



How to Calculate the Cost of Leads

For us marketing folks, the new year is typically the time we square away to audit our marketing efforts from the previous year in preparation for future strategies. And the one big question that should be on everyone's mind is, how much did those leads really cost me?

The good news is, the numbers should be pretty painless to figure out. With all the wonderful analytic and marketing intelligence provided by companies such as Google, Coremetrics, Optify, Marketo, Raven, etc, there's no shortage of data to analyze and come up with that magic number that tells you, "was this effort really worth it?" And with the rise of online and social media marketing in the past few years, the cost to acquire good leads has reduced dramatically to the point that any company, regardless of size or budget, can easily compete in the digital marketplace.

So what's your magic number?

In order to determine this, you need to define what you consider a lead to be. Is it someone who fills out a form on your website? Is it someone who clicks on an email campaign? How do you know when your leads are qualified, unqualified, hot or cold? The answer to these questions will differ for every business, but should be defined before calculating the cost of lead acquisition. Once you've figured out how you define a lead, you'll want to find out the number of total leads you acquired and break them down by marketing channel activity.

Next, you'll want to determine the cost of your marketing channel activities. In the world of online marketing, activities will generally fall into one of 5 campaign categories: Email, Social, SEO, Paid Search or Events/Webinars. The cost of activities for each channel will generally be a combination of time plus resources.

Lastly, to determine the average cost to acquire a lead, you'll want to divide the total cost of marketing channel activities by the total number of leads acquired from that channel. For those visual folks out there, the equation looks similar to this:

Average cost to acquire lead = Cost of activity time + resources / total leads acquired

Calculate that and tada! That is your magic number (aka the average cost of lead acquisition for that channel). If you want to know the cost of lead acquisition for all channels combined or your marketing department in general, add the total cost for each channel and divide by the total number of leads you received.

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Knowing how much value you derived from your marketing efforts is paramount in developing your marketing plan. It will enable you to determine which activities generate the highest return on your effort (and help you boost the bottom line). Sure it takes some time to figure out, but hey.. they don't call it crunching because it's easy!

About the Author



A driven, goal and results oriented marketing professional, Brenda has over a decade of experience in a variety of b2b and consumer industries. She is as comfortable conceptualizing marketing campaigns as she is doing the actual "work" needed to generate and communicate results. A [Social Media Today](#) thought leader, she holds a Bachelor of Science degree in Marketing, an MBA from the University of Nevada, and is currently pursuing PMP certification from the Project Management Institute. In her spare time, she enjoys fitness, food & wine, travel and spending time with her three favorite boys. You can reach her via email at bsomich@gmail.com.

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