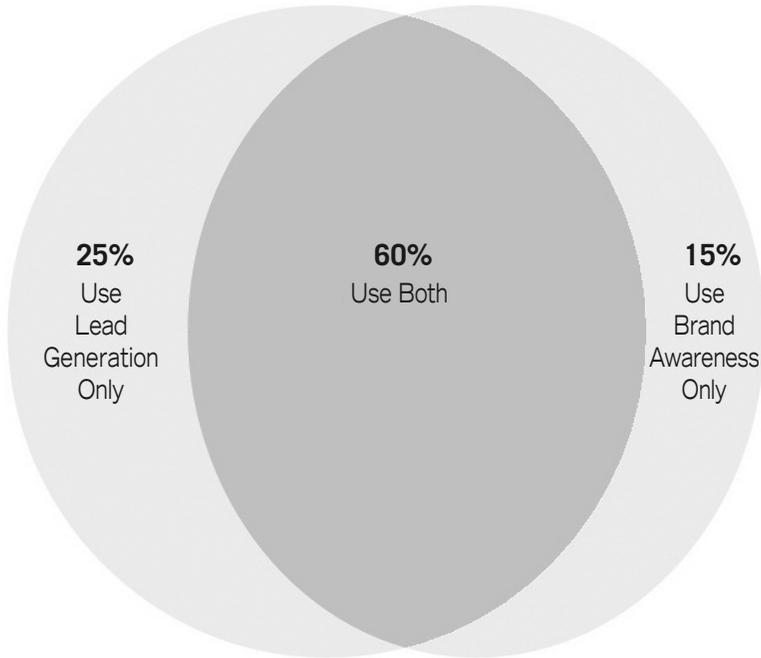
(Among businesses that use their products, Intel and Caterpillar are very rec-
ognizable brand names.) But the company's direct efforts in marketing and
sales really drive the business. Their audience is so targeted that branding to
a larger audience would be a waste of money. The challenge for these com-
panies is to make contact with the customers who have a need for their prod-
ucts and to build a personal or business relationship with them.

An excellent example of this type of company is the Fluke Corporation,
headquartered in Everett, Washington. Owned by the Dahaner Corporation,
Fluke is a billion-dollar company that manufactures electronic testing
devices such as calibrators and waveform generators. Fluke uses lead-gener-
ation marketing to market their products exclusively to electricians and com-
panies that have a need for them. Because their target market is so specific,
they don't need to spend much money on brand advertising. Among electri-
cians, Fluke enjoys 95% name recognition, but very few people outside their
customer base have ever heard of the company.

*Brand awareness–dependent* companies rely exclusively, or almost exclusively, on brand awareness marketing. Companies like Coca-Cola and Delta Airlines need brand marketing because their target audience includes "everyone." So these companies pay millions of dollars for advertising to make sure their brand is top-of-mind for anyone with a reason to buy their types of products or services.

In many cases, these companies don't need to rely on lead-generation marketing because they have channels (e.g., supermarkets or retail stores) to do their selling for them. For example, a consumer electronics manufacturing company like Panasonic might sell its flat-screen TVs, DVD players, and other products through retail stores like Target, Walmart, and Best Buy, as well as online through Amazon.com.

Many consumer electronics companies don't focus on direct sales of their products. They care only about whether their brand has enough value and awareness to command the high premiums that the company demands, and whether the stores will carry the brand. A consumer electronics company has no reason to generate leads for their products because retail stores that offer or specialize in consumer electronics do it for them, through their own brand awareness marketing.

*Brand awareness/lead generation–dependent companies* use a combination of brand awareness and lead-generation marketing. Usually, these companies have numerous competitors, along with numerous potential customers in their target markets. In these situations, their target audience must take some kind of action. Whether that action is simply to become aware of the product, to show interest, or to actually purchase the product depends on where the potential customers are in the buying cycle. (I'll talk more about this in Chapter 2.)

An example of a company that uses a balance of brand awareness and lead-generation marketing is Progressive Insurance or any other large insurance company. Progressive Insurance has hundreds of agents throughout America, whom they must fuel with leads every month. So Progressive does a tremendous amount of lead-generation marketing through direct mail, e-mail marketing, and display ads. But Progressive

also uses national TV advertising to make customers aware of their brand. They want to make sure that anyone who is thinking about buying insurance thinks about them.

As shown in Figure 1.1, the companies that use only brand awareness marketing or only lead-generation marketing are fewer in number than those that use both. Most companies fall at the center of the graph, using some combination of brand awareness and lead-generation marketing. The more successful companies are the ones that have learned not only how to use lead-generation marketing to maximum effect, but also how to coordinate lead-generation and brand awareness marketing.

When lead-generation and brand awareness marketing work in tandem, it produces a *halo effect*, in which the positive effect of one marketing tactic benefits other marketing tactics. For example, when people see a commercial for your company on TV, they come away with a positive impression of your product. While surfing the Web, they see a display ad for your product that reinforces the message. A few days later, they get an e-mail from you, inviting them to learn more about your product, and they click on the link to your website. They may not have clicked on the e-mail invitation without the positive impressions they received from previous ads. (I'll talk more about the halo effect in Chapter 16, when I discuss integrated marketing campaigns.)

What sets lead-generation marketing apart from brand awareness marketing is that brand marketing is more intuitive and creative, whereas lead-generation marketing is more mathematical and analytical.

## Analytical vs. Emotional

Brand awareness marketing is a "bright idea," "thinking-outside-the-box" kind of discipline. Brand awareness marketers focus on creating impressions in the prospect's or customer's mind and on displaying or broadcasting those impressions in ways calculated to reach as many consumers as possible. For example, in marketing a soft drink, they work on creating ads and TV commercials to convey the impression that the soft drink is "cold," "tasty," and "thirst-quenching."

Brand awareness is a battle of creative ideas, whose goal is to connect emotionally with the customer. Once a brand awareness campaign is sent out into the world, there's no way to correct it. You can only determine the effectiveness of the ad or commercial after it is released, not before.

Lead-generation marketing focuses more on mathematics and scientific methods. You must constantly perform testing and analysis as part of your lead-generation efforts. This testing and analysis process occurs on multiple levels. On a tactical level, you need to continuously test the results of your lead-generation tactics to find out how well they provide quality leads and how cost-effective they are. On a lead-generation management level, you need to compare the results of different tactics (e.g., direct mail versus trade shows) to find out which tactics are the most efficient and cost-effective.

Within each tactic, you test variables against a constant to determine which combination of variables works best in attracting leads from your customers. For example, in an e-mail marketing campaign, you may have two e-mail creatives with the same offer. You send each creative out with a different subject header, and compare the results to see which subject header gets the better response from your potential customers.

In lead-generation marketing, there is no "correct answer," or right tactic or variable. One tactic (e.g., direct mail) may be your best performing tactic this year, but five years from now, another tactic (e.g., search engine marketing) may be more efficient and cost-effective in meeting your goals. One type of customer may respond well to one type of offer from you, while another customer in another demographic may respond better to another type of offer. The point is, you are *constantly testing and analyzing your results* to see which lead-generation tactics and variables work best for you. Your success in lead generation depends on what you learn from testing and analysis and on how you use the results to improve your efforts.

## Analytical vs. Creative Mindset

Most of the lead-generation marketers I know come from a mathematical or business background, not a creative one. I started as a computer programmer before earning my MBA in strategic management. Other lead-generation

marketers I know were formerly accountants, electrical engineers, or economists. You don't need a degree in computer science or economics to do lead-generation marketing, but you do need an analytical mindset. You must be able to think structurally, in terms of the different levels of the planning, organization, testing, and analysis used in a lead-generation campaign.

Lead-generation marketing is all about the science of the approach. Very little creativity is involved. In fact, I could argue that too much creativity actually inhibits the effectiveness of lead-generation marketing. Many lead-generation campaigns didn't work because the marketers tried to be too creative.

For example, you might have a gorgeous creative e-mail with beautiful graphics, and a plain-text e-mail that simply states your value proposition and offer, along with a call-to-action. The plain-text e-mail will often outperform the beautiful creative e-mail, because a plain-text e-mail (1) has a better chance of getting past the recipient's spam filters and (2) looks less like an advertisement. The creative e-mail may look great, but the benefits of your offer may get lost in the graphics. Or the imagery may distract customers from the call-to-action that tells them how to respond to the ad. It's a matter of substance over style.

Successful lead-generation marketing involves making a series of calculated decisions about how you will approach your potential customers and what information you will provide to them about your products and services. In a way, these decisions are like the choices a general or other military leader has to make on the battlefield.

## Going into Battle

Think of lead-generation marketing as being like a medieval army going into battle. Historically, armies have always organized themselves into tactical divisions. Each combat division had a specialized tactic—infantry, cavalry, artillery, archery, pikemen, spearmen, etc. The great military generals of history knew how to use each tactic to their advantage in battle, as well as how to use different tactics in combination with each other for maximum effect against the enemy.

For example, in attacking an armed fortress, a general might use artillery to soften up the walls and outer defenses. (In ancient times, artillery usually took the form of catapults firing large stones at a fort to break through the walls. As warfare moved into the modern age, artillery usually meant cannons and mortars.) If the fort had manned trenches, bastions, and other defenses, the general might use archers or spearmen to try to take them out or a cavalry charge to overrun them. Finally, when the fort's defenses had been softened to the point that it could be taken, the general would mount a full infantry charge to break through the gates and enter the fortress.

At the same time, many great military leaders have understood the importance of brand awareness marketing (although they didn't call it that). Historians tell us that Genghis Khan had to fight only 30% of his battles. His Mongol hordes sacked and pillaged so many cities that Khan's reputation preceded him wherever he went.

When Khan appeared on the battlefield, he rode on horseback, dressed in shining gold armor topped with a horned headdress. He would make a magnificent appearance, surrounded by his generals and flanked by heralds carrying flags, banners, and other regalia. With his Mongol divisions marching in formation behind him, his army was an impressive sight. Many of his enemies who chose to face him in battle simply lost the will to fight. Often, towns and villages would surrender to him rather than be destroyed.

However, Khan knew that brand awareness can carry you only so far. Occasionally, he faced an enemy (such as the Shah of Khwarezmia, in the region of modern Iran) who was not intimidated by his reputation or the size of his army. When that happened, Khan would have to assemble his forces, march out to meet his enemy, and rely on his tactical teams.

The same principles apply to using lead-generation tactics (although I wouldn't recommend the sacking and pillaging approach). For most businesses, brand awareness is not enough to help you achieve success in all the potential markets for your products or services. You must use lead-generation marketing when you want to take over and achieve market dominance in certain strategic market areas.

Just as generals had their combat divisions of infantry, cavalry, and artillery, lead-generation marketers have their tactics, such as direct mail, trade shows, cold calling, etc. Like combat units, each lead-generation tactic has its own specific role, its own strengths and weaknesses. If you use only one tactic, it may be fairly effective, provided you choose the *right* tactic to reach your target customer. But if you use several lead-generation tactics in combination, you could increase the range of potential customers you reach with your message, thus achieving much better results.

But like the great generals of old, you must understand how each tactic works and how to use it effectively. You must understand how to determine which tactics will be the most effective and how to coordinate different tactics in a lead-generation plan to achieve the best results. Only a combination of tactics, based on the situation at hand, will create the optimum battle plan.

## Calculating the Cost

We can learn another lesson from military history. The great generals knew that sometimes you have to take risks to achieve results. They knew how to use combat tactics to their strategic advantage so that a minimum number of their troops would be lost in securing a military objective.

For example, a general might look at a heavily armed enemy fortress and determine that a full frontal assault on the fortress gates would require 100,000 troops with the potential for 20,000 casualties. However, the general notices a nearby ridge overlooking the fort. The ridge is also occupied by enemy troops, but its defenses are weak. The general foresees that his artillery could soften up the enemy's defenses on the ridge with a two-day barrage of shelling. He could send a cavalry charge up the ridge, followed by an infantry assault, to capture this strategic advantage point. Afterward, the general's artillerymen could drag their cannons up to the ridge to fire down on the fort and force it to surrender. If the plan works, the general can capture the objective, and the casualties to his army from the ridge assault would be fewer than 1,000.

Thankfully, a lead-generation marketer doesn't need to make such life-or-death decisions regarding combat troops. But you do need to determine

which lead-generation tactics will be the most cost-effective for your marketing goals. Like the general in command of troops, you don't want to waste your entire lead-generation budget on one tactic that may not provide you with the results you need. You may get better results with a combination of tactics, but you must first determine which of the seven tactics are more cost-effective for you and which are less cost-effective. You must then develop a strategy to use the most cost-effective tactics to your advantage.

In this book, I'll show you how to plan your lead-generation strategy using your most cost-effective tactics. For now, remember this: The overall goal of your lead-generation efforts should be to achieve the *highest-quality, most cost-effective leads for your company.*

> > > *What You Should Know* < < <

To review, here is what you should remember about lead-generation marketing:

- Lead-generation marketing is getting people to "raise their hands" and say they are interested in buying your product or service. It is a way to generate marketing-qualified leads—that is, leads that are legitimate, honest, and actionable.

- The two most widely used disciplines of marketing are brand awareness marketing and lead-generation marketing. The majority of companies use some form of lead-generation marketing, usually in some combination with brand awareness marketing.

- Lead-generation marketing is based more on mathematics and scientific methods than on creative thinking. It is more analytical and less emotional. Successful lead-generation strategy requires continuous testing and measurement on several levels to achieve the best results.

- A successful lead-generation strategy is one that employs several tactics in coordination. The secret lies in knowing which

tactics will be the most effective for you and how to combine those tactics to achieve the best results.

- A major part of lead-generation strategy is determining which tactics are the most cost-effective for your marketing goals and budget. The overall goal of your lead-generation efforts should be to achieve the highest-quality, most cost-effective leads for your company.