

The Cost of a Lead Gen Company

Lead generation has long been touted as a quick way to gain new business. The cost vs. yield curve for lead gen companies prove that they are both expensive and ineffective. We have taken a look at the real costs involved as well as the pitfalls. This document is designed to provide a more analytical case to help you better understand this market.

The Process and the Costs

Up-front work:

- Gathering and updating documentation
- Training to familiarize them with your company
- Document creation
- Messaging preparation
- Client identification

2 man weeks at \$400 per week \$8,000

Cost of lead gen service:

- Retainer Usually \$5–10K, average \$3,000/month

Ongoing:

- Messaging and documentation updates: 2 person-days per month
- Lead costs
 - o Qualified lead \$500
 - o Warm lead \$250
 - o Shown some interest \$150
- Staff review, qualification and selection of leads: 5 hours
- Staff contact leads 1 hour per lead
- Staff arranging appointments 2 hours per lead
- Researching prospective customers 1 hour per client
- Call with prospect 1 hour
- Staff follow-up 1 hour per lead

Total average cost per lead:

- Assuming 5 appointments per month
- Assuming \$100/hour burdened cost for in-house labor
- Lead gen basic monthly cost \$3,000 per month equals \$600 per lead
- 9 hours for staff research and appointment scheduling \$900 per lead

Total lead cost \$1,500

At this point you still do not have a highly qualified warm lead.

Lead gen companies...

- Represent many firms, and sometimes get confused re. who they are calling about.
- Use off-shore help that act as the face of your company. They portray your image.
- Give you no control over what they say and how they say it.
- Have an impression of a qualified lead which might not match yours.
- Reach contacts who are not decision makers. They rarely get to the CIO
- Generate as many leads as they can to get revenue for them.
 - o In most cases, they are not properly qualified and never vetted.
- Give you no idea as to prospect priorities.
- May give you a qualified lead, but the prospect still does not know you, and it's up to you to follow-up.

The Bottom Line

In today's market it is next to impossible to connect with the top decision makers with this type of model. Usually you will connect with someone several levels below them. This not only lessens your chances, but, it significantly lengthens the sales cycle and increases the cost of the sale. The world has changed, and it is now all about strong relationships and referenceable sales.

Quality outpaces quantity in this new market. Getting to the right person with the right match for their needs is what it's all about.

More Information

For more information on our revolutionary Pay-IT-Forward service, please visit our site at www.tac-int.com or contact us at mroderman@tac-int.com.