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WHITEPAPER

## DIGITAL LEAD GENERATION

THE ESSENTIAL ELEMENT OF YOUR BUSINESS  
GROWTH STRATEGY AND WHY YOUR BUSINESS  
CANNOT SURVIVE WITHOUT IT

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# LEAD GENERATION: ITS ROLE IN THE MARKETING ECOSYSTEM

All organisations, no matter what their scale, need a strategy to reach out to their target audience to generate new leads which can be nurtured into customers to generate incremental revenue. They are the lifeblood that drives business.

Lead generation in a marketing context typically involves the capture of data (commonly an email address but also cookies, inbound postal enquiries, call centre enquiries, and mobile app downloads) of targeted audiences who are not yet regular customers. This whitepaper focuses primarily on email lead generation but the considerations apply equally to all channels.

Whilst the concept is not new, the process and channels through which leads can be collected has certainly evolved and broadened. For businesses, keeping ahead and ensuring they understand how to make the best use of the leads they generate, and are capable of doing so, is critical if they intend to continue creating potential sales opportunities.

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## Where we stand today

The technological explosion of recent years, and reams of data generated from the resulting touch points, has given brands the capability to build and nurture deeper relationships than ever before and marketers have begun to realise the value of lead generation.

As a result, lead generation has become one of the fastest growing areas of digital marketing to emerge in recent times.

However, while the data deluge brings huge opportunities, brands are also unsure, even confused, about how to make the most of it all.

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## So what has driven the shift towards lead generation?

There are several reasons behind this shift which I outline in the next chapter of this document but above all marketers are beginning to see the long-term beneficial effect of using lead generation to nurture long-term relationships with their target audience and which ultimately outperforms more traditional and more costly short-term approach towards prospecting.



Between 2008 and 2012, whilst online performance marketing expenditure grew by 57% overall, lead generation spend increased by 136%. Source: IAB, 22nd January 2013







“One way to sell a consumer something in the future is to get their attention in advance”.

**Seth Godin**

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# EMAIL IS THE KEY TO ACQUIRING NEW CUSTOMERS

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Email remains the most effective tool in a marketer's armoury to create and develop customer relationships. It enables data capture, reconnection with prospects and customers, and the ability to target individuals with relevant, personalised, timely content. It's not only the most profitable channel from an ROI perspective, it's also the most important for acquisition, and should therefore hold pride of place when the lead generation program is being developed.

According to Forrester "E-mail remains a significantly more effective way to acquire customers than social media—nearly 40 times that of Facebook and Twitter combined...

91 percent of all US consumers still use e-mail daily, and the rate at which e-mails prompt purchases is not only estimated to be at least three times that of social media, but the average order value is also 17 percent higher." According to the DMA's Customer Acquisition Barometer, email is not only marketers' preferred channel, but is also the most trusted among consumers, aside from a company's website. So it seems a very obvious route for brands to look to develop, in order to drive tangible returns. Custora discovered that customer acquisition via email has quadrupled in the last four years.

"Marketers still rate email as the best channel for return on investment after SEO"

(econsultancy.com)

"Email is a significantly more powerful acquisition channel than social media"

(McKinsey)

"Email is the 'Workhorse' of Digital Marketing"

(Gartner)

"Email is still more effective than social media"

(Forbes)

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# FOCUS TOWARDS ENGAGEMENT EARLIER IN THE BUYING CYCLE

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Rather than spending vast sums of money advertising in the most expensive channels during seasonal peaks to compete for prospects when they are 'in the market', the smart marketers are those who invest in building relationships with prospects long before they have a need for your product. What's more they have implemented systems and processes that enable them to capitalise on collecting data about their target audience which enables them to deliver more effective, relevant and personalised messages when their audience is most likely to respond to it.

Those marketers who manage to form a relationship with consumers earlier in the buying cycle are more likely to positively influence their audience's view of their brand and dominate their mind set before their competitors and as a result are far more likely to be rewarded by securing the purchase. Still, many fail to make proper use of the data and tools available, and the moment is lost. It's unwise to assume that your brand will always have a vibrant prospect pool that won't run dry. This is very often not the case if you don't pay lead generation due care and attention. Businesses need to evolve in step with shifting consumer behaviour and have strategies in place to ensure a fresh source of commercial opportunities is on tap.

## Where do the challenges lie and how can they be overcome?

Technology may have brought new opportunities for brands' lead generation efforts, but there are countless examples of brands which have encountered problems and had a less than satisfactory experience with lead generation in the past. For this reason, it's crucial to choose a partner that is experienced in how to manage and avoid these pitfalls.





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# THE EXPECTATION OF LEAD GENERATION

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As both a highly effective branding and response channel, marketers have a tendency to view email and lead generation as a direct response channel, often as a result of the success that their CRM newsletters achieve. They therefore expect an immediate sale or ROI from the first contact with the lead. However attempting to value lead generation in terms of immediate sales performance doesn't reflect its true value. It's important to remember that lead generation is wholly focused on acquiring the details of new contacts – people who have never registered with you before and therefore have no sales history. As such it is important for marketers to not apply the same level of expectation, but instead view its results in line with other acquisition and branding channels, such as social media advertising or display advertising.

The commoditisation of data and its price point often makes the situation worse. Many data sources of lead generation stem from the affiliate channel, which has created a market valuation for a cost per lead, with no bearing on the likely sales propensity of that lead. Instead it just encourages high volumes and a pray and spray approach to targeting. This commoditisation actually has the reverse effect, often leading to poor targeting and incentivisation which produces irrelevant registrations.

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Lead Generation should be viewed primarily as a brand awareness exercise that provides on-going direct response opportunities for the lifetime of that lead.

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A successful campaign is built around its ability to identify and nurture new incremental customers. As such convincing someone who may never have had any contact with your brand to buy within the first email does not reflect the reality of the relationship that has just been created.

Since its primary function is to reach new audiences and grow the relationship over time, the conversion rate, ROI and value of that lead should be viewed over the duration of the opt-in. This can often stretch over several years of repeat purchases. When viewed as a data asset – the ROI looks completely different.

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## Comparison with other digital channels

If we compare with other digital channels purely on a new customer acquisition basis, we find that lead generation is far more advantageous in terms of impact with new audiences compared with traditional digital channels.

Consider the long-term impact of the email beyond the click:

- 45% of consumers bear the info in mind for later use
- 38% of respondents keep emails for at least a week
- 53% save the email to refer to at a later date
- 56% go to the company's website but do not click

Source: Email Marketing Industry Census 2012 - Econsultancy



Lead generation provides a longer term impact than a single display view or click





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## DISPLAY

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Lead generation provides a longer term impact than a single display view or click, often several years or for the lifetime of that lead. To provide the same level of impact per user would cost much more in the display channel and marketers would still not benefit from being able to re-contact on a one-to-one basis.

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## PPC

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In comparison to email, the brand impact from search ads is minimal, fleeting and cost per click for unbranded clicks is far higher than lead generation. For those clicks that do not convert, there is no opportunity to establish a one-to-one relationship (outside of retargeting). PPC often targets users who are only in-market and already have an association with your brand – these are often existing customers and even for unbranded keywords, still represent a large proportion of customers who have used your service previously.

By comparison, Lead Generation has the capability to target users far earlier in the customer journey, often at the top of the funnel and positively influence their mind-set even though they might not be in a position to buy.

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## SOCIAL MEDIA ADVERTISING

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Many marketers appreciate the positive brand association that flows from social media advertising but are also aware of the inability to achieve a positive ROI. This is largely the result of the context for social media usage – which is usually socially orientated rather than a buying experience. That's not to suggest it doesn't influence purchase behaviour, it is perhaps the most fundamental in terms of influencing peer groups. However, there is an understanding that brands have to pay for the privilege of speaking with their fans and do not have the capability to establish a one-to-one dialogue or deliver personalisation at the customer level.

Lead generation, by comparison has a far more favourable ROI but more importantly enables brands to better understand the social propensity of its users, their likes and dislikes and use this information to deliver more relevant messaging but also deliver messages that engage with socially active users to increase loyalty or social influence amongst their peers.

## Why lead generation is the perfect format for influencing future purchase decisions

- A powerful visual stimulus that has the unfettered attention of the user
- Create an emotional connection
- Multiple calls to action
- Easily shared
- Time-sensitive delivery
- Localised and highly targeted
- One-to-one personalisation
- Ability to nurture the customer relationship before they make a buying decision

### More care, less haste

Those marketers who view lead generation as a short-term sales channel will underestimate its potential impact. Since lead generation is about creating relationships with prospects for the first time, it is unlikely to deliver huge returns after the first contact with the lead. After all, how often do you buy from a shop during the very first visit?

Yes, there is certainly an opportunity to rapidly convert sales, but the greatest value comes from investing in developing the relationship with new customers and encouraging them to buy relevant products when you know they are going to be in market. Understanding this about your users is an essential part of this process.

Very often, leads are collected with minimal understanding about what prospects want and why they have registered their interest initially and are sent the same default newsletter that everyone else receives. This is a waste of a golden opportunity to make a good impression.

Brands shouldn't treat the experience like a first date. Only by asking questions and interacting over the initial period of your relationship will you be able to get to know your customer and deliver them what they want; and offer them the kinds of products and services that will convince them to invest in a long-term relationship.

Similar to purchasing reams of untargeted data, sending irrelevant messaging is not only likely to end the relationship but could cause a huge amount of brand damage in the long-term as consumers are more likely to share bad experiences with their friends than good ones.

63% of consumers would either consider ending or definitely end a brand relationship because of irrelevant messaging. Marketing Sherpa

Communication should be guided by the preferences of the prospect. Having the right program in place which enables a brand or organisation to interpret exactly how and when people want to be engaged is critical to the success of your lead generation programme.



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**Quality vs. quantity:  
the commoditisation of data**

There is a perception that when looking to increase your existing newsletter base, the more leads you get for the cheapest price the better. This is perhaps the most damaging assumption a marketer could make and could lead to disaster.

Effective lead generation is about recognising that less can be more. All too often, marketers mistake the importance of quantity over quality when considering their strategy.

Yes, it's often the case that a greater number of leads are available for a lower price, but the conversion rates for these are likely to be so poor that overall CPA is far higher. A volume and price led approach has little correlation with the effectiveness of the leads produced. The lowest CPL prices are often based on data that is collected across incentive channels where the motive for targeting the user has no connection with the brand to which the user has registered. As such this user will have no intention to buy in the future and as such has no sale propensity.

The whole point behind generating leads is to identify future buyers of your products. Targeting and future engagement is absolutely paramount. The most engaged leads are likely to be acquired from traffic sources (and often on a CPM basis) which can identify accurate profile and interest characteristics. This can sometimes generate a higher overall CPL as they may be more expensive to secure but the conversion rate is likely to be hundreds.

Limiting yourself to the lowest available cost per lead and big numbers, as tantalising as it seems, simply limits the quality of the media pool that you are able to target your leads from and diminishes your ability to find your audience.

Greater investment in where leads are sourced together with a robust nurturing program will deliver a far greater impact for years to come and a far lower cost per sale over time. Focusing on nurturing a smaller number of quality, clean leads is more likely to deliver a positive impact on sales and meet overall business objectives.

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Take this example based on a £5,000 budget spend and the first month of mailing activity to new leads:

Scenario A: 10,000 non-targeted leads @ 50p that converts at 0.1% = 10 sales

Scenario B: 1000 profile verified leads @ £5 CPL that converts at 1.5% = 15 sales

Scenario B is likely to deliver lower mailing costs and higher deliverability as a result of increased engagement. Marketers need to work with providers who concern themselves with future engagement and overall ROI and do not just end the relationship once the data is delivered.

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Technologies have without question evolved but the 'last cookie wins' mentality still holds back the development of multi-channel marketing



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### **Are you attributing lead generation correctly?**

The attribution debate is incredibly complex, but has influenced how effective the email channel is viewed compared with other channels. Technologies have without question evolved but, the 'last cookie wins' mentality still holds back the development of multi-channel marketing. While it is readily accepted by advertisers that a more intelligent approach to understanding what influences the buying behaviour is needed beyond the last cookie, this area is definitely a work in progress.

However since lead generation is primarily used to target new customers at the start of their relationship with the brand, its impact is almost always over-shadowed by other channels that appear much later in the customer journey clickstream.

As a result, lead generation sales are almost always under-represented. According to research conducted by Teradata Interactive, for every £1 sale generated from an email lead directly, we have measured another £6 indirectly generated across other channels which occur later in the clickstream. In some sectors, such as insurance, we have observed as much as a 97% overlap between lead generation and other channels.

This represents the reality of the long-term customer journeys that typically exist and which involve multiple touch points on the way to a sale. As such, marketers need to understand the influence and assistance that lead generation provides to the overall sales result and include this in their ROI calculations. Correct sales attribution is a problem that affects all online and offline channels but lead generation certainly appears to be affected more than most.

### **Missing the need to nurture**

Prospects, like customers, will only be willing to part with their data if they get something back in return. In fact, brands face a far greater challenge convincing a new contact to buy in comparison to a long-standing customer, and must realise they need to put in extra work to earn their loyalty and gain their trust. Today, long-term relationships can only be maintained if brands are continually proving to their customers and prospects that they understand and are recognising their individual needs. If they aren't able to do this, they run the risk of shedding market share to wiser rivals that invest in understanding their customer needs and providing a personalised response.

Data insights gathered from lead generation can uncover a vast amount of customer behaviour and preferences that are rarely visible to the naked eye.

Why not use this knowledge from the first prospect interaction to deliver a far more tailored response?

The response must be executed quickly and in a relevant fashion. If you don't address people in a targeted and personalised manner which best serves their needs, you'll fail to achieve the best level of return available to you. Mapping out the nurturing process will help, and is where a partner experienced in lead management creates real value.

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### **Making lead generation more effective**

While the need for a lead generation strategy has never seemed clearer, it still hasn't been implemented universally. This is largely because organisations lack the expertise or platforms to handle the amount of data available. For example, many SMEs feel their lead generation processes aren't as effective as they could be. Valuable opportunities are being lost, but experienced third-party experts are on hand to help.

Having the technology at hand to devise and implement accurate prospect targeting is the first step; collecting and filtering that data for maximum value is just as crucial. Transforming the data into sales comes next.

### **Implementing a robust nurturing program**

A nurturing program, by way of its title, is there to cultivate and ultimately develop leads into customers. Being accurate in your targeting to capture the attention of the prospect is only phase one. These initial conversations lay the foundations for brands to build on.

Nurturing must begin as soon as the lead has been captured. A delayed response will automatically put the brand at a disadvantage when trying to engage a prospect at a later date. The moment will have passed and a competitor will have the chance to snatch the prospect from under your nose.

With that in mind, people must be presented with a relevant offer as soon as their data is collected. In the early stages of the relationship, it's vital to ensure the engagement is positive, encourages interaction and creates value for the prospect. Customised communication programs tend to drive much greater value long-term and should be part of all marketing strategies.

Prospects are likely to be interacting with the brand across multiple channels, so taking all touchpoints - by integrating email with display, social, mobile and offline channels - along the customer journey into account is a vital element of the nurture program.

Having a 360-degree view of the individual will deliver greater insight and help the brand gain a deeper understanding of them. It's recognising and responding to these preferences that will enable brands to develop the relationship further; put simply it marks the difference between acquiring the lead or not.

Giving lead contacts the opportunity to feedback on how they feel about the brand is another stage of the nurturing phase. This provides people with an opportunity to engage with you throughout the buying cycle so that when the time comes to purchase, as long as you have enough data to know what they are looking for, you already have an established relationship with them, and can be ready to capitalise on it.

At Teradata, one-to-one communication with fresh leads is designed to engage and inspire interaction with a brand across all digital channels. Content must make people feel good about your brand and encourage them to become a customer. Establishing this emotional connection helps develop a deeper relationship and makes someone more open to further interactions. Each separate engagement will provide additional insights, so ensure the program has the capacity to collect, adapt and reinvest them.



Nurturing must begin as soon as the lead has been captured



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## How will lead generation evolve in the future?

I mentioned previously that the evolution of digital devices and the 'Internet of Things' is having a fundamental impact on how we communicate with our customers. The increase in digital touch points creates increased opportunities for competitors to reach your customers and disrupt the impact of your messages.

As the already complex fabric of the digital world increases in complexity, so this creates opportunities to reach out to audiences in different contextually relevant ways, capture data and reach out to them on a one-to-one level.

All of this creates an increasingly important need to maintain a one-to-one contact with your intended audience, across as many devices as possible. Email is seen as a passport for all digital devices since it is a direct bridge to the customer and enables marketers to connect each digital touch point across different devices and match it to a known user identity. Brands need to create a one-to-one connection with their audience (prospects and customers), before their competitors do!

Those brands who make use of Lead Generation to connect with their audience (either through emails, cookies, iBeacons, mobile app downloads, mobile device IDs or other 'connectors') will dominate their market territory and their competitors will cease to have a voice in the digital world and ultimately lose market share.

What's more, with the advent of digitisation, we have an opportunity for the first time to connect the offline and online world and achieve a truly holistic picture of our customers and their journey with the brand.

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## The growth of Real-Time Bidding

The growth of Real-Time Bidding (RTB) across the advertising industry is one good reason businesses need to ensure they now have a robust lead generation program in place. RTB has given display marketers the capability to target specific individuals rather than a broader audience. Suddenly, brands are able to undertake more precise targeting - but this relies, of course, on having the right data in the first place, and then using it correctly.

Online lead generation continues to grow in significance partly due to brands becoming more aware of the importance of collecting data through digital channels, but also utilising that data to reach that same audience across other channels such as display, social and search.

Email lead generation for instance, creates an opportunity for brands to cookie their prospects according to a user specific profile segmentation. Not only does this enable them to re-target their email leads with personalised banners, it also allows them to bid more effectively for the most valuable customer groups, increasing performance and efficiency, as well as synchronising their message across all channels.

As a result of the dynamic of real-time bidding, those brands who know who their most valuable prospects are will corner the market. They will bid efficiently to gain 100% market share of just the prospects they want and will reduce any wastage. Those brands who do not, will only win bids for the remaining audience pool who do not contain their target audience. Their market share will diminish and they will cease to have a voice in the market.

Teradata is pioneering the capability to truly synchronise messaging across offline and online channels. This will help brands to capture prospect data and utilise their own customer data in a privacy safe environment to increase performance and market share whilst also increasing marketing spend efficiency and delivering a much more holistic joined-up customer experience.

## From lead to acquisition: a travel example

The travel sector is one example of how a robust nurturing program can develop a vital emotional bond with the prospect to carry them through to purchase.

As with all sectors, a large part of the acquisition process in travel is concerned with making sure brands deliver messages that create impact. The ability to achieve this will be entirely influenced (or limited) by marketers' understanding of their target audience.

Brands that show understanding into someone's future travel will have a competitive advantage that allows the delivery of more personalised and meaningful messages.

Highly sophisticated prospect lead generation is particularly important during peak booking periods at the beginning of the year and during the summer. By creating an infrastructure for reaching out to prospects, travel marketers are able to contact people at the most important and impactful times during their decision-making journey. This creates an opportunity to influence the consumer's mind-set at the moment they are choosing where to go.

So when it comes to making that all-important decision to book a holiday, your brand is front of mind and held in high esteem compared to competitor brands. Lead nurturing creates an understanding of the personal circumstances which affect each individual's product shortlisting, from what they like and dislike about your brand, to their views on your competitors and the expectations they have of any future relationship. Will the brand give them money off next time? Will it make booking simpler and quicker?

We also understand when prospects are likely to buy, their typical consideration phase and what other external factors may influence their decision. Knowing this information, communication can be made far more effectively and directly, across multiple relevant channels including email, individual display and PPC retargeting, at just the right time. This delivers a far higher level of performance compared to standard newsletter activity, but also significantly increases incremental sales from brand new customers – and at a much lower cost than other channels. What's more, once built, marketers are able to communicate with their prospect pool long into the future.

## Summary of the benefits of Lead Generation

- **Long-term engagement**  
Provide a one-to-one relationship with your target audience for the lifetime of the lead – often lasting several year's – not a single banner view or search click. The overall cost per impression or click over the course of a relationship can be a 100th of the cost of display or PPC.
- **Impact**  
Email is a high impact format, viewed far longer than other channels and recipients often refer to the email again later.
- **Action**  
Each lead requires positive action from the user – to leave their details and commit to an action shows a far greater level of engagement than a single click.
- **Ability to understand your audience**  
Find out what makes them tick, what their expectations are, what they think of other brands – and deliver messaging that sets you apart from your competitors and circumvents comparison behaviour.
- **Ability to segment, personalise and nurture**  
Collecting user data at point of registration allows you to segment and personalise and deliver a far more tailored response that is relevant and impactful to specific users. Understanding a consumer's position in the buying cycle ultimately allows you to plan your acquisition better and deliver a much better ROI.





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# CONCLUSION

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Marketers can no longer afford to wait until someone is a customer before starting to engage with them. The marketplace is overcrowded and competitive, so putting programs in place now to ensure you are continually building your prospect pool shouldn't require a second thought.

Lead generation provides brands with a mechanism to do just that, increasing the likelihood of delivering sales from new customers. A lead generation program isn't likely to yield large returns in the very short-term, it is a strategic tool that needs to be put in place and maintained.

Teradata Interactive ensure initial prospect targeting is accurate and yields clean data. Building and delivering a tailored nurturing program using sophisticated technology platforms to gain a 360-degree view of the prospect, brands are able to reinvest data-driven insights that will help guide them through the customer journey to the end goal of final purchase.

Brands have never been in a stronger position to get under the skin of their prospects, but this will only be achieved, and long-term customer loyalty gained, if they take action to invest in the resources and technological capabilities available to them.

Technology is unlikely to stop evolving and consumer expectations certainly won't. It's critical that brands implement processes now to ensure they are capturing and using data insights to grow their prospect pool, and nurturing those prospects into customers. Investing in a strategic lead generation program is no longer optional for businesses that want to maintain their market share, it's compulsory. It's time for you to take the lead.

Remember that lead generation, like all good relationships, is a long-term investment; quick results are unlikely. The lead nurturing process must be viewed as a tangible asset to the business. Through good targeting and personalised engagement, the quality of the lead will be improved, fostering loyalty and positively impacting on the bottom line.

The sales performance of the leads acquired can be heavily affected by the manner in which they were sourced. Lead origin must be carefully considered as this will impact the subsequent lead-to-sale strategy. Opt-in policies are one way to try and ensure the data is of good quality, but this remains a sticky wicket for marketers.

Relevance and personalisation of content also rely on high-quality data mining. Making the most of capabilities such as data on-boarding to pull in data insights from all touchpoints, including social and search, can give brands a head start in undertaking accurate targeting.

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Teradata is a global leader in analytic data platforms, marketing and analytic applications, and consulting services. Teradata helps organisations collect, integrate, and analyse all of their data so they can know more about their customers and business and do more of what's really important. **Visit [Teradata.com](http://Teradata.com) for details.**

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