Internet Lead Measurements and Metrics

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Background

Kaleidico
Kaleidico, LLC is the leader in on-demand, online lead management and lead distribution software. Kaleidico provides mortgage, insurance, education, and business-to-business sales teams with solutions proven to increase sales. Kaleidico has facilitated the management of millions of sales leads and enabled the closing of billions in sales. Kaleidico provides instant web-based access to sales advantage at www.kaleidico.com and 866-667-5253.

Bill Rice
Bill Rice is CEO and founder of Kaleidico a technology innovator in sales and marketing management solutions. Before founding the organization, Rice was vice president of home equity and corporate programs at Quicken Loans.

As an entrepreneur, Rice has been involved in various ventures in multiple industries. Ventures include DeepGreen Bank, an entirely automated online home equity bank that was acquired in 2004 by LightYear Capital; Iridium, a Motorola-backed venture delivering global satellite-based telecommunications; and TASC, acquired by Litton-PRC and subsequently Northrop Grumman, an innovator in information operations technologies.

Rice earned his MBA at the University of Phoenix and has a Bachelor of Science degree in political science from the United States Air Force Academy.

Contents

How do I setup lead metrics?

Whenever I am setting up a system of measurements and metrics for any business process I start with the final objective and work backwards. The primary goals of metrics, in my mind, is to set indicators and triggers. Indicators give me symptoms of change (potentially bad or good) in my objective. Triggers are my predetermined responses, whether it be corrective action (bad) or turn up volume (good).

Let's break down the Internet lead buying and sales process into core objectives. From these objectives we will build a framework for our metrics.

1. Close/fund loans
2. Take applications
3. Contact prospects
4. Get acceptable ROI on marketing
5. Buy quality leads

As you are defining these objectives ensure they are big picture. Getting into the minutiae too quickly will create the "missing the forest for the trees" effect that is so common. How many times have you seen a "pet report" take performance south.

Close/fund loans

This is really the outcome we are driving for, right? So let's dive into some of the macro measurements you should be tracking.

Metrics

- Percentage of leads that convert to closed (funded) loans
- Total closed (funded) loans (units)
- Total funded (dollars)
- Total revenue (dollars)

Analytical Levels

- Organization (Branch, Team, LO)
- Time
- Channels (Sources, Campaigns)

Indicators

At this high-level of analysis you are not going to get many detailed indicators or symptoms. However, you will know if you had a good or bad month. There will be little indication of why or how to correct a bad affecter or capitalize on a good one. Yet, by setting good benchmarks for each of your analytical levels you can at least begin your assessment(s).

Triggers

Generally, at this level of metrics the only logical trigger is to drill into your other metrics.

Take applications

This is where the rubber meets the road. If you are taking applications it generally means your marketing is working and your sales team(s) are closing.

Applications (second only to contacts) are a critical milestone in the Internet originations success process. It is critical that you are watching and responding appropriately to application focused metrics and optimizing the throughput on these metrics.

Metrics

- Percentage of applications to total leads assigned (Assigned to App Rate)
  - Assignment in this metric assumes an immediate (less than 10 min) attempt on the lead. If this is not the case in your process or lead management system you need to measure from total first attempts
  - NOTE: The set or population in this metric is applications you made from the total leads with at least one attempt (call) on them. This is a more accurate measure. If you never attempt to contact the lead at all you have 0% opportunity on that lead. Of course that becomes an indication of a different issue, which we will discuss later.
- Percentage of applications to total leads contacted (Contact to App Rate)
- Average number of contacts before application
- Total applications (units and dollars)
- Attempts per $1000 applied
  - $1000 is based on loan amount or total funding opportunity at application
- Contacts per $1000 applied

Analytical Levels

- Organization (Branch, Team, LO)
- Time
- Channels (Sources, Campaigns)

Indicators

At this level you can begin to really see what is potentially happening in your marketing and your sales processes. Here are some of the indicatives that you are looking for in these application metrics:

- Percentage of applications to total leads assigned (Assigned to App Rate)
  - This is macro indicator of the effectiveness of your contact strategy and sales process
  - Improvements in this metric are typically the result of increased attempts per lead or, to a lesser extent, perhaps better borrower intent generated from your marketing process
  - Declines in this metric are typically the result of reduced attempts per lead, slower initial attempts, or slower call back periods during initial attempts (before contact). Also, again to a lesser extent, potentially a less aware or intending borrower generated from your marketing process
- Percentage of applications to total leads contacted (Contact to App Rate)
  - This is you first real solid indicator of both marketing and sales effectiveness. You have the borrower on the line, what happened?
  - Improvement in this metric typically indicates better training in three areas: borrower needs assessment, product knowledge, and handling objections.
  - This is also probably the best macro metric of marketing/lead quality. It is a leading indicator of one of the critical elements of lead convertibility--efficacy (can the offer be achieved?) in the marketing approach
  - Declines in this ratio are typically attributable to slower time to initial attempt and contact (first voice wins 75% of the time), a lack of follow-up on initial contacts, training deficiencies. To a lesser extent, this metric will reveal unrealistic marketing offers, overselling of leads, and high volume of “researchers” in your marketing channel.
- Average number of contacts before application
  - This is a great early indicator of market effects (tightening credit standards, borrower confusion/anxiety), training deficiencies (new products, too many products, complex borrower scenarios), or change in marketing mix (change in purchase to refinance or prime to subprime ratios)
- Total applications (units and dollars)
  - This metric obviously is a component of your ratios above, but is important to indicate whether you can meet your revenue goals based on the current process. Depending on the effectiveness of your ratios and the performance level you can use this indicator to adjust levels to your goals.
- Attempts per $1000 applied
  - The per $1000 metric is one of my favorite measurement paradigms. It is a wonderful gauge of efficiency and revenue throughput of your overall originations platform: marketing spends, product design and mix, sales process, sales teams, and individual loan officer performance.

    - This particular metric is focused on your contact strategy and contact (telemarketing) team if I have the process segmented.
- Contacts per $1000 applied
    - This is a measure of loan officer performance and to a lesser extent market conditions
    - After The more contacts a loan officer makes to secure an application is directly correlated to a declining likelihood of getting an application

Triggers

Improvement in application rates:

- Optimize your marketing mix and lead buying to fuel stronger channels
    - CAUTION: make sure you know your marketing channel well. Not all lead providers can ramp beyond the volume they are giving you and maintain the same level of performance. This is a rule for all of these metrics--don't "overcharge" the system. Look for signs of over stressing components of the system.
- Optimize your lead flow to fuel stronger teams and loan officers
    - CAUTION: remember that follow-up is a huge component to success in this ratio, so don't dilute success by overcharging the system.
- Replicate the success. This is where growth happens. If you are already at optimal capacity (see caution above) the most effective trigger to execute is to add loan officers' trained in your process and add additional lead volume from your most productive marketing channels.

Contact prospects

Speed Contacts, Contacts Close! This is my sales mantra. Your contact metrics are definitely your best tactical tools and will give your indicators of everything from a loan officer in a funk (flat-out laziness, relationships issues, 21st birthday party the night before, product knowledge, etc.) to monkey business in your marketing channels and lead buys.

Metrics

- Percentage of contacts to total leads assigned (Assigned to Contact Rate)
- Percentage of contacts to total leads attempted (Attempted to Contact Rate)
  - NOTE: In a pull-based lead distribution system assigned and attempted are typically the same since you can not get a lead without an action. This forces an immediate attempt on every lead. If you have a push-based lead distribution system you have to watch the differential in these metrics very closely since every moment a lead goes without an attempt significantly decreases the probability of a contact.
- Average number of attempts before contact
- Total attempts and contacts per loan officer

Analytical Levels

- Organization (Branch, Team, LO)
- Time
- Channels (Sources, Campaigns)

Indicators

Contact metrics are going to be important sales productivity and capacity indicators. It will also give you lead indicators of changes in marketing methods, mixes, and techniques within particular channels.

- Percentage of contacts to total leads assigned (Assigned to Contact Rate)
  - Contact rates typically indicate borrower motivation and sales tenacity. This initial contact is critical to every leads probability of closing success. Without an initial contact you have exactly a 0% probability of closing.

- Improvement in this metric generally will be the result of speedy initial attempts (less than 10 minutes from lead receipt) to contact, percentage of leads that you are the first voice on, marketing setting clear and realistic expectations in their offers.
    - Declines in this ratio is typically attributable to late calls to borrower. Borrowers stop answering the phone when they have connect with one (maybe two) competent voices.
    - Declines may also be indicators of co-registration methods in your marketing channel. Clients are not expecting your offer or have been overwhelmed by the results of co-registering their personal information with multiple providers at once.
    - Declines may also indicate lead generation efforts are shifting their mix out of a core competency or trying something new. For example, from banner placement to search placement.
- Percentage of contacts to total leads attempted (Attempted to Contact Rate)
    - Again, depending on the methodology of your lead management system this should be very similar to your assigned to contact ratio. If not, watch it carefully. This will be a serious opportunity for lead spoilage.
- Average number of attempts before contact
    - This is a very tactical metric that will detect opportunities to improve call target times and frequency of call backs
    - This indicator will also show evolving trends in marketing methods or be an early indicator on improvements and declines in quality.
- Total attempts and contacts per loan officer
    - This is a pure productivity indicator.
    - This metric can also be use as an early warning of LO burn out or slumps

Triggers

The triggers here can become infinite and you should be cautious not to make too many adjustments simultaneously.

- Reduce you speed to initial attempt! (Guaranteed to be your top issue and biggest opportunity for improvement)
- Increase the frequency of call back periods on early lead stages
- Ask questions about changes in marketing methods
- When you detect positive trends and processes, hold them steady and try to get a higher percentage of your sales force to be consistent with those processes. Then add more of the same!

Get acceptable ROI on marketing

This is where most organizations are beginning to focus appropriate attention when assessing marketing performance. The calculation is simple, but capturing the components and reacting effectively are the tricks to success.

Metrics

- Final Investment Value (Revenue)-Initial Investment Value (Marketing Expense)/Initial Investment Value (Marketing Expense)

Analytical Levels

- Time
- Channels (Sources, Campaigns)

Indicators

This is a great metric to balance your portfolio of marketing channels. As most know, or have found out the hard way, the cost of a lead (cheap or expensive) is not necessarily a value of quality. Likewise, even the best lead source can not be used profitably if your sales process is not converting at an acceptable rate.

ROI is a great way to blend all of these into a capstone metric.

Triggers

Reacting to changes in this metric should be an exercise in more research. You may want to make some initial (small) lead buying volume or lead distribution adjustments to provide a bit of insurance over long-term results. However, the metric should be used more as a leading indicator and a go, no-go baselines for new marketing channels and sales processes.

Buy quality leads

This section could take us another 20 pages, but I will refrain. The reality in this objective and the metrics you use to track it is that you will NEVER really know what marketing is doing (unless of course you are the person doing it). Even if it is in-house these marketing professionals are (and have to) be making little adjustments daily and they may not all have expected results.

So, watch you metrics. Make adjustments, but don't over-correct because you are all moving the dials at the same time and may can a good partner for short-term affects.

Metrics

Because we generally equate lead quality to lead conversion many of the preceding metrics will apply, but I am going to focus on how to use these metrics and variances in collaboration to detect issues in lead quality.

- Variance between contact rates and application rates
- Changes in expected per day lead volume (plus or minus)
- Irregular trends in lead receipt times (batching, excessive off-hour volume)
- Irregular trends (ratios) in lead characteristics
    - loan type percentages (refi, purchase, home equity)
    - credit quality (subprime v. prime)
    - loan amounts

Analytical Levels

- Channels (Sources, Campaigns)

Indicators

Lead quality metrics are all about detecting subtle trends in your marketing that can affect your sales assumptions.

IMPORTANT NOTE: Your sales processes can affect all of these metrics as well. Therefore, it will not serve you well to always assume it is your marketing or lead provider.

- Variances in contact and application rates can relate to changes in:
  - offer presentation, placement, efficacy
  - traffic generation methods, sources, and volume
  - lead capture methodology
- Changes in volume can be indicators of change in generation methods and traffic sources
  - Either can bring good or bad, so if there is a change from the average just keep an eye on it
- Irregularities in lead delivery timing or lead characteristics are often related to volume declines and surges
  - Again, these irregularities can signal good or bad. Regardless, something is changing and warrants your attention

ANOTHER IMPORTANT NOTE: Changes are not always bad! I have seen many good lead sources tossed because of very short-term adjustments. You metrics should always have a long as well as a short-term trend line.

Triggers

My recommendation is to move with caution on all lead quality indicators. My experience is that most lead providers settle into a very predictable lane of performance over a long view (6-12 months) and most legitimate providers provide a positive ROI. Erratic movements on your part will only waste your money in start-up fees and deposits as well as resource draining adjustments to sales scripts and processes.

Generally, I recommend retaining at least two providers and simply make reasonable adjustments based on monthly channel ROI. If the numbers go wild, and you hit a preset ROI floor, then make a switch.