

Why Market to People Who Don't Need Your Product?

By Jeff Josephson

Did you know that “waste” is your single biggest marketing expense?

Think about these metrics:

- The average click-thru rate for an email blast is less than 0.01%. That means that 99.99% of your emails never even get read!
- The typical company that uses Search Engine Optimization (SEO) ends up with a rank no higher than page four using their preferred search terms, while 95% of people looking for a solution never search past page two.
- The typical post to LinkedIn is seen by fewer than 10 people, of whom none are qualified prospects.
- Ninety-eight percent of your Web visitors are untraceable because they use dynamic IP addresses – which means that unless they fill out a form, you can't contact any of them. Of the remaining 2%, fewer than 10% (or one out of every 2500 visitors) can be identified by name so you can actually call them.
- The typical cold calling connect rate is 20% in B2B. Of those contacts, 5% will be interested in your solution – which means that 99% of your dials were wasted.

When John Wanamaker said in the early 1900s that “Half the money I spend on advertising is wasted, the trouble is I don't know which half,” he was being optimistic. Today it is likely that you are wasting virtually all of your marketing dollars.

If this doesn't bother you, consider that every single inquiry we've gotten about our services for the past two years has been from someone who has failed to achieve their goals *at least twice before* with their marketing program. Today, failure isn't the exception, it's the rule.

What's Wrong with This Picture?

There is a very simple reason why most marketing programs fail today: waste.

Specifically, the very low cost of posting content, email marketing, and even cold calling made available by technology today means that every promotion you fund is going into a more and more crowded cloud of blogs, fuller spam folders, and more easily-ignored voice mail inboxes. And the more you do, the worse it gets – so that, for most companies, virtually nothing they produce will ever be seen, heard or read.

Looked at another way: If you're like most companies, your marketing program is basically *producing waste*. If there is a response, it's actually exceptional. And if it converts, for most companies it's a miracle.

Why Does This Happen?

It turns out that the advantages that technology gives us, i.e. the low cost associated with putting up a Web site, the ease of submitting a Web site to the search engines, and the commoditization of advertising, sending email or posting content, for example, is the very reason that none of these things work: because if everybody's doing it, it all just becomes a crowded noise-fest. As a result, you can't stand out in the market. And so no one hears your message.

What's the Solution?

Oddly enough, the solution is fairly simple and relatively inexpensive. Start by thinking of your "response rate" as a ratio, which it actually is. The denominator is the number of companies that you target with your promotion (say, 100 in a cold calling campaign,) and the numerator is the number of people who actually respond (say, 5). This gives you a response rate, in this example, of 5%.

Producing better promotional material certainly might boost that response rate to 6%, or even 8%. And the repetition effect might even boost it to 10%. But that assumes that there is an underlying need in the market for your solution of that magnitude – which there may not be. But you still have 90% waste or more.

Before we go any farther, let's agree that scaling doesn't help the problem. This is because, while the 5% response rate over a population of, say, 200 means you should get ten leads instead of five, the promotional cost isn't fixed, it's variable. So your margins stay the same. And they may actually be worse because most B2B markets are limited in size, the result of which is that most B2B marketing programs actually tend to get diminishing returns with scale.

A better solution, however, is to actually *reduce* the denominator, rather than increase it. That is, you should target *fewer* companies, not more, as shown in the table below. The best way to do this is with secondary market research (i.e. data mining) designed to identify companies that have a higher probability of needing your products. But if you can weed out the low probability targets before you implement your promotion, your response rate can double, or triple, or even more.

And in almost every single case where we've done this, we've found that the reduction in cost-per-lead far outweighs the added cost of the research.

	Without Market Research	With Market Research
Population	100	10
Responses	5	5
Response Rate	5%	50%

The Impact of Market Research On Response Rate

How Good Can It Get?

A recent campaign where we used market research to reduce waste resulted in a reduction in the cost-per-lead of over 90%, and that included the cost of doing the market research. Another campaign saw a reduction in the cost-per-appointment of nearly 50%. And in both cases, the close rates were at least double what they were before.

Conclusion

With the rise of the Internet as a marketing medium, waste has gone from a marketing annoyance to a cancer. Inexpensive secondary market research, however, can improve your Marketing ROI by a factor of ten or more, increasing your revenues, productivity and profitability simultaneously.

For more information on how you can use market research to reduce waste in your marketing program, contact JV/M at Sales@LeadGen.com or 856-638-0399.