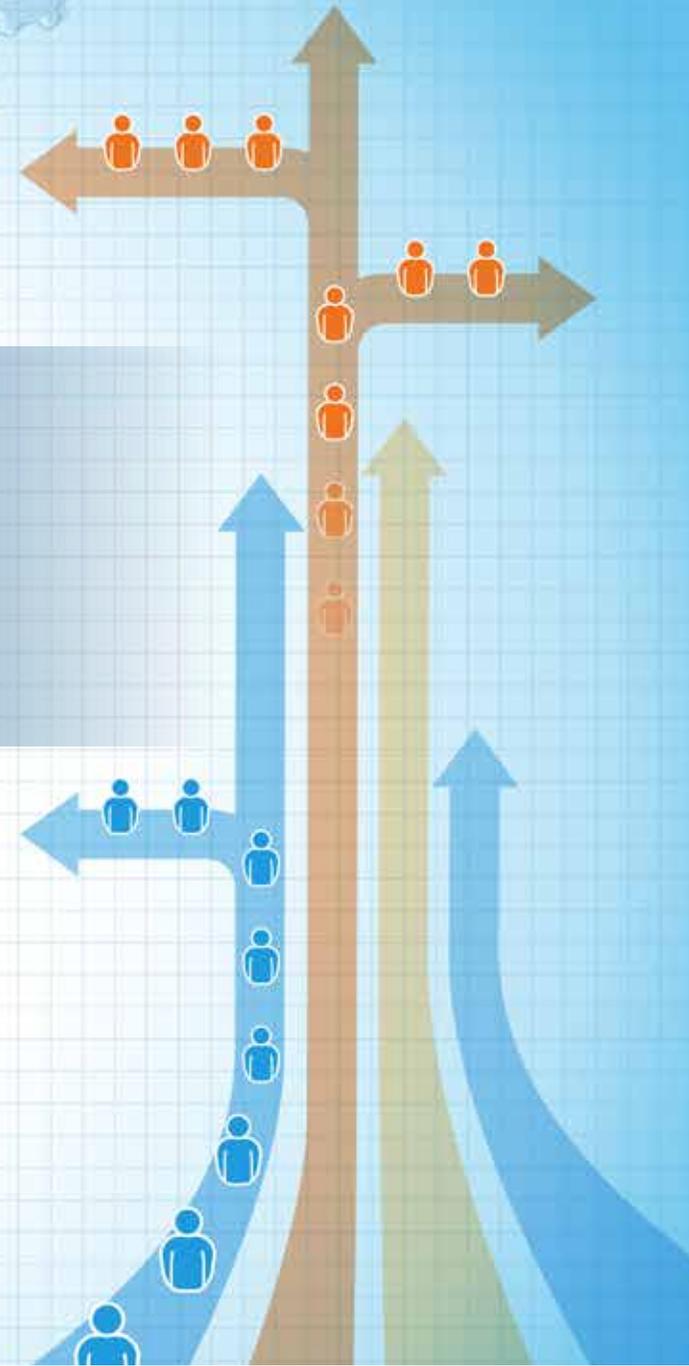


BEST LEAD DISTRIBUTION METHODS

For Optimal Sales Performance



Executive Summary

Lead Distribution Strategy Can Impact Conversion

The opportunity to convert a lead to a customer starts when that lead is first assigned or distributed to a sales rep. In fact, the way a company chooses to distribute a lead can make a significant difference in contact and conversion rates.

One major distinction in distribution options available is that of manual distribution versus automated distribution. Research shows that on average, Velocify™ customers that utilize at least one automated distribution method experience a conversion rate that is 87% higher than the conversion rate of customers who choose to manually distribute or assign their leads outside of Velocify. Much of that increase in conversion can be attributed to the improvements in response speed that auto distribution methods yield. This study examines the value provided by different distribution methods, including performance gains attained when multiple methods are used together.

Study Methodology

This study includes the analysis of data collected from a large sample of Velocify customers who met minimum lead volume requirements during the time period selected for the study. Consequently, this data spans multiple industries and both B2C and B2B companies, and the findings from this study should therefore be applicable across most inside sales organizations.

In this study, approximately 2.7 million leads, distributed during a one month period by more than 600 Velocify customers, were followed through the sales cycle for a minimum of 90 days in order to track their outcome.

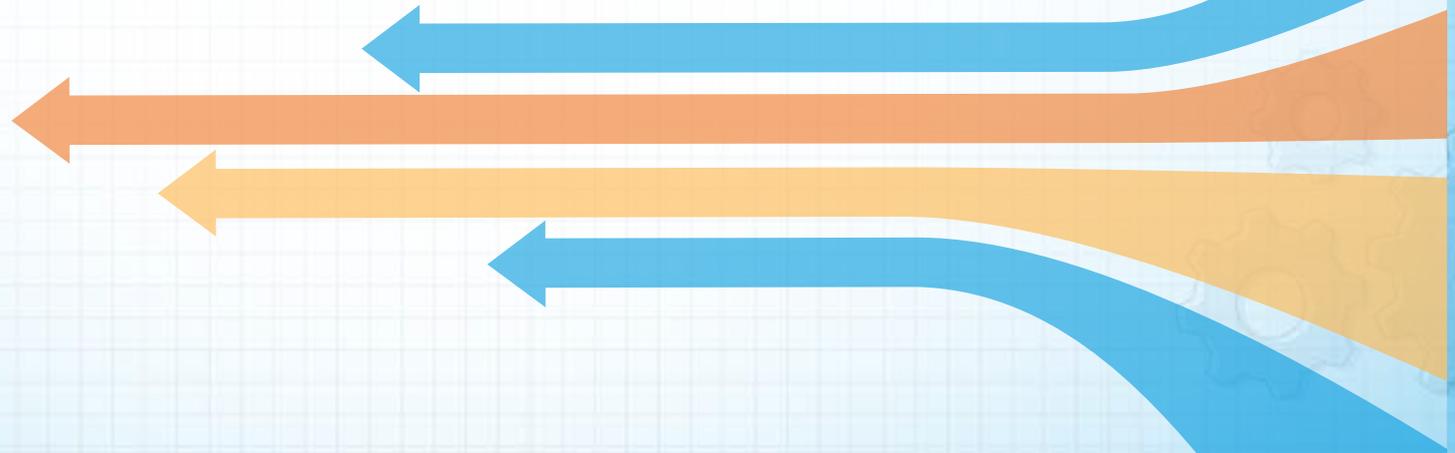
Background

Many Different Distribution Options Available

Every sales organization has at least one method of distributing leads to its sales team. However, distribution methods can vary greatly by organization and by the complexity of their sales model. The reality is some sales organizations still distribute leads manually using archaic methods like paper files or even handwritten notes. Others, slightly more tech-savvy, do so via email or some other form of electronic communication. The most sophisticated sales teams today use sales automation or CRM systems to quickly deliver leads to ready sales reps.

What most sales leaders don't realize, or don't often consider, is that they have more lead distribution options available to them today than ever before. Automated distribution options allow sales organizations to dynamically route leads to reps based on pre-defined lead and/or rep characteristics and attributes. Depending on the criteria chosen for distribution and the size and structure of a sales team, leads may be assigned to sales reps using fixed distribution, in which each lead can only be distributed to a single dedicated rep that meets selected criteria, or using variable distribution, in which more than one rep qualifies to work with a given type of lead.

An example of a commonly used criterion for distribution is lead or buyer geographic location, in which a rep or group of reps is assigned to a corresponding territory. In fixed distribution, each territory would have only one rep, making distribution simpler, but also driving high variability in performance, depending on each rep's workload. In variable distribution, multiple reps would share the same territory, providing more options for distributing leads among eligible reps. Variable distribution methods, those that look to optimize lead distribution to a pool of reps, are the primary subject of this study, which focuses on three categories of automated lead distribution that can be used regardless of the criteria established to determine rep eligibility: push, pull, and Shotgun Connect™. However, some may not recognize their own distribution method, or others they've considered, when simply looking at these distribution category names. To help provide perspective on the distribution methods discussed in this report, Table 1 describes each and notes common names and/or permutations of these methods that may be more familiar.



Background

TABLE 1 | Overview of Variable Distribution Methods ¹

DISTRIBUTION METHOD	DESCRIPTION	POSSIBLE APPLICATION EXAMPLE
Push-Based Distribution	System automatically “pushes” leads into reps’ queues	Lead assignment for a specific set of reps based on detailed criteria
Round Robin	Evenly distributes leads in a systematic, orderly way to all eligible reps	Fair and uniform distribution of leads to a group of reps
Performance-Based	Assigns leads according to pre-defined rep performance tiers	Reward high performing reps with more leads or higher quality leads
Pull-Based Distribution	Reps actively request leads out of a pool when they’re ready to work them	Supplemental pool of leads reps call down when lead flow diminishes
Blind	Reps request lead assignments without the ability to see the leads first	Reps don’t like calling direct mail leads, but those leads shouldn’t be avoided or ignored
Preview (Cherry-Pick)	Reps see the list of eligible leads and choose the one they feel they have the best chance of converting	Reps know what leads they are best at closing, so you want to put control in their hands
Shotgun Connect™	Multiple reps are notified when a new lead comes in. The first to respond gets the lead	Hot, time-sensitive leads that need immediate response
On-screen notification	Multiple reps are notified that a new lead is available via an on-screen message. The first to click on the notification gets the lead	Reps spend much of their time in front of a computer and can respond quickly to new leads that pop up on their screens
Phone notification	Multiple reps’ phones ring when a new lead comes in. The first to pick up the phone gets the lead	Reps respond more quickly to their phones or may not as easily see an on-screen alert
Manual Distribution	Manager or supervisor manually assigns each lead to a specific rep	Leads don’t need any filter criteria and require special handling

¹ This study focused only on initial lead distribution, not on redistribution methods such as shark tank. Redistribution methods, which can include any of those listed above, and their impact will likely be a topic for future Velocify research.

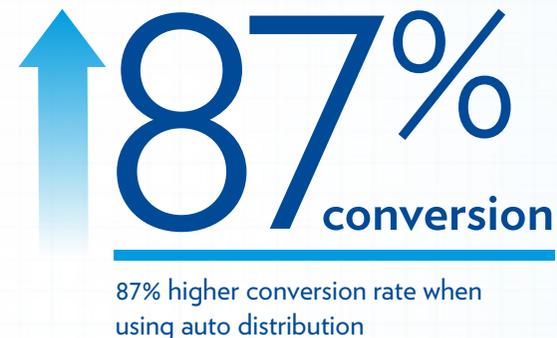
Results

The Value of Auto Distribution

Automated distribution requires organizations to make some decisions upfront, before they begin distributing leads, about the way they'd like leads assigned and the tools required to implement their desired distribution strategies. In some cases, the basic functionality of a CRM system will be enough to distribute leads in the desired method. In other cases, an intelligent sales automation solution with advanced distribution capabilities may be required.

Even with the capabilities at hand, some organizations choose not to leverage automated distribution. In fact, through this study, we found that about 3% of Velocify customers distribute all of their leads manually or assign leads prior to importing them into their Velocify account. Lead performance data from this set of customers provided a way to measure the value of auto distribution in the study.

What we found was pretty remarkable. On average, Velocify customers that utilize at least one automated distribution method experience a conversion rate 87% higher than the conversion rate of customers who choose to manually distribute or assign their leads outside of Velocify.



How Speed Drives Higher Conversion

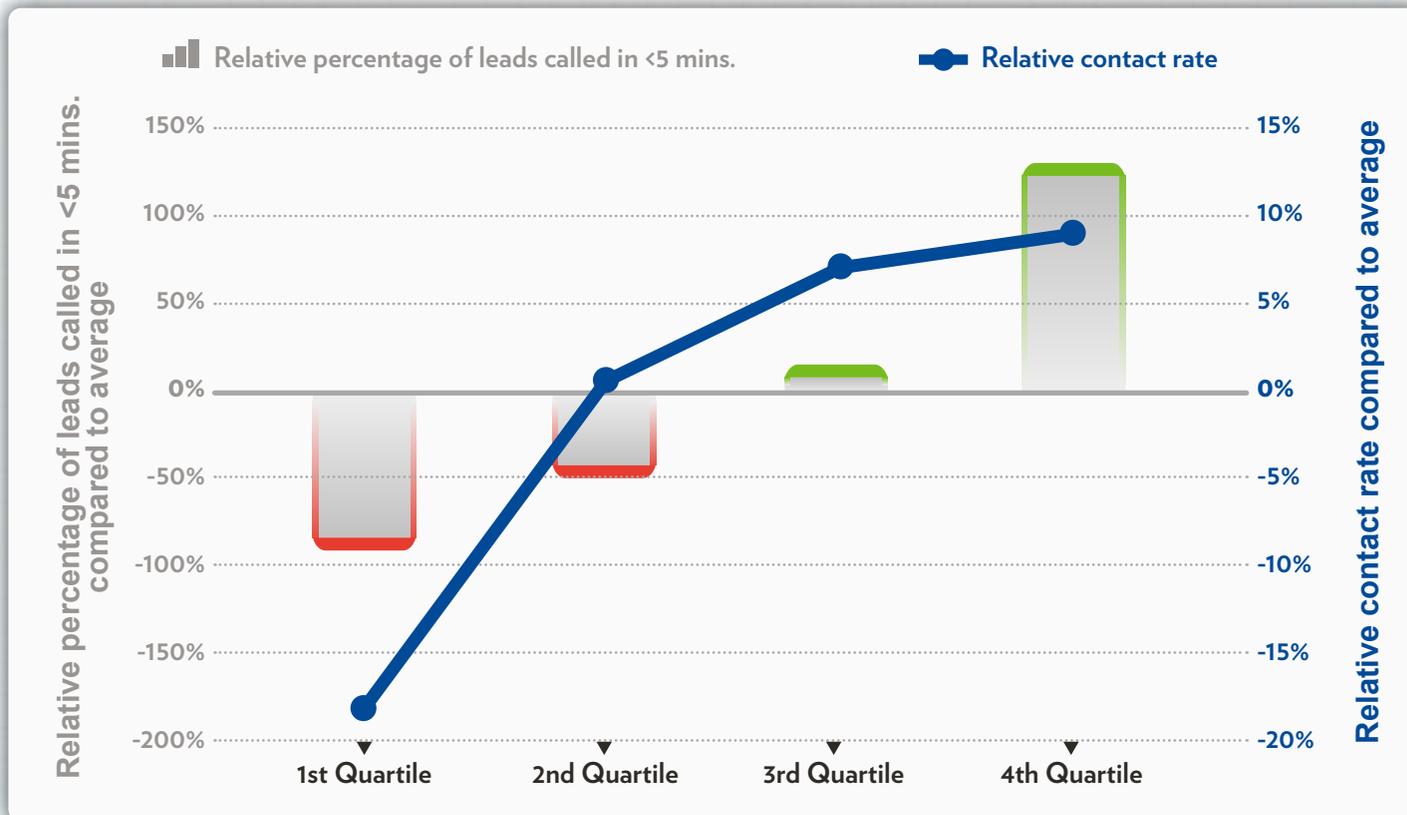
There are many ways in which auto distribution methods can make an impact on an organization's ability to close more deals, but for this study, we chose to focus on how auto distribution methods impact speed-to-call, contact rate, and conversion rate. Previous studies performed by Velocify and other reputable organizations have shown the impact speed-to-call can have on conversion, with leads receiving a call within one minute enjoying almost five times the conversion rate of leads that are responded to at a slower rate. For this study, we dug into speed in a more nuanced way, investigating the impact on the contact rate as a critical step in the sales process. The idea being that faster response rates lead to higher contact rates, which lead to higher conversion rates. To further test this theory, we chose to look at the data in a slightly different way than we had previously.

First, we set out to verify if faster response rates lead to higher contact rates. To do this, we separated the sales organizations in this study into quartiles based on their ability to respond to a high number of leads in less than five minutes. The bottom 25%, those with the lowest percentage of leads called in less than five minutes, made up the first quartile, while the top 25%, those with the highest percentage of leads called in less than five minutes, made up the fourth quartile. We then calculated the average contact rate for each quartile.

Results

How Speed Drives Higher Conversion

FIGURE 1 | Relative Performance by Speed Response Quartiles



The organizations in the bottom quartile, on average, called 89% fewer leads in less than five minutes than the average organization, and a consequence of their slowness was that their contact rate was 18% lower than the average contact rate. On the other end of the spectrum, organizations in the top quartile called more

than 130% more leads in less than five minutes than the average organization and enjoyed a 9% higher contact rate than average. This analysis confirmed that faster response times do in fact lead to higher contact rates.

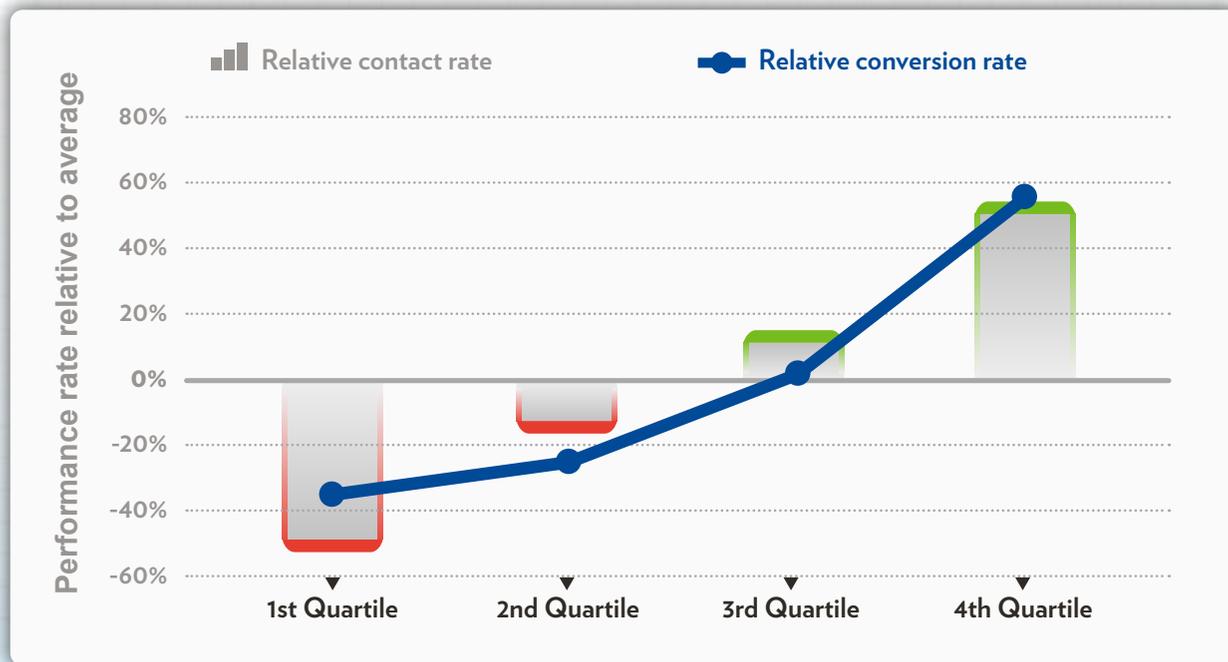
Results

How Speed Drives Higher Conversion

Next, we set out to confirm something that seems even more intuitive, but that cannot be taken for granted --that organizations achieving higher contact rates also achieve higher conversion rates. In general, it's logical to think that the more leads one is able to contact, the more leads one should be able to convert. To test this, we performed a similar analysis. In this case, we segregated the sales organizations into quartiles based on their contact rates. The bottom 25%, which had the lowest contact rates, made up the first quartile, while the top 25%, which had the highest contact rates, made up the fourth quartile. We then calculated the average conversion rate for each quartile.

The organizations in the bottom quartile had a contact rate that was 52% lower than average, undoubtedly contributing to their lower conversion rate, which was 35% below average. Organizations in the top quartile, which had a contact rate that was 55% above average, enjoyed a 57% higher than average conversion rate. Again, the rising conversion rates that corresponded to the higher contact rates of each quartile confirmed that **higher contact rates do in fact lead to higher conversion rates.**

FIGURE 2 | Relative Performance By Contact Rate Quartiles



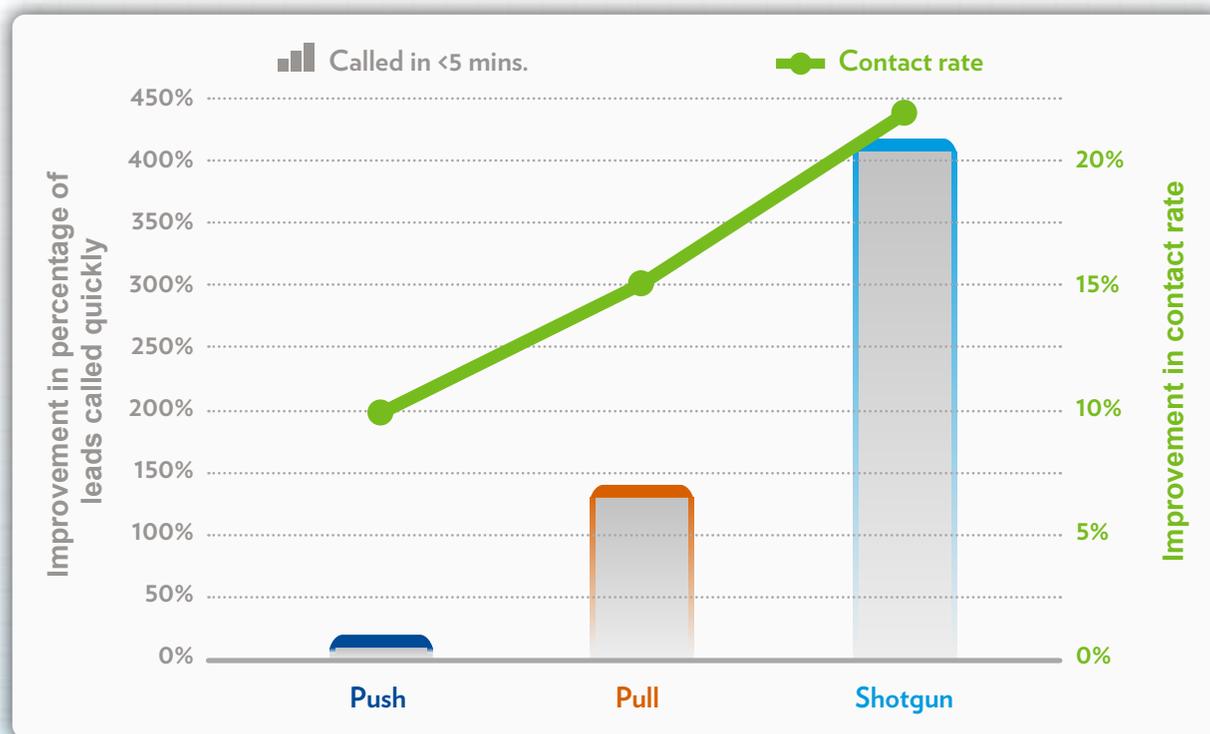
Results

Auto Distribution Methods Improve Response Speed

Now, how might this information help us determine whether auto distribution really makes a difference and which distribution methods are best? To answer those questions, we looked at the performance of individual leads and the method first used to distribute them. Since we know that calling leads quickly leads to higher contact rates and that higher contact rates lead to higher conversion rates, we began by examining the impact different distribution methods have on speed-to-call.

For this part of the study, we were able to compare the auto distributed leads, not only to the leads of Velocify customers not using auto distribution, but also to manually assigned leads within organizations who also use auto distribution for some teams or some cases, which gave us a much larger sample set. This type of comparison helped further validate the differences in conversion rates seen when auto distribution methods are utilized.

FIGURE 3 | Auto Distribution Method Impact on Speed-to-Call and Contact Rate



Results

Auto Distribution Methods Improve Response Speed

One of the most tangible ways auto distribution methods help drive higher conversion rates is by improving the number of leads that are called quickly, in less than five minutes. Overall, auto distribution methods improve the percentage of leads called in less than five minutes by 91% and contact rates by 13%. Push distribution methods improve the percentage of leads called in less than five minutes by 16% and the contact rate of leads that would otherwise be distributed manually by 10%. Leads first distributed using pull distribution methods were 140% more likely to be called in less than five minutes and therefore enjoyed a 15% higher contact rate than those distributed manually. When the Shotgun Connect distribution method was used, 415% more leads were called in less than five minutes and contact rate was 22% higher.

Multiple Distribution Methods Prove Better than One

One may be tempted to look at the previous chart and think that the clear best way to distribute leads is the Shotgun Connect method because it drives the highest percentage of calls in under five minutes and the highest contact rates. But will this method, on its own, deliver the highest conversion rates? While it may be the case for certain instances, limiting distribution to this single method likely won't yield your organization the highest lead conversion rate.

In fact, the research found that the augmented power of combining multiple distribution methods is strong, delivering higher conversion rates overall when multiple distribution methods are used in conjunction. In comparing the overall perfor-

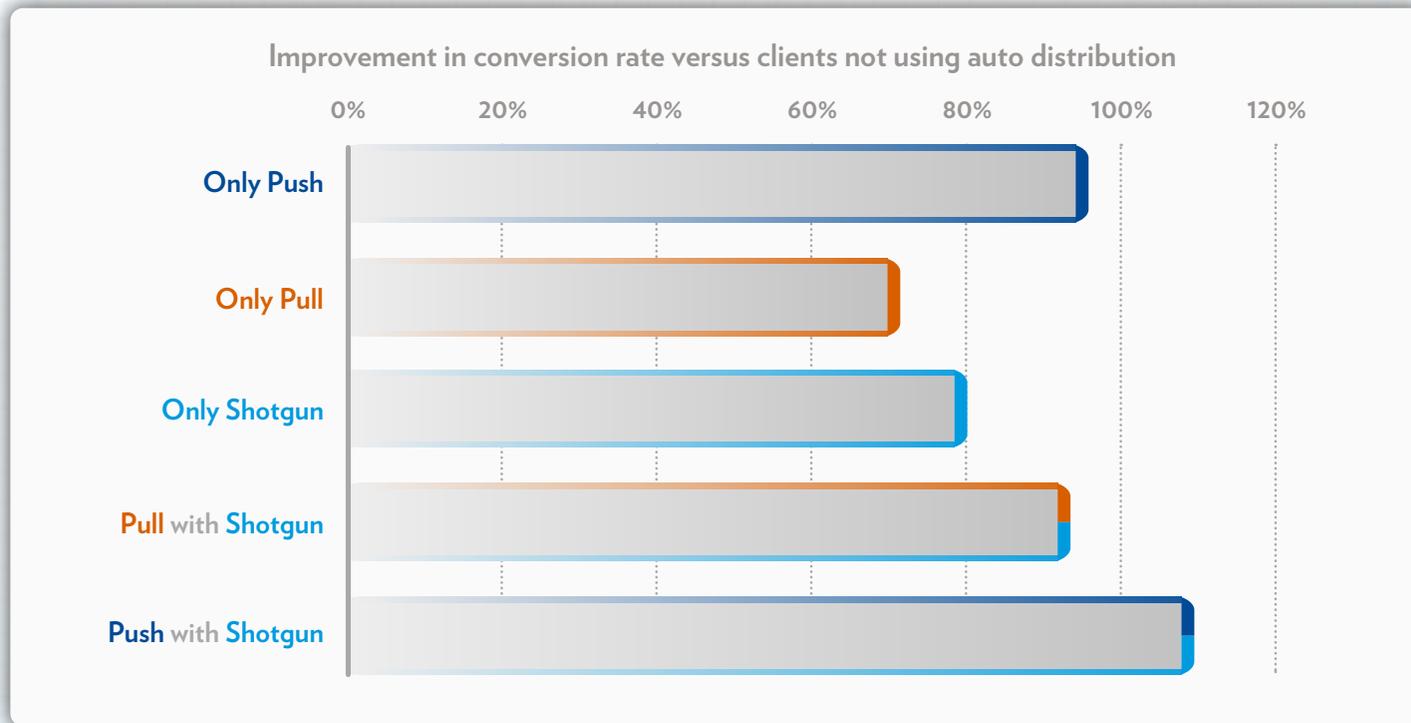
The results and differences between the different distribution methods shouldn't be too surprising for those who are familiar with how these types of distribution methods work. The push method, which is the auto distribution method most commonly used, definitely has its place under many types of applications. However, when it comes to speed-to-call, it generally isn't as fast as the pull or Shotgun Connect methods because leads are more likely to sit in the queues of busy sales reps. The push method relies on the assigned rep responding quickly upon assignment, at a time when the rep may not necessarily be ready to call that lead. In contrast, the pull and Shotgun Connect methods by design distribute new leads to the first available rep that actively requests the lead, only when the rep is ready to make the call, at that moment. In the case of Shotgun Connect, this method is generally faster than the pull method because it is coupled with Velocify's

mance of companies that use a single auto distribution method to that of companies using multiple auto distribution methods, the study found that in almost all cases, using at least two different distribution methods rendered a higher conversion rate than using just one. For example, companies that use Shotgun Connect as their only auto distribution method have a conversion rate that is 80% higher than that of companies not using auto distribution, not bad at all, but **companies that use Shotgun Connect in addition to push-based distribution have a conversion rate that is 107% higher, more than double that of companies that don't distribute leads in an automated fashion.**

Results

Multiple Distribution Methods Prove Better than One

FIGURE 4 | Auto Distribution Method Impact on Speed-to-Call and Contact Rate



The same is true for companies using pull distribution methods. Those using only pull distribution methods have a 71% higher conversion rate than those companies not using any auto-distribution, but companies using pull distribution along with Shotgun Connect have a 92% higher conversion rate. **Better results are ob-**

tained when multiple auto distribution methods are used, especially when organizations understand the different types of leads they generate and the most appropriate distribution methods and rules needed to get them to the right reps as quickly as possible.

Results

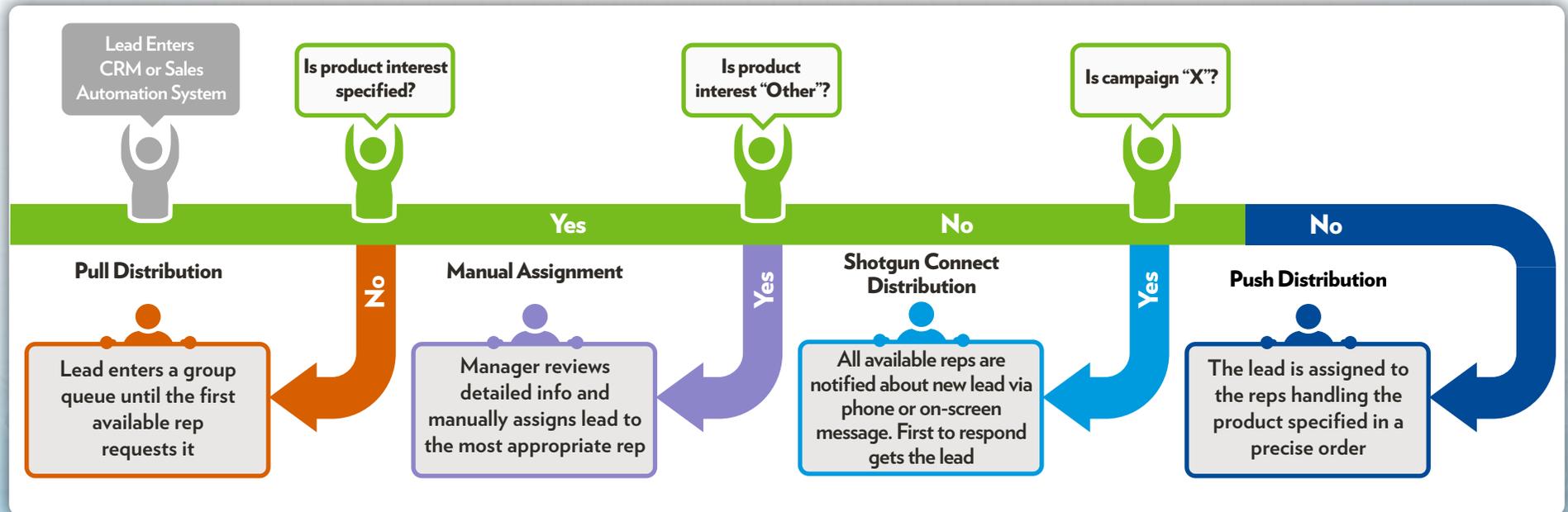
Multiple Distribution Methods Prove Better than One

It isn't difficult to envision a scenario in which the same company could utilize a combination of all distribution methods effectively. For example, a company may choose to evenly distribute leads expressing interest in specific products to groups of specialized reps using a push-based distribution method.

Leads that don't specify a product interest would not be able to be distributed using the described push method, so the company might choose to utilize a pull method for those leads, ensuring that the newest lead is called by the first avail-

able rep that isn't working on previously assigned leads. Additionally, the company may need to have a manager review all leads that specify a product interest in the "other" category, which needs to be evaluated to determine the best rep to assign to the lead. That instance would require a manual assignment method. Finally, the company may decide that if a lead comes in through a certain campaign that typically generates high-value leads, a Shotgun Connect method should be used because a quick response for that campaign is even more critical than usual.

FIGURE 5 | Sample Distribution Strategy



Results

Multiple Distribution Methods Prove Better than One

The following table provides some guidelines on when it's recommended to use or not use the different distribution methods:

TABLE 2 | Guidelines for Distribution Method Applications

DISTRIBUTION METHOD	BEST USED FOR...	NOT AS EFFECTIVE FOR...
Push-Based Distribution	<ul style="list-style-type: none"> Fixed distribution (each lead can only be assigned to one rep) based on pre-defined criteria Evenly distributing leads to a specified team Controlling the order in which leads are assigned to a group Highly specialized teams 	<ul style="list-style-type: none"> Extremely time sensitive leads Generic, non-differentiated leads
Pull-Based Distribution	<ul style="list-style-type: none"> Leads that aren't of the highest priority but that could benefit from a quick response Miscellaneous leads Rewarding reps that are hungry for more leads Distributing more leads to reps that have a higher capacity Teams that want to use a shared pool approach 	<ul style="list-style-type: none"> Leads requiring a specialized approach that only a small number of reps can provide Passive reps Much larger lead volumes of incoming leads than team is able to handle
Shotgun Connect™ Distribution	<ul style="list-style-type: none"> Extremely time-sensitive leads Teams that thrive under competition Situations in which every second matters 	<ul style="list-style-type: none"> Very small teams handling the same set of leads Low quality leads Cold leads
Manual Assignment	<ul style="list-style-type: none"> Leads requiring special review Very low lead volume environments High need for managerial control 	<ul style="list-style-type: none"> Medium to high volume environments Leads that require quick responses Teams with very busy management staff

Summary and Conclusions

Key Takeaways

- On average, organizations that take advantage of auto distribution methods experience a conversion rate that is 87% higher than the average of those who choose to manually distribute.
- Contacting more leads in under five minutes generally leads to higher contact rates, which generally leads to higher conversion rates.
- Auto distribution methods improve the percentage of leads called in less than five minutes by 91%.
- When it comes to improving response speed and contact rates, a Shotgun Connect distribution method outperforms pull distribution, which outperforms push distribution.
- Shotgun Connect distribution led to 407% more leads called in less than five minutes and a contact rate that was 22% higher than that of leads not distributed automatically through Velocify's LeadManager™.
- Better results are obtained when a company uses multiple auto distribution methods- up to a 107% improvement in conversion.
- Companies that use Shotgun Connect in addition to push-based distribution methods convert more than twice as many leads as companies that don't use any auto distribution programs.
- Companies usually have many choices when it comes to distributing their leads. No one distribution method is irrefutably wrong or right, but some methods could be better than others, depending on circumstances, goals, and intended outcomes.

In the end, there really is no “best” distribution method for all leads or for all sales teams, or even a “best” combination of distribution methods that should be used by all. The results in this study do point to the relative value of individual auto distribution methods and their combined effects, but the truth is that all distribution methods have their place, even manual distribution. An understanding of the different distribution options available, together with a deep understanding of one's business, sales organization, and the volume and type of leads generated, is the key to finding and implementing an optimal distribution strategy.



Contact Us and Share

The easiest and best way to implement a sound distribution strategy is to have a robust and flexible set of distribution options at your fingertips and fully integrated with your sales automation and/or CRM system(s). Velocify's dynamic distribution management capabilities are among the best in the industry.

DO YOU HAVE THE TOOLS NEEDED TO MOST EFFECTIVELY AND EASILY APPLY THE BEST DISTRIBUTION METHOD FOR EACH AND EVERY ONE OF YOUR LEADS?

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Velocify is a market-leading provider of cloud-based **intelligent sales automation solutions** that drive more effective and efficient sales processes and improved conversion rates. With unmatched expertise, drawn from a dedication to helping more than 1,500 clients automate and improve their lead response and selling processes, Velocify has become the platform of choice for organizations focused on improving customer acquisition practices and business performance. Velocify is a privately held company, recently recognized as one of the fastest growing companies in North America on Deloitte's **2012 Technology Fast 500**. Please visit www.velocify.com for more information.

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