



Why Your Falling Lead Conversion Rates Are a Good Thing (And What to Measure Instead)

Most B2B organizations sell to large buying groups, and multiple individuals from the same buying group often show up in provider systems as multiple inquiries concurrently

Marketing automation platforms and sales force automation systems make seeing the connections between buying group members difficult, leading to lost productivity and an inaccurate assessment of marketing's contribution

Organizations that assess demand marketing efficacy through lead conversion rates fail to account for buying groups, which lowers productivity and understates marketing's contribution substantially

To evaluate individuals' well-being, psychologists may ask individuals about their level of happiness in the moment as well as their overall life satisfaction. Activities that are pleasurable for a short time (e.g. eating, watching TV) are linked to high momentary happiness scores but low life satisfaction scores, while activities related to self-development and care for others (e.g. child-rearing, taking a class, volunteering) cause low momentary happiness scores but high life satisfaction scores. Though momentary happiness is important, people with high levels of life satisfaction typically experience greater increases in happiness than those with low levels of life satisfaction.

In B2B, lead conversion rates measure the fluidity of lead generation and qualification processes, but not how many legitimate opportunities marketing is providing to sales to generate revenue. Though the former at face value is an important measure of how many leads become customers, only the latter is a useful and appropriate measure of marketing's contribution. In this brief, we describe how individual lead counts and conversion metrics can distract organizations from producing pipeline and revenue, and how buying-group-aware measures enabled by the Demand Unit Waterfall™ are a more meaningful assessment of the health of the B2B revenue engine.

Accounting Problems Above the Demand Waterfall®: Web Visitor to Lead

Typically, organizations first recognize demand when an individual from a prospect account fills out a form on a website or otherwise self-identifies to the selling organization. In most B2B waterfalls, that individual is deemed an inquiry; in others, he or she is called a lead. However, a substantial portion of the demand expressed by prospects is not recognized by current systems and processes. B2B organizations are painfully aware that only 2% to 5% of website visitors self-identify, and most organizations simply disregard the 95% or more of visitors who remain anonymous.

The assumption that all or nearly all anonymous traffic is meaningless or unknowable is flawed. Most B2B organizations' web properties are not on the general public's radar and only attract visitors who want to learn about the organization's solutions. In other words, virtually all human visitors have a genuine interest in what the provider offers through its website. Although some of those anonymous visitors may be junk traffic, a substantial portion is likely prospects.



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How much of an organization's web traffic is junk depends on several factors, including the brand's prominence and the competitiveness and maturity of its market. High prominence, competition and maturity tend to increase the volume of non-prospect visitors — typically industry analysts, students, job seekers, bots and individuals from competing companies. B2B organizations commonly report that their total volume of junk traffic ranges from 30% to 50% of unique visitors, leaving half or more of the remaining anonymous web traffic as signals of potential prospects.

Solving the Anonymous Web Traffic Problem

Clearly, lead conversion rates tell only a small part of the story about which prospects are most likely to buy. Organizations also must discover which prospects are expressing interest anonymously by investigating their anonymous web traffic. First, match anonymous web visitors to companies using one of many commercially available tools and services. Second, identify how much of that traffic is from potential prospect organizations. If anonymous traffic contains a substantial number of potential prospects, explore ways to update account and opportunity records in the sales force automation system with measures of the anonymous activity. Establishing marketing tactics such as IP-based advertising to encourage anonymous visitors to self-identify is a best practice.

Many marketers assume that tools for matching an anonymous visitor to a company are ineffective, but organizations can often determine the source of one-third to one-half or more of their anonymous traffic. Increasing their knowledge of who is expressing interest on their website from approximately 5% of visitors (those who self-identify) to roughly 40% to 55% represents a significant and worthwhile improvement.

Accounting Problems in the Demand Waterfall: Lead to Opportunity

SiriusDecisions research shows that most B2B purchasing decisions are made by multiple individuals inside a buying organization who act together as a buying group. Results from our 2019 B-to-B Buying Study indicate that when an organization is in the market for a solution, more than one member of a buying group participates in the solution research process. In leads-based demand management and measurement processes, however, this buyer research activity is largely undetected by the selling organization.

Most marketing automation platforms cannot connect multiple buying group members to form a buying group. Therefore, identifying buying groups in lead data can be next to impossible for organizations. Plus, by definition, leads-based waterfalls measure how many leads have been associated with sales opportunities and revenue. This approach to measuring success inaccurately characterizes marketing's performance.

Lead conversion metrics do not consider that nearly every B2B organization receives multiple leads from the same company about the same solutions concurrently. That is, when an organization receives a lead from a company, within a relatively small timeframe (30 to 90 days), that organization has a high likelihood of receiving other leads from that company. But in leads-based demand management, more than one lead is rarely assigned to a sales opportunity (see the brief "Identifying and Resolving Second-Lead Syndrome in Demand Management"). Therefore, each lead an organization receives after the first one reduces lead conversion rates. For example, if the first lead the organization receives from a company is converted and attached to an opportunity, the conversion rate on that lead is 100%. However, if the organization receives a second lead from that company and does not convert and attach it to the opportunity, the conversion rate drops to 50%. Although the second lead is almost certainly a positive buying signal, its evaluation according to lead conversion rates results in a different conclusion.

Addressing the Lead Conversion Rate Problem

Two B2B best practices tend to exacerbate the problem described above. First, many B2B organizations are moving toward account-centric marketing (see the brief "An Introduction to the SiriusDecisions Demand Spectrum"). With account-centric marketing practices, organizations identify target accounts in advance, enabling marketing efforts to focus on that targeted set of accounts. Effective account-centric practices demonstrate success through increased web traffic and lead production from a smaller concentration of accounts. For example, an organization with an average of one to two leads per account may increase that average to three or more leads from a given account through account-centric marketing. This usually drives down the lead conversion rate even as it increases the total number of opportunities generated. Second, organizations that have adopted persona-based marketing practices typically increase



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the number of leads per account. Although this is the desired result, these practices cause lead conversion metrics to suffer as well.

To address this problem, organizations should adopt lead-to-account matching, which attempts to match every lead that enters the marketing ecosystem to an account and opportunity (see the brief “Lead-to-Account Matching: It’s Not Just for Attribution Anymore”). Next, aggregate lead scores generated at the individual lead level to the opportunity level to produce a group score that better reflects the level of prospect engagement (see the brief “Moving From Lead Scoring to Demand Unit Scoring”).

What to Measure Instead of Lead Conversion

Instead of measuring lead conversion rates, organizations should track the current state of their relationships with demand units and their buying groups. Using the Demand Unit Waterfall, which was designed for this purpose, organizations identify accounts and the buying centers within them that fit the profile of a potential customer (see the Core Strategy Report “The Demand Unit Waterfall™”). Once this step is complete, all tracking through the Demand Unit Waterfall is based on determining whether buying group members representing those demand units are signaling that they are in market and evaluating the organization and its solutions.

With this model, when multiple individuals from a buying group are recognized as leads, they are converted as a buying group, not as individuals. Third- and first-party intent signals and leads are all matched to accounts and opportunities, and scores accrue for these behaviors. This approach enables organizations not only to respond more effectively to the demand expressed on their website but also to gain a deeper understanding of what is attracting and engaging prospects.

The Sirius Decision

The ability to capture the identity of buying group members on website lead forms revolutionized B2B marketing nearly two decades ago, dramatically increasing the volume of prospects that choose to reveal their interest in an organization’s solutions. However, the most damaging consequence of this revolution is that many B2B organizations have forgotten that individual people are not the primary focus in identifying and qualifying prospects — the buying center and buying group representing it are. Organizations that shift their focus back to buying centers and buying groups will have a competitive advantage.

