marketingsherpa
lead gen summit 2013

How Much Should Leads Cost?

Tips for different channels, industries, and deal sizes

Daniel Burstein

Director of Editorial Content

MECLABS

Session Speakers

Dave Walters
Product Evangelist
Silverpop
@_DaveWalters

Tom Reid
Executive Director
Hacker Group

Atri Chatterjee
CMO
Act-On Software
@atrichatt

Erik Matlick
CEO
Madison Logic
@ematlick

Ask the Audience:

How many people are measured by the **volume** of leads?

Ask the Audience:

How many people are measured by the **cost** of leads?

Ask the Audience:

How many people are measured by lead **conversion into revenue**?

- Define a lead
- Evaluate costs
- Talk about lead costs

Questions we get asked…

Define

Fri 9/27/2013 4:42 PM

Burstein, Daniel

lead cost panel

To Lorenz, Jessica

You replied to this message on 9/27/2013 4:43 PM.

We just got this question. It's a good way to set up the problem in the lead cost panel. I took a picture of it as an image…

Do you have CPAs specifically for financial products? If yes, what kind of financial products? Also is this for consumer products, or B2B product?

Daniel Burstein
Director of Editorial Content
MECLABS

CAUTION

This is a discussion about lead cost only. Lead qualification and nurturing will be covered in later sessions.

Before we begin…

Define

What pains you in talking about lead costs?

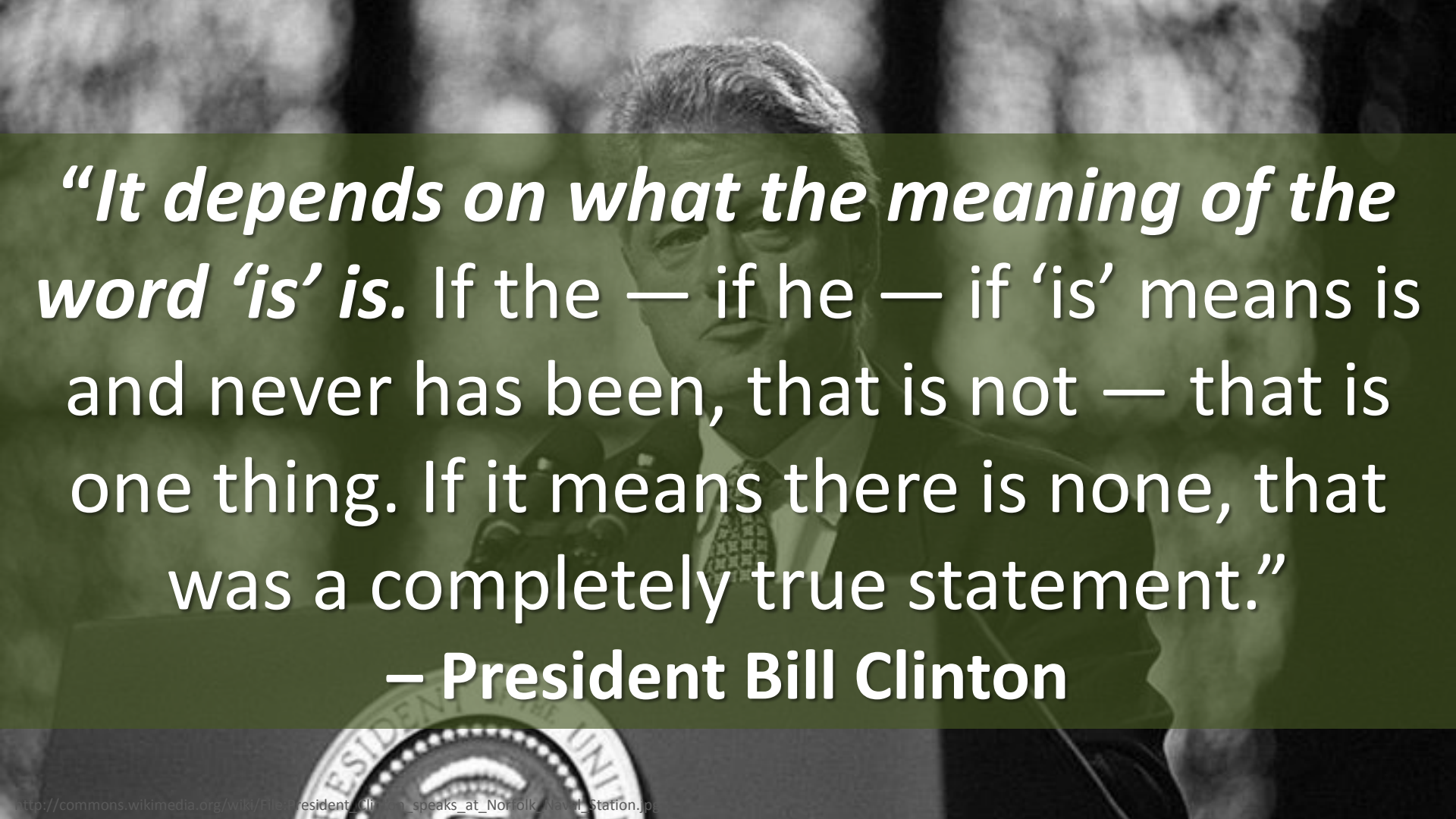
marketingsherpa
lead gen summit 2013

The lack of:

Define

- Clear definition of “lead”
- Alignment in terms of volume, follow-up, feasibility
- Inclusion of all appropriate costs
- Consideration of value of sale/complexity of sale

- Define a lead
- Evaluate costs
- Talk about lead costs



"It depends on what the meaning of the word 'is' is. If the — if he — if 'is' means is and never has been, that is not — that is one thing. If it means there is none, that was a completely true statement."

– President Bill Clinton

http://commons.wikimedia.org/wiki/File:President_Clinton_speaks_at_Norfolk_Naval_Station.jpg

Definition:

Define

A lead is…

Define

Where is a lead?

Heck, what is a lead?

http://www.flickr.com/photos/paul_gillum

Marketers discuss cost per lead … but what do they mean by “lead?”

What do they mean by “lead?”

Inquiry?

Hand-raiser?

SQL?

Shared lead?

Purchased list?

Multi-touch lead?

Qualified lead?

MQL?

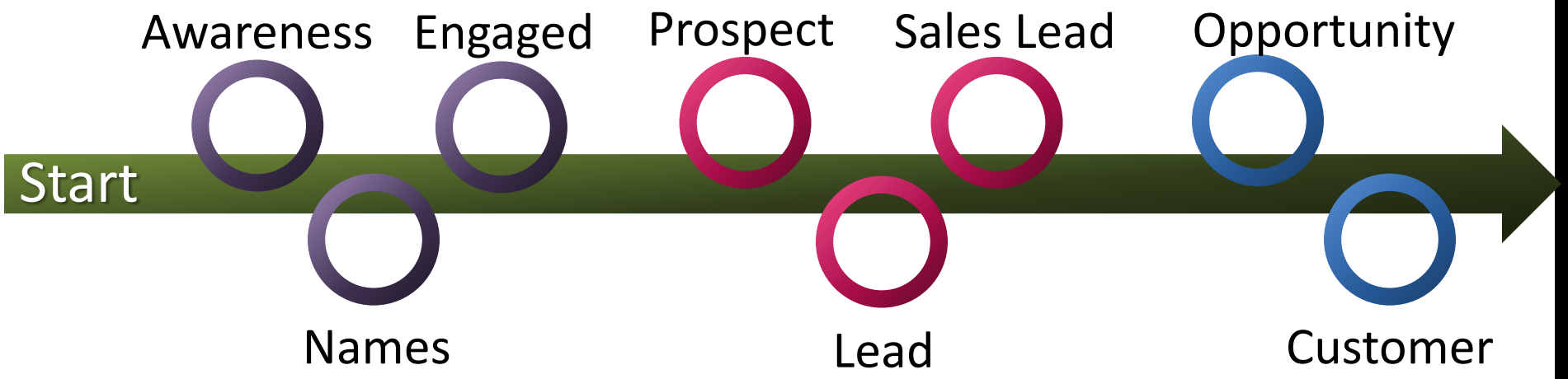
Sales-ready?

High-quality lead?

More “sales-ready” requests drive higher CPL

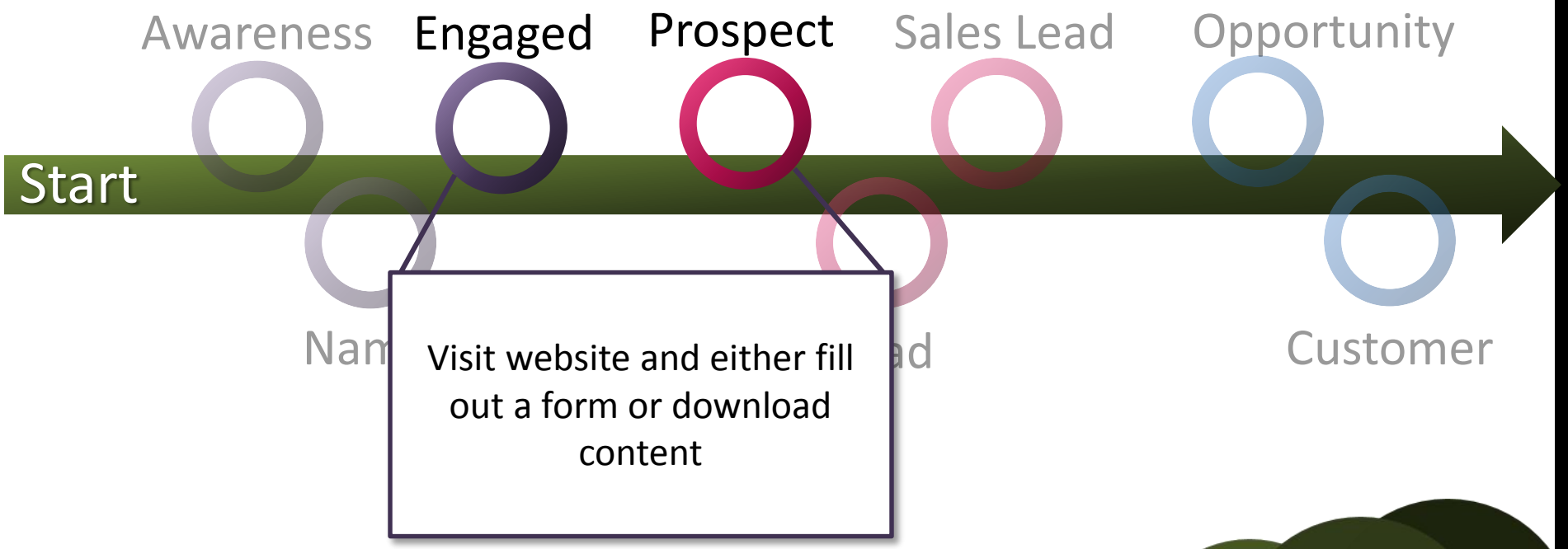
Agree with Sales on a definition AND follow up – Feedback mandate

It’s a prospect, not a lead



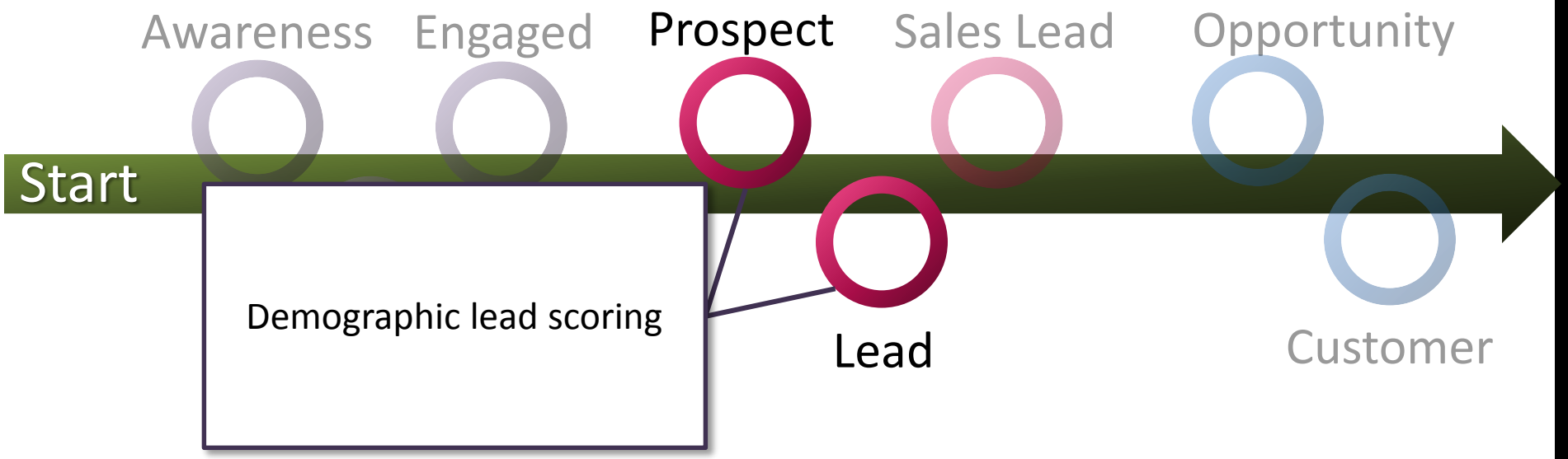
marketingsherpa
lead gen summit 2013

It’s a prospect, not a lead



marketingsherpa
lead gen summit 2013

It’s a prospect, not a lead



marketingsherpa
lead gen summit 2013

Lead Cost

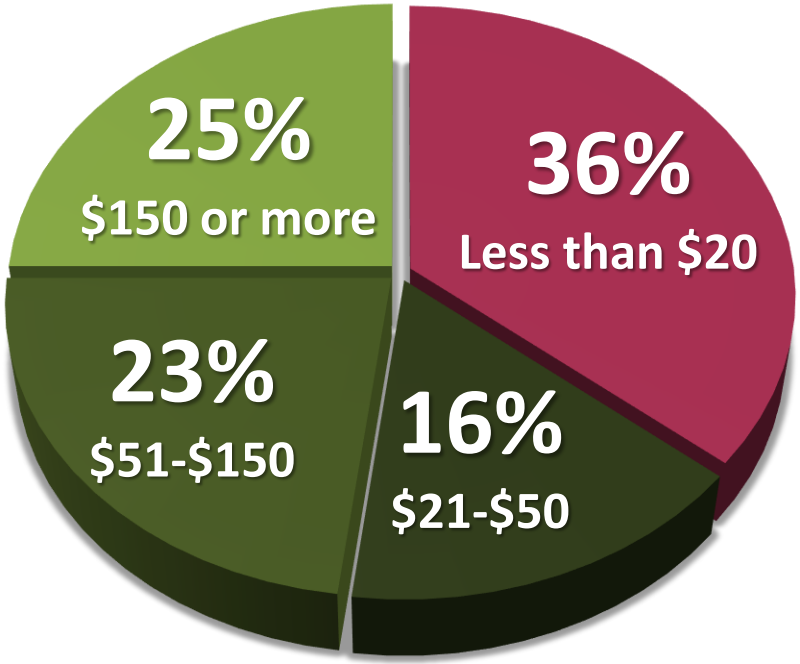
Define

What are the costs that should go into the calculation of cost-per-lead?

marketingsherpa
lead gen summit 2013

Chart: Can you get a high-quality lead for $20?

Define



Source: ©2011 MarketingSherpa B2B Marketing Benchmark Survey Methodology: Fielded June 2011, N=1,745

Defining a Lead: Some statistics

Define

40% of B2B buyers had their first contact with a solution provider **after actively downloading/interacting with content from its website**. (Demand Gen Report)

Vendors involved in the early phases of the buying process (before contact has been made with the prospect) **will close the sale 65% of the time.** (Forrester Research)

More than 90% of B2B purchases **started with content engagement.** (Demand Gen Report)

Calculating lead costs

Define

> "The cost of a lead is no longer buying leads on the market or a webinar attendee – it's an aggregation of all of the costs that go into turning a prospect into a lifelong client."

Content Creation + **Marketing Costs** → **Costs-Per-Lead**

Cost-per-lead components

Evaluate

All-in solicit costs	Response capture costs	Fulfillment costs
• Creative, production, media (includes postage) • Include internal and external costs	• Websites, BRE entry, telemarketing (setup, training, etc.)	• Offers and premiums, pick-pack-ship costs

All marketing costs to produce "sales-ready" leads

Evaluating cost-per-lead

Define

Lower cost

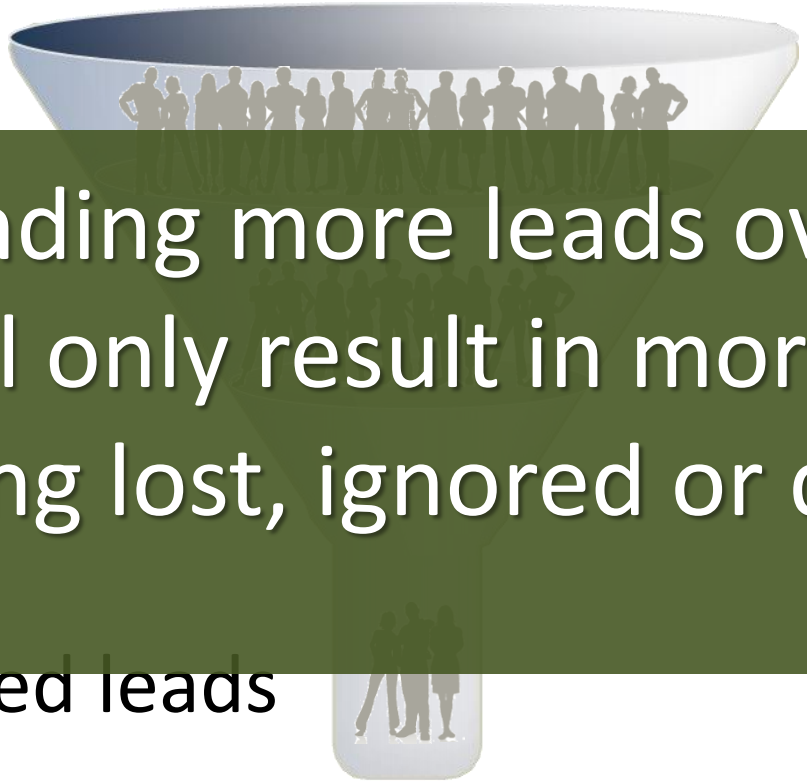
Higher qualified leads

#LeadGen2013

marketingsherpa
lead gen summit 2013

Evaluating cost-per-lead

Define



Lower cost

"Simply sending more leads over the fence to Sales will only result in more early stage leads being lost, ignored or discarded."

– Brian Carroll

Higher qualified leads

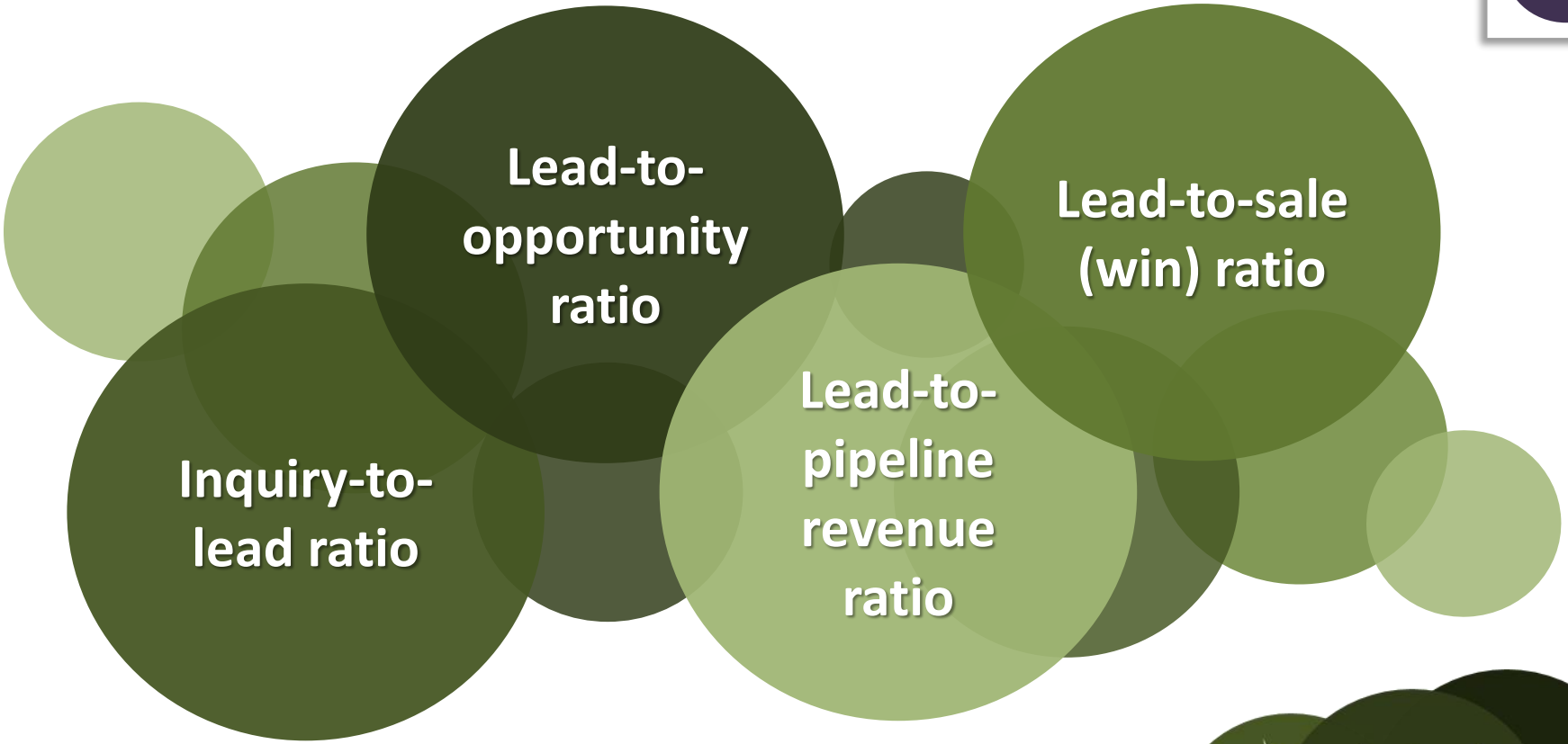
Metrics every marketer should track:

Define

1. Number of inquiries (people that raised their hand)
2. Number of leads (qualified as “sales-ready”)
3. Number of opportunities (leads that move to pipeline)
4. Number of closed sales (generated from marketing leads)

When you know those metrics you can track:

Define



When you know those metrics you can track:

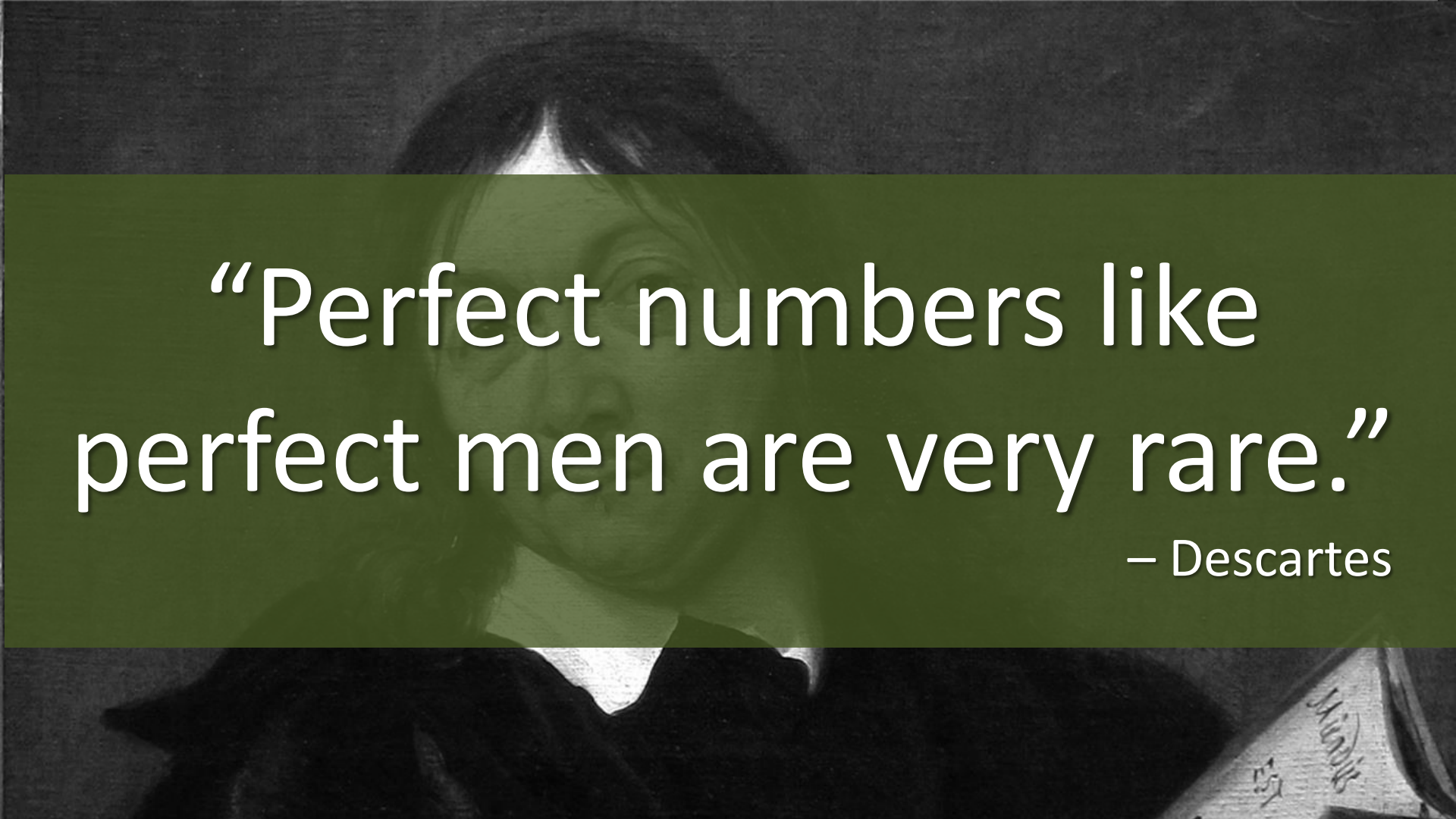
Define

"A value-driven mindset requires leaders and marketers to plan and budget for the long term and to take a more holistic view that goes beyond cost-per-lead budgets."

– Brian Carroll

Evaluate

- Define a lead
- Evaluate costs
- Talk about lead costs



“Perfect numbers like perfect men are very rare.”

– Descartes

Lead Cost

Evaluate

What about costs related to leads purchased through media versus acquired through organic traffic?

Inbound marketing costs 61% LESS per lead than traditional outbound marketing

Evaluate

Outbound:
AVG COST/LEAD: $346

Inbound:
AVG COST/LEAD: $135

#LeadGen2013

Source: State of Inbound Marketing, Hubspot, March 2012

marketingsherpa lead gen summit 2013

Average Cost-Per-Lead by Vertical

Evaluate

	HR	Healthcare	Marketing	Technology
Average	$45	$65	$35	$43
Range	$25 - $57	$35 - $82	$20 - $43	$31 - $125

Each of the following elements will drive up the cost of a lead:

- Geographic Restrictions
- Job Titles
- Company Budget/Size
- Custom Questions (BANT Qualifying)

Data compiled from the Madison Logic Network, Jan 2012- June 2013

Case Study: Global provider of enterprise cloud services

Evaluate

Experiment ID: Cost-per-Lead: Intent vs. Filters
Testing Phase: Lead Generation

Research Notes:

Background: A data company promoted a white paper associated with the following topics: Business Analytics, Analytics Applications, Cloud Computing, Risk Management, Analytical Applications, Business Technology, Security Policies, Application Security.

Objective: Determine if strict filters for job titles are necessary for lead volume

Primary Research Question: Which form will provide high-quality leads at a low cost?

Test Design: A/B split test

Global provider of enterprise cloud services

Evaluate

	Filtered Campaign*	Non-Filtered Campaign*	Compared
Titles	Senior Management Executive Management CIO/CTO/CSO IT Department Manager Technology Director Network Systems Administrator Developmental Project Management Systems Analyst Software/Tech Engineer/Developers Other IT/IS Tech Professional	N/A	80% match in job titles
CPL	$42.00	$20.00	-52%

*Both campaigns were filtered for companies of 250+, with matched results

Global provider of enterprise cloud services

Evaluate

	Filtered Campaign*	Non-Filtered Campaign*	Compared
Titles	Executive Management CIO/CTO/CSO IT Department Manager Network Systems Administrator Developmental Project Management Software/Tech Engineer/Developers Other IT/IS Tech Professional	n/a	job titles
CPL	$42.00	$20.00	-52%

The non-filtered campaign generated intent-qualified leads from **6 *additional* job titles** that were originally restricted by the filtered campaign.

*Both campaigns were filtered for companies of 250+

Results: Global provider of enterprise cloud services

Evaluate

35% Increase in Leads Generated

with a 52% reduction in cost-per-lead

Design	Leads Generated	Cost/Lead
Control – Strict filters for job titles	375	$42
Treatment – No filters for job titles	506	$20
Relative Difference	**35%**	**-52%**

! There was 4x greater campaign reach with the treatment

Lead Cost

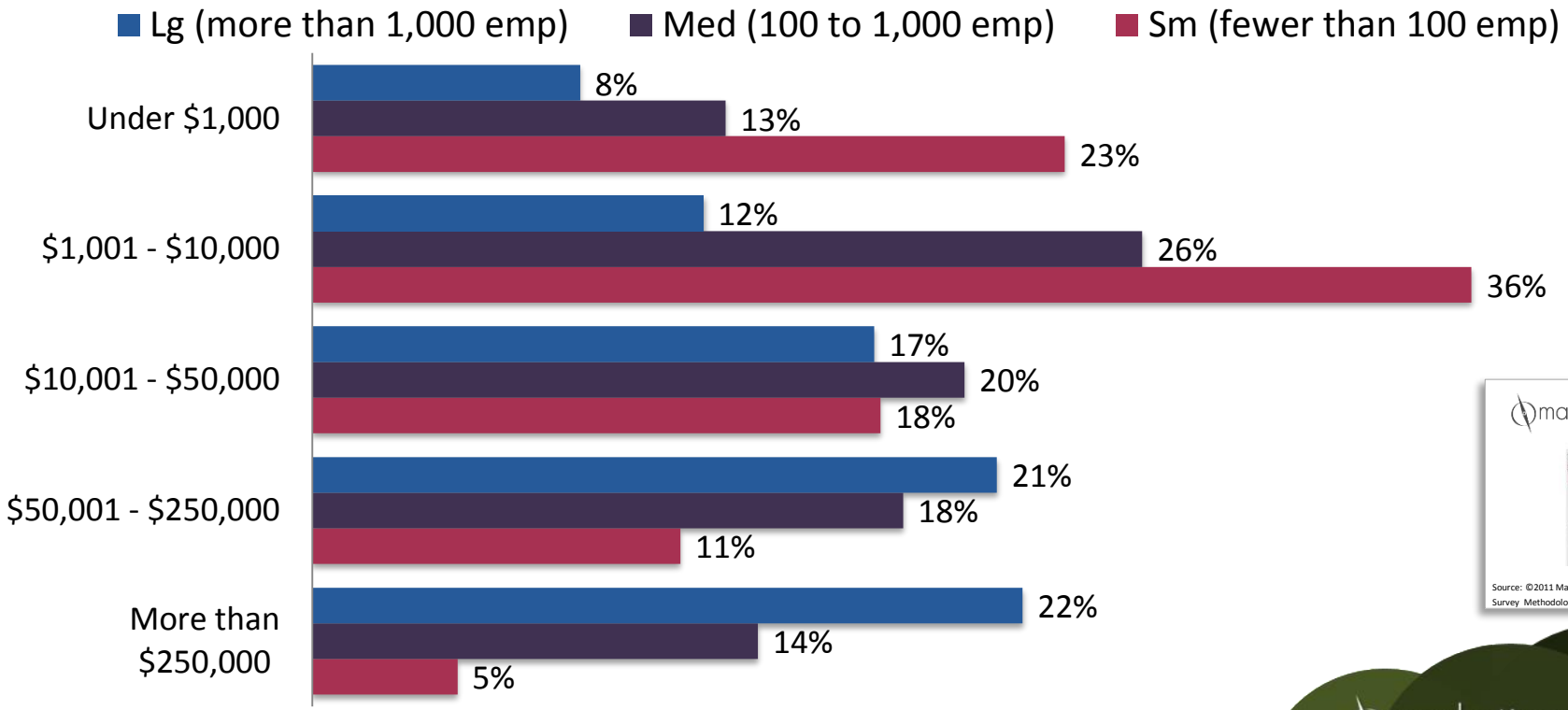
Evaluate

How should marketers think about deal size when evaluating lead costs?

Chart: Average B2B deal sizes by organization size

Evaluate

Q: *What is the amount of your organization's average sale?*



#LeadGen2013

marketingsherpa lead gen summit 2013

Lead Cost

Evaluate

How should marketers think about the lifetime value of a prospect in relation to lead costs?

Traditional Lifetime Value Calculations

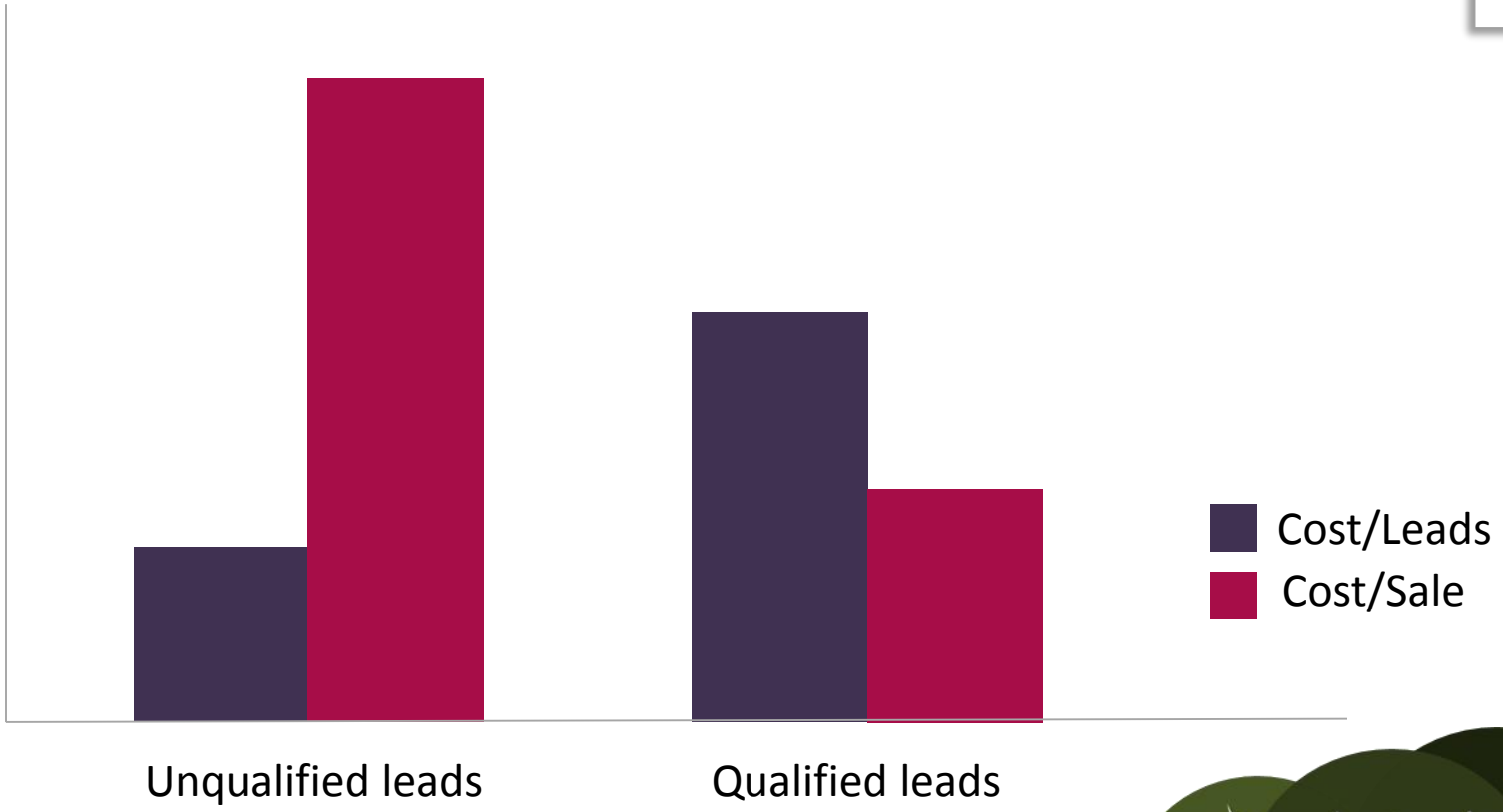
Evaluate

Average **value of sale** × Number of **repeat transactions** × Average **retention time** = Lifetime Value

marketingsherpa
lead gen summit 2013

Leads Must be “Qualified” to be Worthwhile

Evaluate



How to Calculate Your True Cost-per-Lead (Josephson, 2013)

Lead Cost

Evaluate

What role does brand play in lead costs?

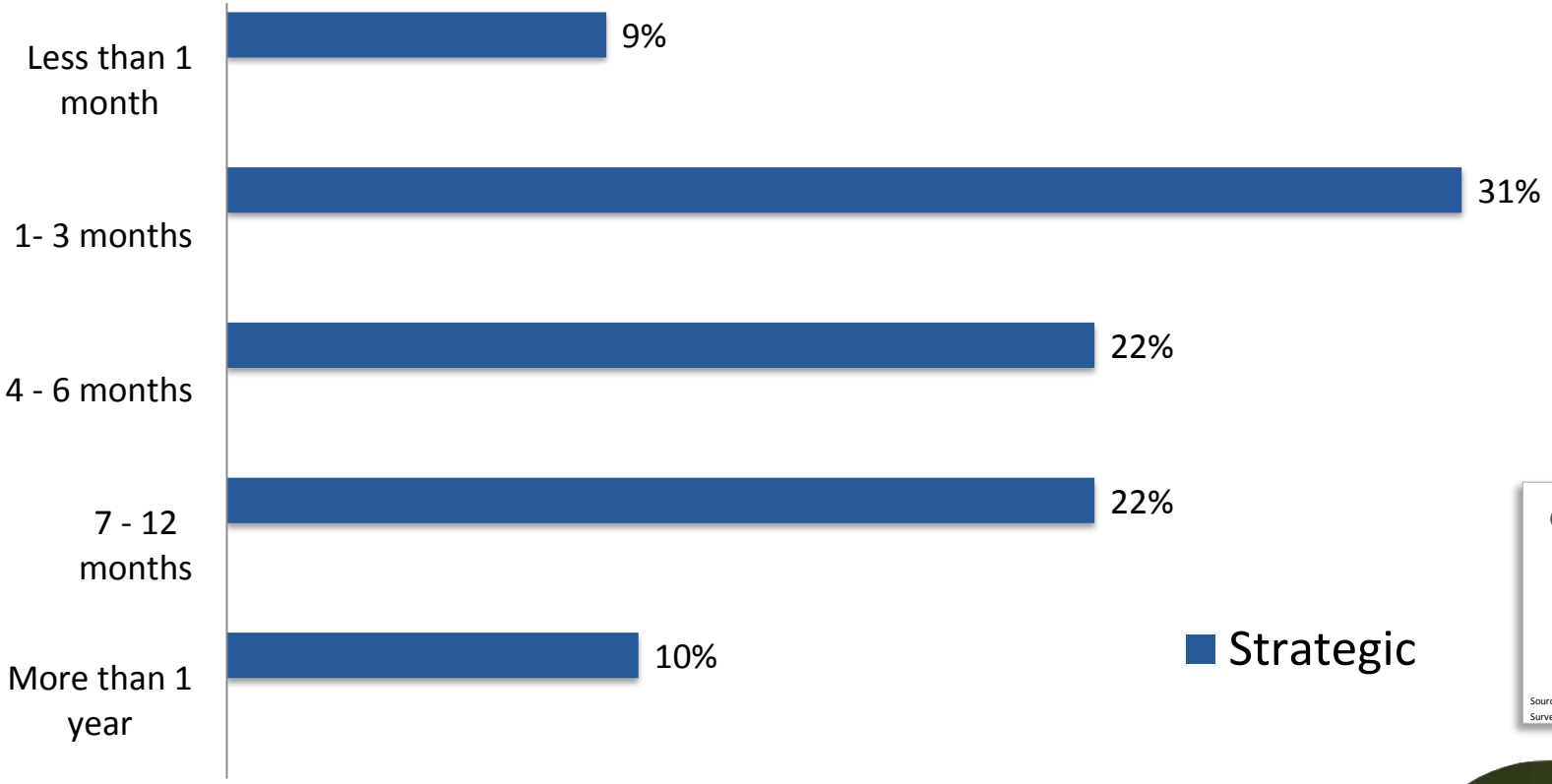
Lead Cost

Evaluate

What other factors should marketers consider when evaluating lead costs?

Average length of B2B sales cycle by lead generation maturity

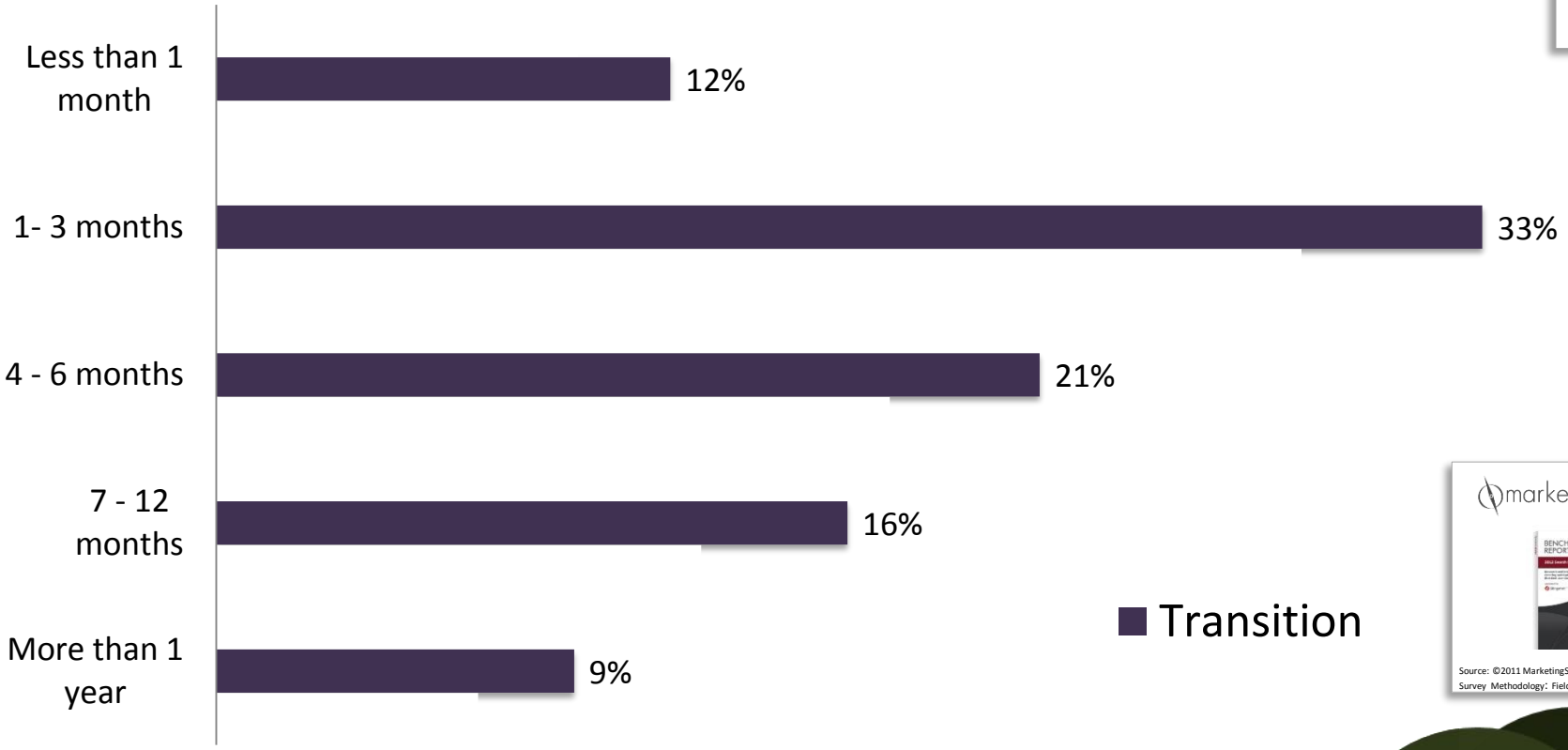
Evaluate



Source: ©2011 MarketingSherpa B2B Marketing Benchmark Survey Methodology: Fielded June 2011, N=1,745

Average length of B2B sales cycle by lead generation maturity

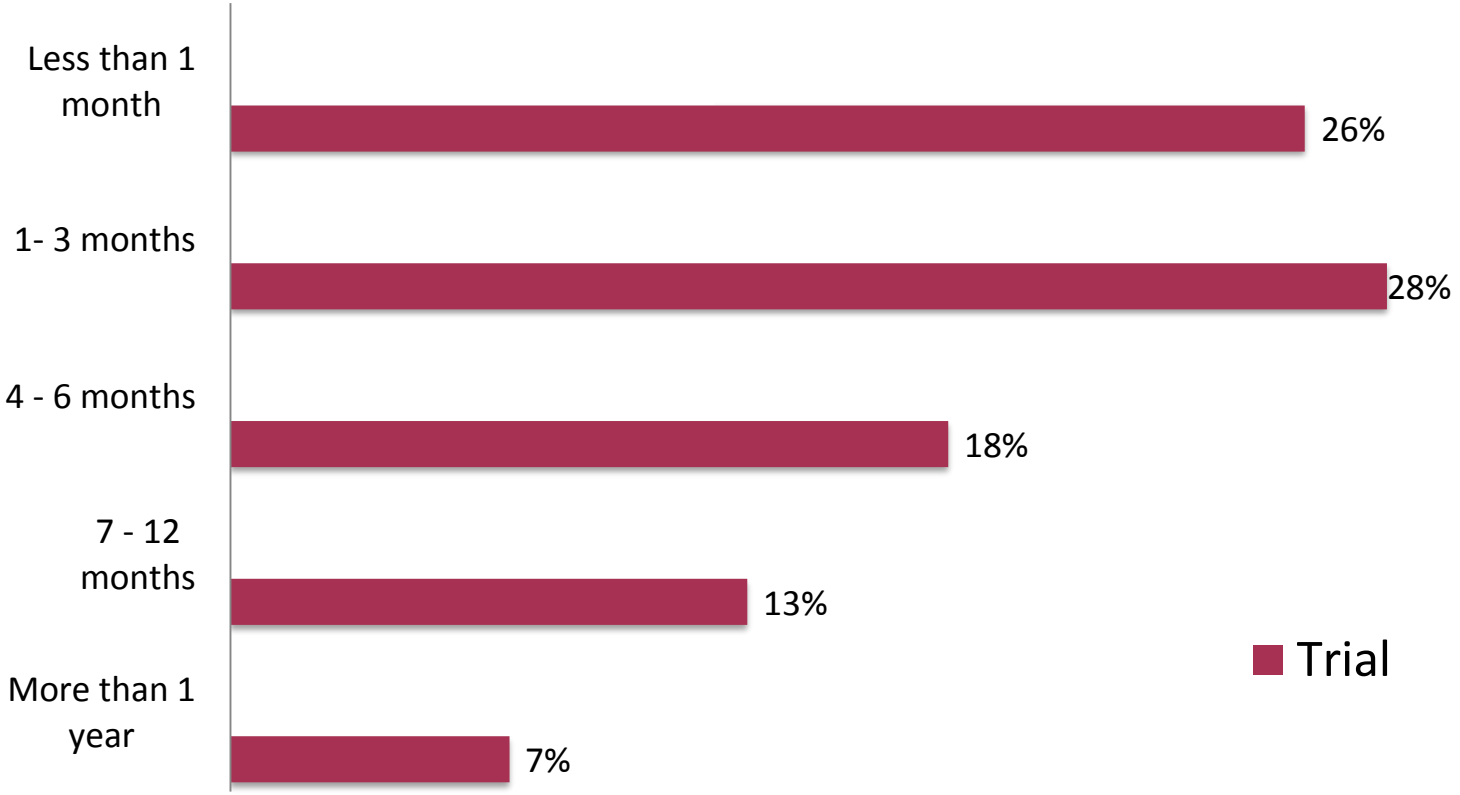
Evaluate



Source: ©2011 MarketingSherpa B2B Marketing Benchmark Survey Methodology: Fielded June 2011, N=1,745

Average length of B2B sales cycle by lead generation maturity

Evaluate



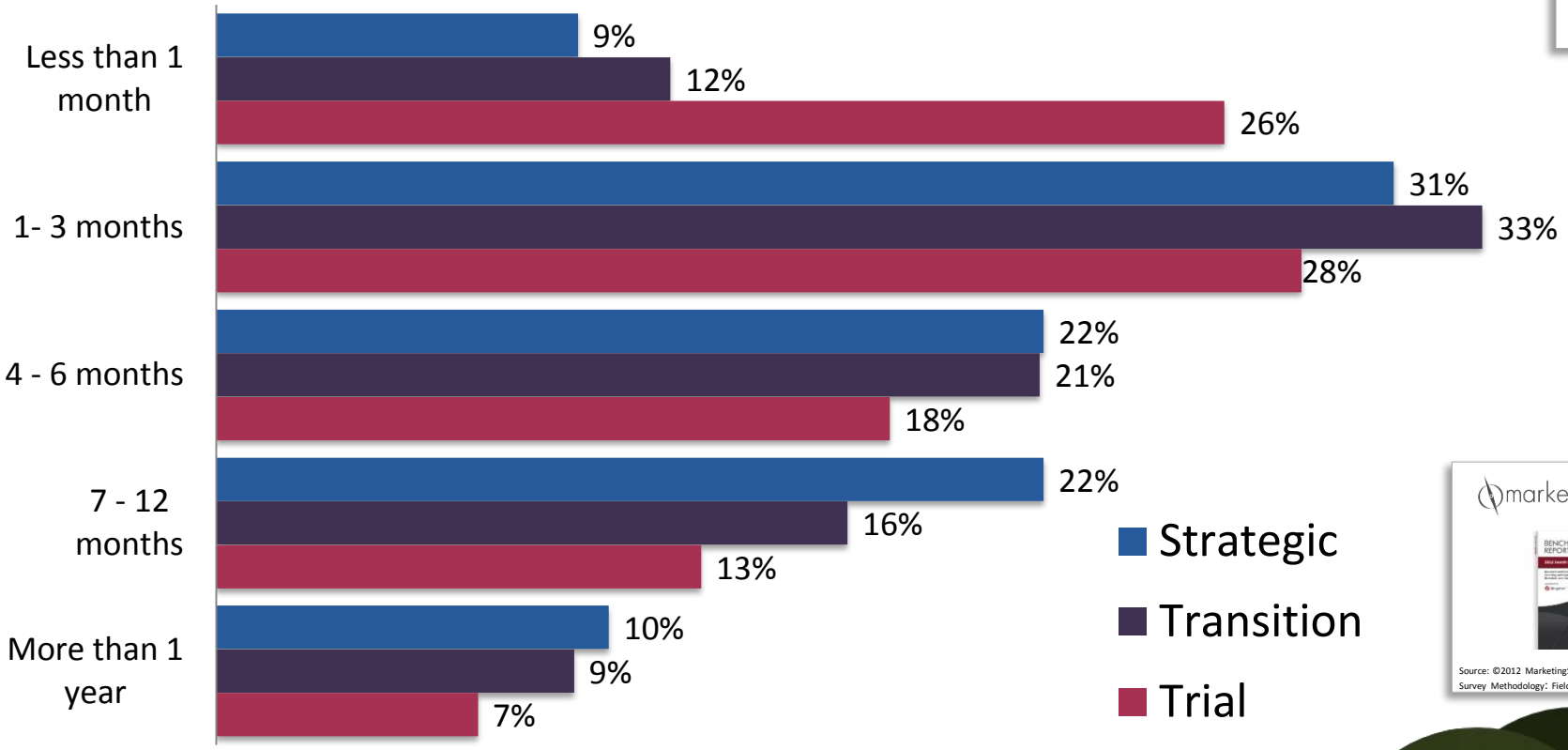
Source: ©2011 MarketingSherpa B2B Marketing Benchmark Survey Methodology: Fielded June 2011, N=1,745

#LeadGen2013

marketingsherpa lead gen summit 2013

Average length of B2B sales cycle by lead generation maturity

Evaluate



Source: ©2012 MarketingSherpa B2B Marketing Benchmark Survey Methodology: Fielded June 2011, N=1,745

Cost vs. Quality

Evaluate

What are the most important things marketers should do to reduce lead costs without reducing lead quality?

The Cost of a Click

Evaluate

LinkedIn

Lighting Audit Software
Free 30-day trial of ecoInsight's lighting audit and analysis software

From: ecoInsight, Inc.

Google AdWords

Free Energy Audit Apps
Revolutionizing energy audits with mobile and web-based software.
www.ecoinsight.com

The Cost of a Click

Evaluate

0.67% CTR

2.29% CTR

The Cost of a Click

Evaluate

LinkedIn	0.67% CTR	25% conversion rate
Google AdWords	2.29% CTR	8% conversion rate

The Cost of a Click

Evaluate

LinkedIn	0.67% CTR	25% conversion rate	$24 per sign-up
Google AdWords	2.29% CTR	8% conversion rate	$70 per sign-up

The Cost of a Click

Evaluate

You need to look at all of the metrics

LinkedIn	0.57% CTR	2% conversion rate	$24 per sign up
Google AdWords	2.29% CTR	8% conversion rate	$70 per sign up

Common Mistakes

Evaluate

What are the most common mistakes marketers make that impact lead costs?

Common Mistakes

Evaluate

Poor data capture

- Too much product content
- Lack of an offer strategy
- Poor capacity planning
- Too much product content
- Lack of an offer strategy
- Poor capacity planning

Inability to attribute cause and effect

Common Mistakes

Evaluate

Poor data capture

Too much product content

Lack of an offer strategy

Poor capacity planning

Too much product content

Lack of an offer strategy

Poor capacity planning

Not enough focus on selling the offer

Common Mistakes

Evaluate

Poor data capture

Too much product content

Lack of offer strategy

Poor capacity planning

Too much product content

Lack of an offer strategy

Poor capacity planning

Vital for long duration or complex sales

Common Mistakes

Evaluate

Poor data capture

Too much product content

Lack of an offer strategy

Poor capacity planning

Too much product content

Lack of an offer strategy

Poor capacity planning

Abandoned calls or deluged sites

Common Mistakes

Evaluate

Poor data capture

Too much product content

Lack of an offer strategy

Poor capacity planning

Cursory list or media work

Lack of an offer strategy

Poor capacity planning

One list, one outlet is not enough

Common Mistakes

Evaluate

- Poor data capture
- Too much product content
- Lack of an offer strategy
- Poor capacity planning
- Too much product content
- **Lack of ongoing testing**
- Poor capacity planning

Finding and beating controls is a must

Common Mistakes

Evaluate

- Poor data capture
- Too much product content
- Lack of an offer strategy
- Poor capacity planning
- Too much product content
- Lack of an offer strategy

Lack of mobile enablement

Speaks volumes about your solutions

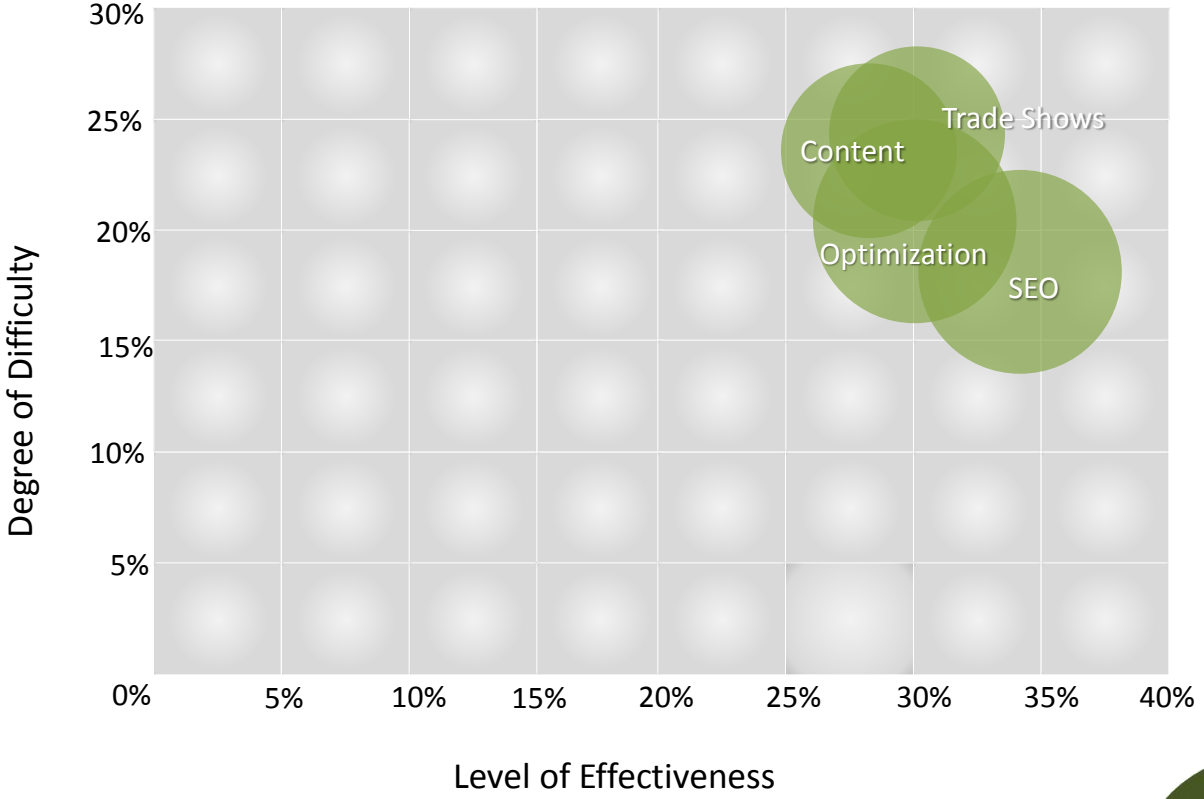
Marketing Channels

Evaluate

Which marketing channels have you had the most success with for generating leads?

Chart: Inbound or outbound

Degree of difficulty not affecting use of effective tactics



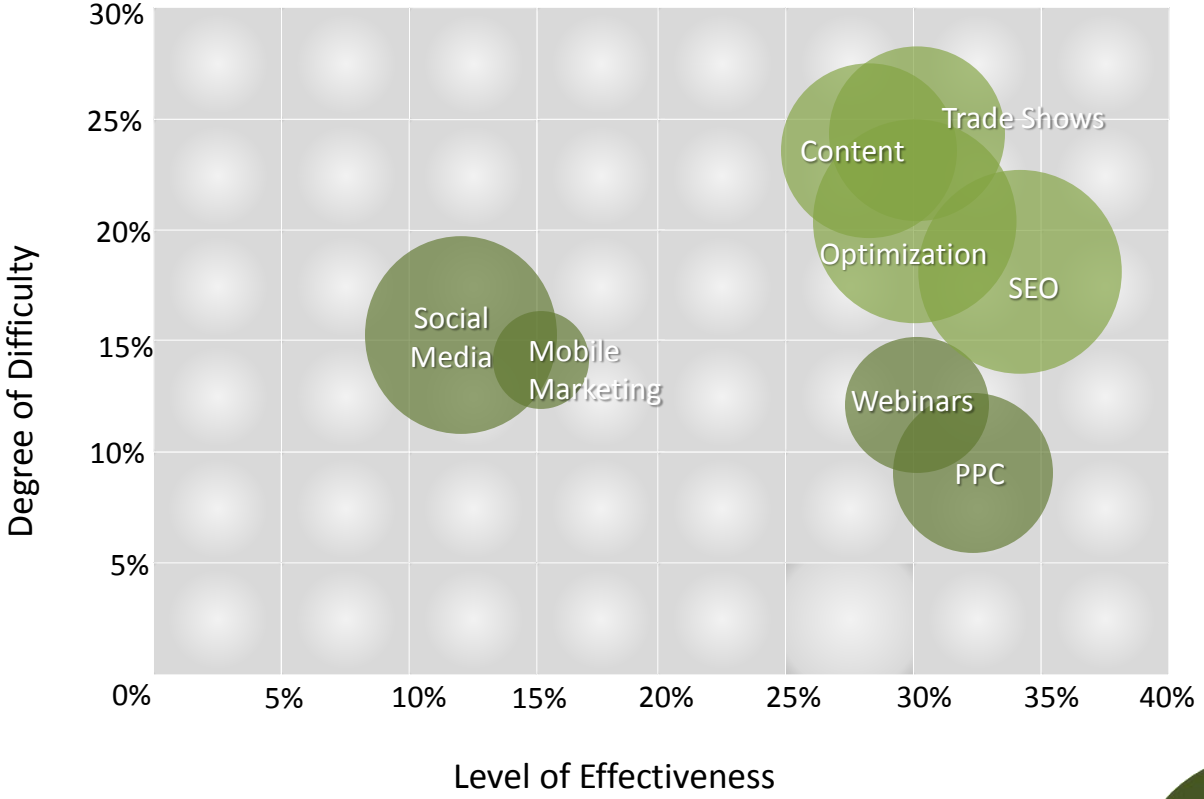
Evaluate

#LeadGen2013

marketingsherpa lead gen summit 2013

Chart: Inbound or outbound

Degree of difficulty not affecting use of effective tactics



Source: ©2011 MarketingSherpa B2B Marketing Benchmark Survey Methodology: Fielded June 2011, N=1,745

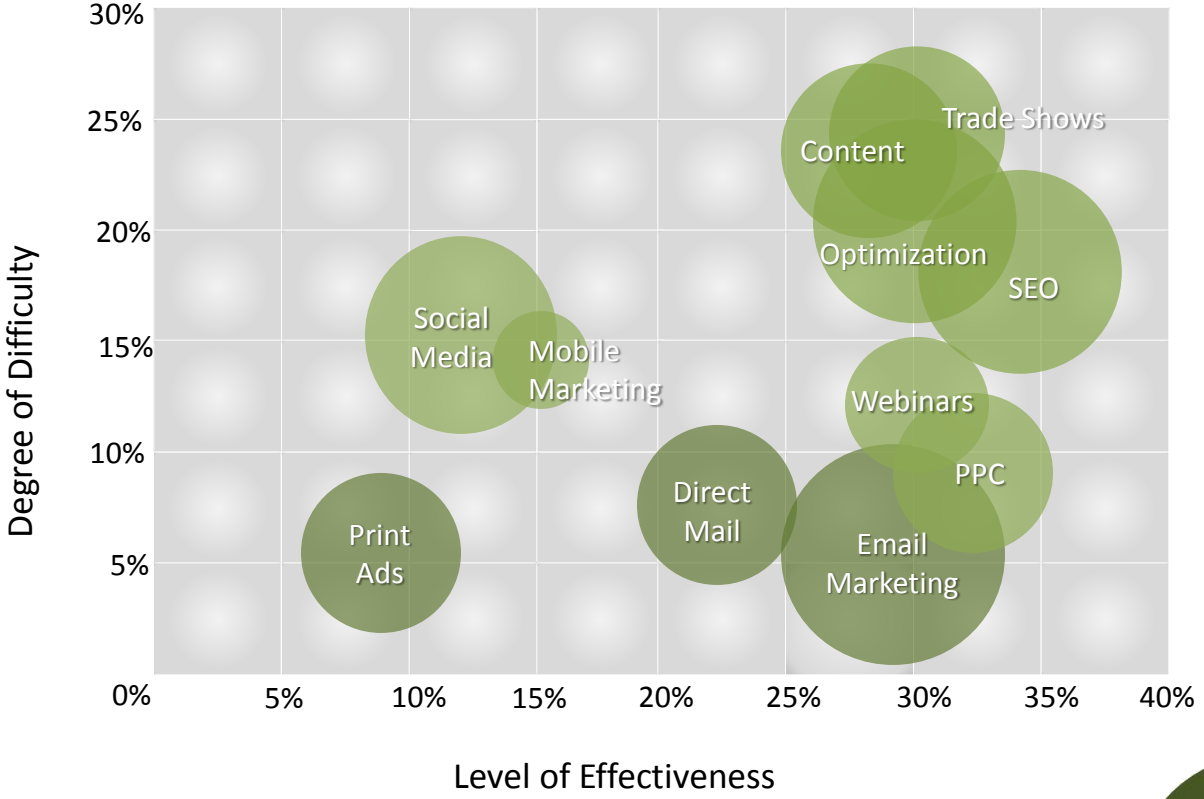
Evaluate

#LeadGen2013

marketingsherpa lead gen summit 2013

Chart: Inbound or outbound

Degree of difficulty not affecting use of effective tactics



Evaluate

#LeadGen2013

marketingsherpa lead gen summit 2013

CPL Considerations: Media mix

Evaluate

Effective programs involve multiple marketing vehicles

Reach your audience where they live, work and play

Look at CPL by vehicle AND average across all verticals

Media Mix Review for Healthcare Company

Evaluate

Vehicle	CPS	Qty	Budget	Resp Rate	Resp Qty	CPR	Lead Rate	Leads	CPL	Mbr. Rate	Mbrs.	CPM
Direct Mail												
Mail: 3 pkgs	$0.45	2,055,000	$931,600	1.15%	23,633	$39	90%	21,270	$44	15%	3,190	$292

Direct Mail
CPL: $44

marketingsherpa
lead gen summit 2013

Media Mix Review for Healthcare Company

Evaluate

Vehicle	CPS	Qty	Budget	Resp Rate	Resp Qty	CPR	Lead Rate	Leads	CPL	Mbr. Rate	Mbrs.	CPM
Direct Mail												
Mail: 3 pkgs	$0.45	2,055,000	$931,600	1.15%	23,633	$39	90%	21,270	$44	15%	3,190	$292
DRTV				Calls/Spot								
60s Spot	$196	2,800	$550,000	2	5,600	$94	85%	4,760	$116	15%	714	$770

DRTV: CPL $116

marketingsherpa lead gen summit 2013

Media Mix Review for Healthcare Company

Evaluate

Vehicle	CPS	Qty	Budget	Resp Rate	Resp Qty	CPR	Lead Rate	Leads	CPL	Mbr. Rate	Mbrs.	CPM
Direct Mail												
Mail: 3 pkgs	**$0.45**	**2,055,000**	**$931**					**2,270**	**$44**	**15%**	**3,190**	**$292**
DRTV					Calls/Spot							
60s Spot	**$196**	**2,800**	**$550**			**$94**	**85%**	**760**	**$116**	**15%**	**714**	**$770**
Digital		Clicks			Converts							
Search	$5.50	7,556	$41	8.0%	604	$69	85%	514	$81	15%	77	$539
Email	$1.65	30,000	$49			$37	85%	148	$43	15%	172	$288
Display	$4.33	9,800	$42	3.0%	294	$144	85%	250	$170	15%	37	$1,132
Mobile Display	$1.24	47,690	$59					101	$584	15%	15	$3,890
Digital		**95,046**	**$192**			**$81**		**2,013**	**$96**	**15%**	**302**	**$638**

Digital: CPL

Search: $81

Email: $43

Display: $170

Mobile Display: $584

Total Avg: $96

Media Mix Review for Healthcare Company

Evaluate

Vehicle	CPS	Qty	Budget	Resp Rate	Resp Qty	CPR	Lead Rate	Leads	CPL	Mbr. Rate	Mbrs.	CPM
Direct Mail												
Mail: 3 pkgs	**$0.45**	**2,055,000**	**$931,600**	**1.15%**	**23,633**	**$39**	**90%**	**21,270**	**$44**	**15%**	**3,190**	**$292**
DRTV				Calls/Spot								
60s Spot	**$196**	**2,800**	**$550,000**	**2**	**5,600**	**$94**	**85%**	4,760	**$116**	**15%**	**714**	**$770**
Digital		Clicks			Converts							
Search	$5.50	7,556	$4					14	$81	15%	77	$539
Email	$1.65	30,000	$4					148	$43	15%	172	$288
Display	$4.33	9,800	$4	3.0%	294	$144	85%	250	$170	15%	37	$1,132
Mobile Display	$1.24	47,690	$5					101	$584	15%	15	$3,890
Digital		**95,046**	**$19**					**013**	**$96**	**15%**	**302**	**$638**
Inserts												
Newspaper	$0.22	1,041,000	$22					328	$172	15%	199	$1,438
Shared Mail	$0.12	1,200,000	$14	0.10%	1,200	$120	85%	1,020	$141	15%	153	$1,176
Inserts	**$0.17**	**2,241,000**	**$373,620**	**0.12%**	**2,762**	**$135**	**85%**	**2,347**	**$159**	**15%**	352	**$1,126**

Inserts: CPL

Newspaper: $172

Shared Mail: $141

Inserts Avg: $159

marketingsherpa lead gen summit 2013

Media Mix Review for Healthcare Company

Evaluate

Vehicle	CPS	Qty	Budget	Resp Rate	Resp Qty	CPR	Lead Rate	Leads	CPL	Mbr. Rate	Mbrs.	CPM
Direct Mail												
Mail: 3 pkgs	**$0.45**	**2,055,000**	**$931,600**	**1.15%**	**23,633**	**$39**	**90%**	**21,270**	**$44**	**15%**	**3,190**	**$292**
DRTV				Calls/Spot								
60s Spot	**$196**	**2,800**	**$550,000**	**2**	**5,600**	**$94**	**85%**	4,760	**$116**	**15%**	**714**	**$770**
Digital		Clicks			Converts							
Search	$5.50	7,556	$41,558	8.0%	604	$69	85%	514	$81	15%	77	$539
Email	$1.65	30,000	$49,500	4.5%	1,350	$37	85%	1,148	$43	15%	172	$288
Display	$4.33	9,800	$42,434	3.0%	294	$144	85%	250	$170	15%	37	$1,132
Mobile Display	$1.24	47,690	[illegible]	0.25%	119	$4[illegible]	[illegible]%	101	$584	15%	15	$3,890
Digital		**95,046**	[illegible]	2.45%	2,368	$8[illegible]	85%	2,013	**$96**	**15%**	**302**	**$638**
Inserts												
Newspaper	$0.22	1,041,000	$229,020	0.15%	1,562	$147	85%	1,328	$172	15%	199	$1,438
Shared Mail	$0.12	1,200,000	$144,000	0.10%	1,200	$120	85%	1,020	$141	15%	153	$1,176
Inserts	**$0.17**	**2,241,000**	**$373,020**	**0.12%**	**2,762**	**$135**	**85%**	**2,347**	**$159**	**15%**	352	**$1,126**
Total	**$0.48**	**4,306,356**	**$2,047,248**	**0.80%**	**34,363**	**$60**	**89%**	**30,389**	**$67**	**15%**	**4,558**	**$449**

Avg CPL: $67

#LeadGen2013

marketingsherpa lead gen summit 2013

Media Mix Review for Healthcare Company

Evaluate

Vehicle	CPS	Qty	Budget	Resp Rate	Resp Qty	CPR	Lead Rate	Leads	CPL	Mbr. Rate	Mbrs.	CPM
Direct Mail												
Mailing	$0.55	2,000,000	$1,100,000	0.60%	12,000	$92	85%	10,200	$108	15%	1,530	$719
DRTV					Calls/Spot							
60s Spot	$196	2,250	$550,000	2.10%	47,250	$12	85%	4,760	$116	15%	714	$770
Digital		Clicks			Converts							
Search	$5.50	7,556	$41,558	8.0%	604	$69	85%	514	$81	15%	77	$539
Email	$1.65	30,000	$49,500	4.5%	1,350	$37	85%	1,148	$43	15%	172	$288
Display	$4.33	9,750	$42,434	3.0%	292	$144	85%	250	$170	15%	38	$1,132
Affiliate	$0.50	50,000	$25,000	1.0%	500	$50	85%	425	$59	15%	64	$392
Digital		**95,046**	**$192,628**	**2.49%**	**2,368**	**$81**	**85%**	**2,013**	**$96**	**15%**	**302**	**$638**
Inserts												
Shared Mail	$0.12	1,200,000	$144,000	0.10%	1,200	$120	85%	1,020	$141	15%	153	$1,176
Inserts	**$0.17**	**2,241,000**	**$373,020**	**0.12%**	**2,762**	**$135**	**85%**	**2,347**	**$159**	**15%**	352	**$1,126**
Total	**$0.48**	**4,306,356**	**$2,047,248**	**0.80%**	**34,363**	**$60**	**89%**	**30,389**	**$67**	**15%**	**4,558**	**$449**

Reality check: Can we hit our quantity or cost-per-sale objectives within budget?

Stakeholder alignment: Reaching goals may require reallocation from historical approach.

Case Study: Software company tests field length

Evaluate

Experiment ID: Marketing automation company
Testing Phase: Form field optimization

Research Notes:

Background: Company incentivizes users to fill out forms with high-quality content.

Objective: Get the most information, while reducing overall lead gen costs.

Primary Research Question: Which number of fields will generate the most information at the lowest cost?

Test Design: A/B/C split test

Treatments

Evaluate

Treatment A

First Name: *
Last Name: *
Work Email: *
Job Function: * Choose One
Company: *

5 Fields

Treatment B

First Name: *
Last Name: *
Work Email: *
Company: *
Job Function: * Select
Employees: * Select
Industry: * Advertising & Media

7 Fields

Treatment C

First Name: *
Last Name: *
Work Email: *
Work Phone: *
Company: *
Job Function: * Select
Employees: * Select
CRM System: * Select
Industry: * Advertising & Media

9 Fields

Results

Evaluate

34% Increase in Conversion Rate

25% reduction in lead costs

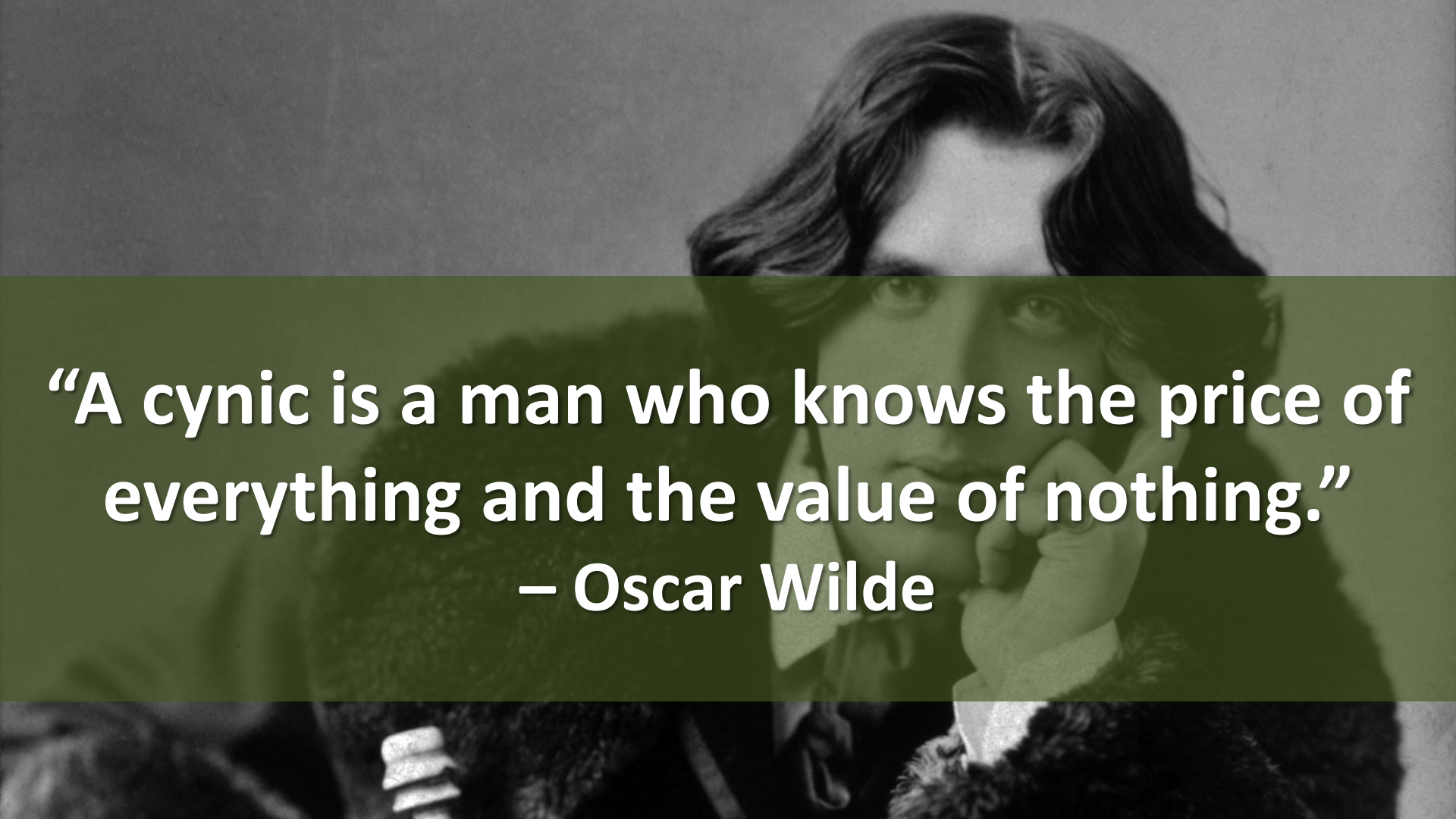
Design	Cost-per-lead	Relative Diff.	Conv. Rate	Relative Diff.
9-field form	$41.90	----	10.0%	----
7-field form	$34.94	-16.6%	12.0%	20%
5-field form	$31.24	**-25%**	13.4%	**34%**

! Shorter forms are more effective in getting Web visitors to complete registration, more value from higher conversion rate and appending data.

Talk

- Define a lead
- Evaluate costs
- Talk about lead costs

marketingsherpa
lead gen summit 2013


“A cynic is a man who knows the price of everything and the value of nothing.”
– Oscar Wilde

Tell your boss…

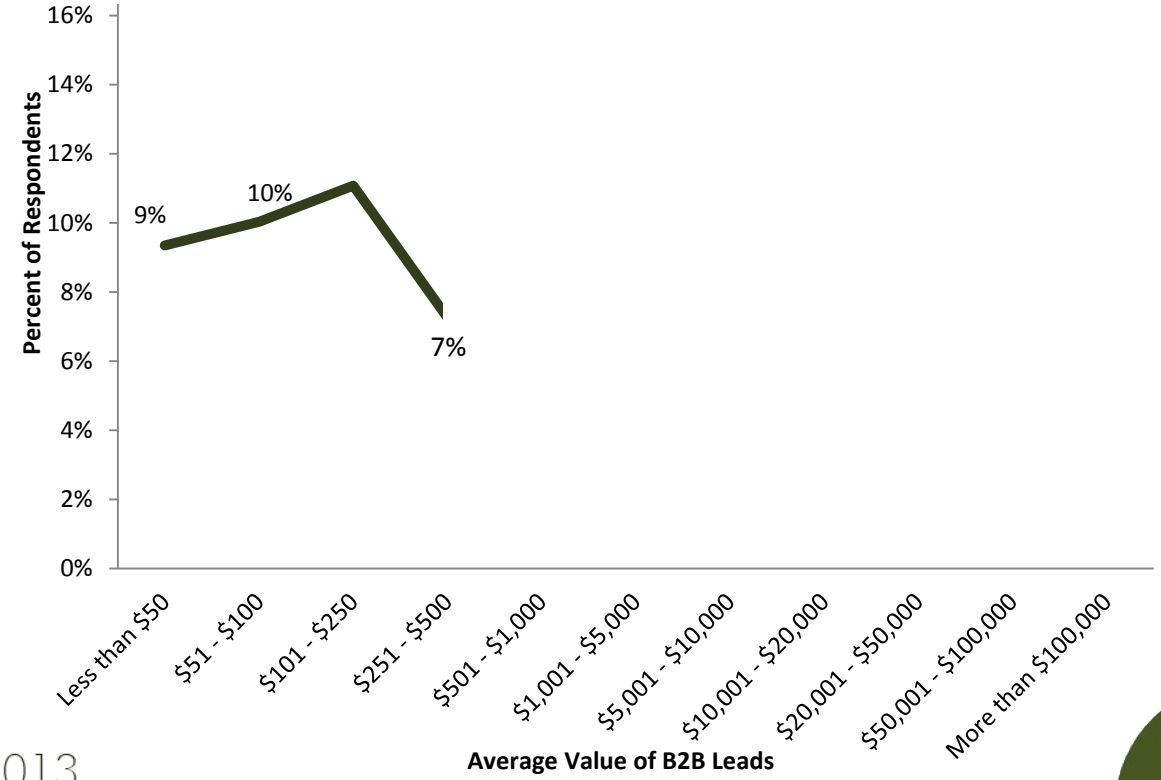
Talk

What should marketers tell the CEO and CFO about lead costs?

marketingsherpa
lead gen summit 2013

Chart: Average value for B2B leads

Select the range that represents the estimated DOLLAR VALUE of one qualified lead to your organization (i.e., what is the revenue contribution of each qualified lead?)



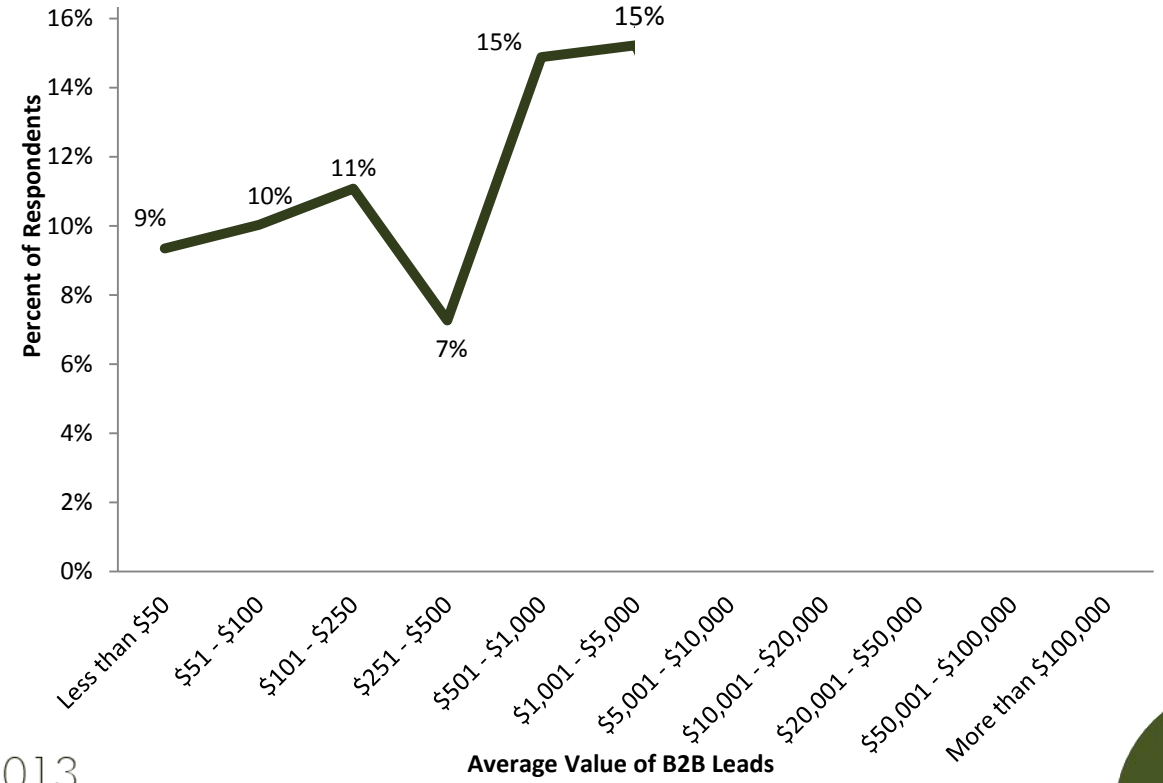
Talk

Source: ©2011 MarketingSherpa B2B Marketing Benchmark Survey Methodology: Fielded June 2011, N=1,745

Chart: Average value for B2B leads

Talk

Select the range that represents the estimated DOLLAR VALUE of one qualified lead to your organization (i.e., what is the revenue contribution of each qualified lead?)



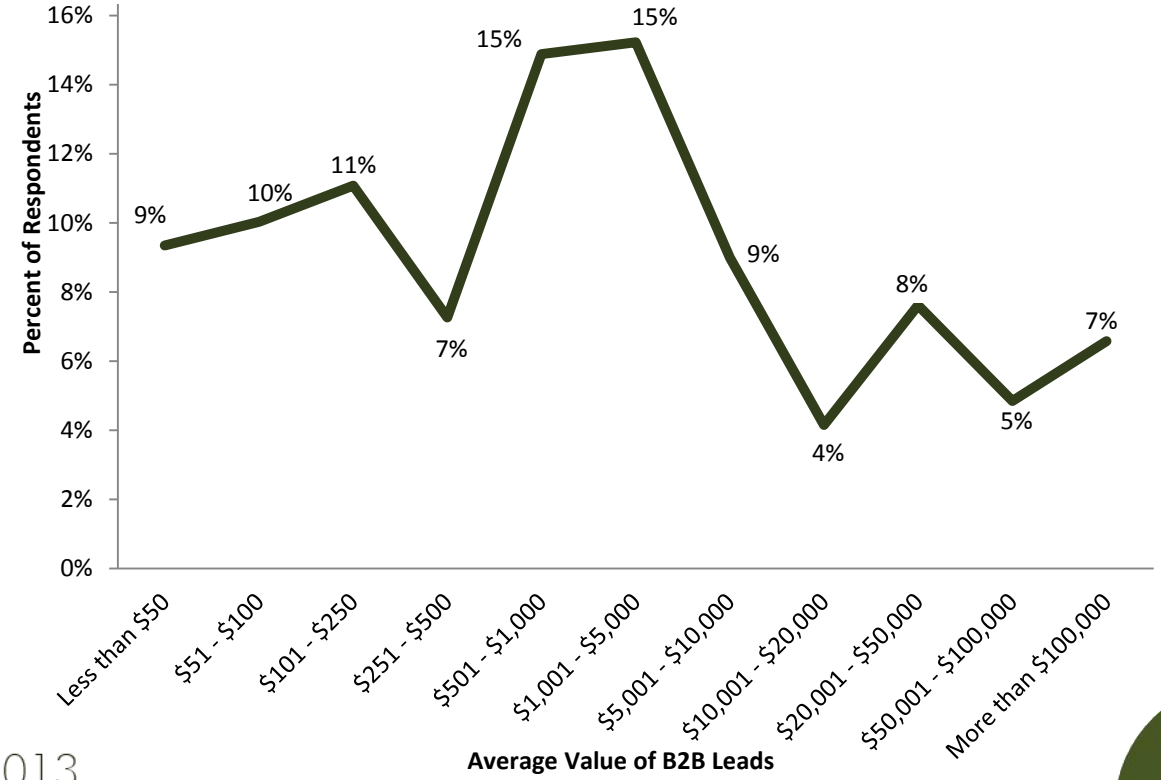
#LeadGen2013

marketingsherpa lead gen summit 2013

Chart: Average value for B2B leads

Talk

Select the range that represents the estimated DOLLAR VALUE of one qualified lead to your organization (i.e., what is the revenue contribution of each qualified lead?)



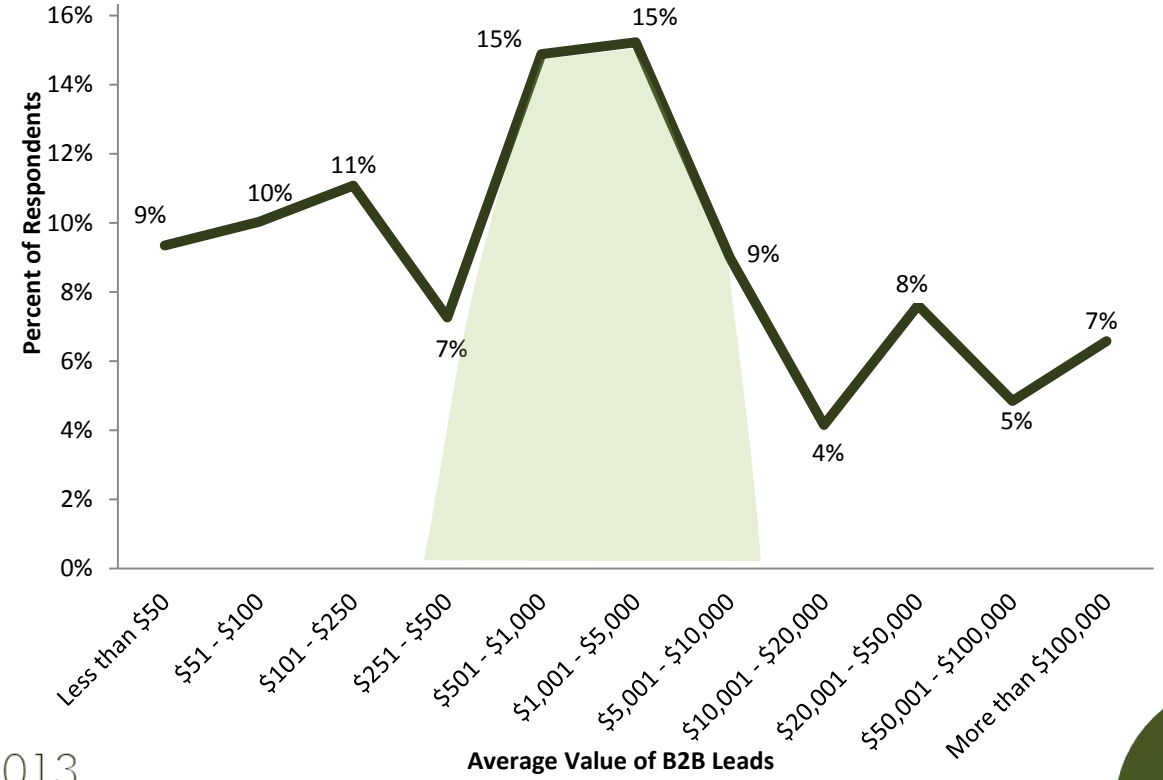
#LeadGen2013

marketingsherpa lead gen summit 2013

Chart: Average value for B2B leads

Talk

Select the range that represents the estimated DOLLAR VALUE of one qualified lead to your organization (i.e., what is the revenue contribution of each qualified lead?)



#LeadGen2013

marketingsherpa lead gen summit 2013

What should marketers tell the CEO?

Evaluate

Purchasing decision makers can be **upwards of 10 people**, not just the C-level who signs off on the deal.

— Aberdeen

Tell Sales leaders…

Talk

For B2B marketers, what should marketing say about lead costs to Sales leaders?

Important developments

Talk

In the last couple of years, what are the most important developments affecting lead costs?

marketingsherpa
lead gen summit 2013

How to talk about lead costs

Talk

Work Backwards

Number/ Volume of sales and cost-per-sale	Response rate required to reach objective	Sales rate	Leads required to reach objective	Available audience to solicit/ cost

Consider the media mix, average sale size and complexity

Scale matters

Provide *pro-forma* projections

Thank You

Atri Chatterjee

CMO

Act-On Software

@atrichatt

Dave Walters

Product Evangelist

Silverpop

@_DaveWalters

Erik Matlick

CEO

Madison Logic

@ematlick

Tom Reid

Executive Director

Hacker Group