



# What Are Low-Cost Leads Really Costing You?

How false economies could be damaging your business

By Michael Box

## Water, water, everywhere, but not a drop to drink

**To fill their funnels, B2B marketers need leads—so much so that sometimes they are willing to forego quality in order to hit their targets.**

However, like an ocean of salt water, an ocean of bad leads can't quench your organization's thirst for new business. If leads don't convert, what's the point?

Yet B2B marketers have KPIs to hit, so they are constantly tempted to go with a cheap, high-volume approach. The cost may seem all but invisible, but remember, low-cost leads are low-cost for a reason—low quality. Buying low-quality leads that don't convert will end up costing your organization and can also result in hidden costs—damaging interdepartmental trust and brand reputation.

In this paper, we'll outline why low-cost leads may save you money in the short term, but ultimately it's your business that will end up paying the price in the long run. And at the conclusion, we'll provide a checklist of questions to ask lead providers before you buy to ensure quality.

### A meaningless KPI

The reason companies risk their very existence on low-cost leads is because they're driven by a meaningless KPI: cost per lead. To see how meaningless it is, imagine you're farming a cash crop. Which metric would best represent the health of your farm?

- a. Cost per seed
- b. Cost per yield

If you answered cost per seed, then perhaps I can interest you in some low-cost leads.

Cost per seed is a meaningless metric because cheap seeds produce poor yield (and famine) whereas high-quality seeds will produce a bountiful harvest. The metric that matters is cost per yield. In marketing terms, low-cost leads will produce a shortage of marketing-sourced pipeline and significantly impact your business. The real KPI that matters is **cost per conversion**.

### Finite demand does not support low-cost, high volume approaches

A B2B tech lead is an individual who has a need and is likely to be involved in the purchase of your product. Furthermore, they work in a role related to business technology with a focus in your product area and have directly opted in to receive your content and follow-on outreach.

“Before you're bamboozled by a fast-talking data vendor who tries to entice you with gigantic numbers, **do your homework.**”

— Mark Godley,  
CEO, LeadGenius

When you think about demand gen in these terms, it's clear there are a lot fewer "real" leads available than you may have thought. So if a third party claims to supply a high volume of leads at a low cost, then it follows that most of those "leads" are not really leads at all, but merely spreadsheets of compiled names masquerading as qualified prospects.

## How do you determine lead quality?

If you accept cost per conversion as one of the most meaningful business metrics to assess, you must determine if a lead provider has the quality leads that are likely to convert, and hence with lower cost per conversion and higher ROI. Here are a few things that are critical to understand when determining lead quality.

### Where are these leads sourced from?

High-quality leads are sourced in contextually relevant environments from buyers who have downloaded your content and specifically opted in to receive follow-up. Many low-cost leads have been sourced from contact lists scraped from the web and as a result may not have consented to receive your outreach. At best, they will be non-responsive to your follow-up. At worst, depending on the vendor you are working with, you could be in violation of consent-based regulations such as GDPR in the EU. These facts alone make low-cost leads a non-starter for most organizations.

**“When reps don’t trust their contact data, they’ll spend time double-checking it—or disregarding it altogether in favor of their own research.”**

– DiscoverOrg

### Are these leads truly interested in solutions like yours?

If "leads" have not demonstrated interest in your solution, they're not leads at all. Low-cost lead providers may incentivize users through gift cards or other promotions in order to get them to download your content. High-quality lead providers promote your content to individuals based on purchase intent and recent activity around topics directly relevant to your solutions.

### What details about these leads are available to you to leverage in your marketing activities?

Real leads are actual people in the midst of a buying journey; their online activity is a record of that journey and is important for any marketing team to understand. High-quality lead providers will be able to show you a lead's full purchase activity, including content they have downloaded from you. Quality lead providers can also show you account-level activity and buying-team association for the prospects being delivered. Typically, low-cost providers will often provide you with a name and little to no insight into that contact's activity.



Mark Godley, former CRO at HG Data and current CEO at LeadGenius, points out it's "buyer beware" when it comes to data quality. Regarding profiling information, he states, "Before you're bamboozled by a fast-talking data vendor who tries to entice you with gigantic numbers, do your homework."

## The "false economy" of low-cost leads

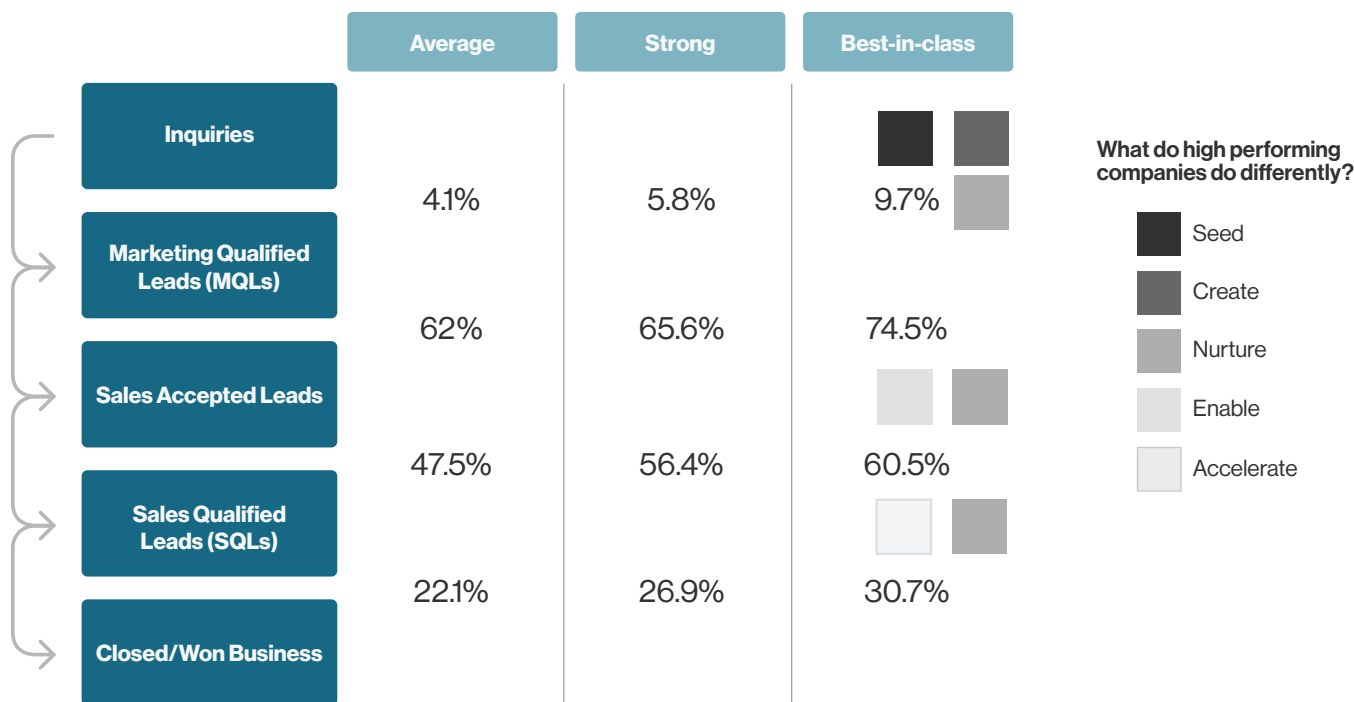
A false economy is something that costs less at first but ultimately results in higher costs. Cheap shoes need to be replaced and end up costing more in the long run. The false economy of low-cost leads will result in higher long-term costs in two ways:

### 1. More false positives = higher cost of conversion

Low-cost leads might seem like a money-saver, but if the higher volume is made up of false positives—individuals with NO interest in your business—then you'll need to keep buying more and more with hopes of finding a small percentage of individuals interested in your products and solutions.

If we model this based on standard conversion rates found in SiriusDecisions' Demand Waterfall (Figure 1), you can see how bad leads can impact your bottom line. To illustrate this further, let's assume that low-cost leads equate to "average" conversion rates (a generous assumption). Following conversions at each stage of the waterfall, if you start with 1,000 low-cost leads

**Figure 1:**  
**Average vs. Best-in-Class Waterfall Conversion Rates**  
 Sirius Perspective: High performing companies market to all areas of the waterfall to impact performance



Source: ©SiriusDecisions

at the top of your funnel, these leads will yield approximately 2 deals if you're lucky. If you apply the same calculation using the best-in-class conversion with quality leads that allow you to more easily and effectively move them through your cycle, you will generate more than 5x as many deals, which would represent significantly more revenue for an enterprise technology company.

What does this mean? It means that while you may be saving up front, due to the large number of false positives, low-cost leads may end up costing you up to **5 times as much to convert** versus leads from high-quality providers. Consider this: even if low-cost leads cost a third of what a quality provider offers, it will still cost almost twice as much to convert them.

## 2. Wasted time, resources and human capital

Every year, [bad prospect data costs sales departments 550 hours and \\$32,000](#) for every sales representative. This is money and time that your organization can't get back. Add to this the cost of bad data. According to SiriusDecisions, [each bad record costs you as much as \\$100](#).

## Hidden costs will do irreparable damage to your business

With low-cost leads, you end up spending more to get less. This is a problem in itself. But there's more. Cheap shoes can cause injury. Low-cost items are not only a false economy but can result in externalities that drive hidden costs.

**“Poor leads aren't just inefficient, they build distrust and resentment between marketing and sales.”**

– John Donlon  
Senior Research Director,  
SiriusDecisions

## Sales and marketing tension

As John Donlon, senior research director of marketing operations strategies from SiriusDecisions, puts it, “Poor leads aren't just inefficient, they build distrust and resentment between marketing and sales.” If you're just filling the top of the funnel with quantity, you're essentially passing the buck downstream to sales, and they're not going to like it. According to DiscoverOrg, the provider of the most accurate B2B contact data available, “When reps don't trust their contact data, they'll spend time double-checking it—or disregarding it altogether in favor of their own research.”

## Brand reputation

Bad data can result in bad brand customer experience. If sales end up making calls to “leads” who do not yet have purchase intent, you might annoy those prospects, turning them off your brand once they are in the market.

## You need real prospects – not just names in a spreadsheet

Every lead provider will provide you with the same basic information, but that is where the similarities end. You need to ask your lead providers the right questions up front and demand the insight you need to better assess quality. Furthermore, you

must look for lead providers that are invested in driving not just names in a spreadsheet but pre-qualified prospects that have the best-possible chance to convert to closed business.

So before you are tempted to fill your database with low-cost names, here's a checklist of questions that will help make sure you are getting the quality you need.



### Checklist

#### Questions to ask your provider to determine lead quality

##### Part 1: Transparency

- Is the lead provider transparent about the source used to generate leads?
- Are opt-ins always based on content, or does the provider use other promos such as gift cards and gamification to incentivize responders?
- Is the lead provider GDPR compliant (especially important for any companies doing business in the EU)?

##### Part 2: Best-in-class source

- How effectively does the provider target the right audience with your content?
- Are leads prequalified and nurture-ready?
- Does your lead provider deliver full research activity detail for each lead and account?
- Can the lead provider show you a sample and demonstrate the quality they provide?

##### Part 3: Most important question of all

- Rather than asking about the cost per lead, you should ask yourself: What's the real cost of conversion?

## About TechTarget

TechTarget (Nasdaq: TTGT) is the global leader in purchase intent-driven marketing and sales services that deliver business impact for enterprise technology companies. By creating abundant, high-quality editorial content across more than 140 highly targeted technology-specific websites, TechTarget attracts and nurtures communities of technology buyers researching their companies' information technology needs. By understanding these buyers' content consumption behaviors, TechTarget creates the purchase intent insights that fuel efficient and effective marketing and sales activities for clients around the world.

TechTarget has offices in Boston, London, Munich, Paris, San Francisco, Singapore and Sydney.

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## About the Author



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