

What is an Acceptable Cost Per Lead?

July 17, 2009 | [Michael Flavin](#) | [Comments 4](#)



Question: What do you consider an acceptable marketing cost/lead?

When working with my clients on their trade show marketing program, I project potential ROI using a calculation similar to the following example, which takes into account the total trade show marketing investment:

- 1.) Number of qualified leads generated: e.g. 100
- 2.) % of those leads most likely to lead to sales: e.g. 25% or 25 total
- 3.) % likely to close & generate revenue: e.g. 50% or 12.5
- 4.) Average value per sale: e.g. \$10,000
- 5.) Expected sales volume: e.g. \$125,000
- 6.) Total investment at this trade show marketing event: e.g. \$16,250.00
- 7.) ROI = 7.69:1 or for every \$1, \$7.69 generated
- 8.) Value of a new client over 5 / 10 / 15 / 20 years?

In this example, \$162.50 was spent per lead to generate a \$10,000 sale. It is important to identify all expenses incurred, including space rental, shipping, drayage, travel, services, exhibit costs, graphics, pre-show promotion and post-show follow-up campaigns. You can then identify whether or not you're spending an acceptable amount based on your average sale & projected sales volume. This amount will vary by industry and individual company.



About the Author: Michael Flavin is a trade show strategist & exhibit consultant at Skyline Exhibits & Graphics Mid-America in St. Louis, MO. He works with companies & organizations to eliminate headaches from their trade show, event marketing & recruiting programs. Overall, he offers total, turn-key solutions, focused on creating memorable experiences, lowering operating expenses and increasing ROI. In addition, Michael consults & trains booth staffers and helps companies measure results from their trade show programs.

Comments (4)



1. [Roger Lewis](#) says:

[July 21, 2009 at 3:07 pm](#)

Michael,

Great, actionable information here, with a formula that makes sense. One issue that my customers (especially those with complex sales cycles) have come across when presenting similar calculations to the finance execs : sales revenue cannot be attributed to the tradeshow lead alone, since it is unlikely that the prospect shows up at the booth and makes the decision to buy right then and there. To come up with an accurate ROI number, you need to isolate other factors such as sales visits that followed the trade show, webinars or conferences that the lead may have attended, email campaigns they responded to, etc.

If you argue that a percentage of the sale can be attributed to the trade show, and come to some agreement as to what percentage sounds reasonable and fair, the finance executives may accept your ROI calculation more readily.

Have you come across this issue, and if so, how have you solved it?

[Reply](#)



o [Mike Thimmesch](#) says:

[July 21, 2009 at 6:11 pm](#)

Roger,

Thanks for the insightful comment. Proving ROI to financial execs is an essential part of all marketing, let alone trade show marketing, but because trade shows are now the largest B2B marketing expense, they are looked at even closer.

I think you are right to try to share the value of the sale against the investment of other lead sources if there were multiple touches that led to the sale. Here's how I would value the trade show lead:

1. If the lead is not split among other sources, then it gets all the credit. That's the easy one.
2. If the lead is split among multiple sources, you could divide the sales revenue against each lead source's costs to refine each lead source's marketing ROI. Better still, if you can, give greater weight to the lead source that did most to advance the

sales cycle. For example, if you recorded on your lead card that a trade show lead gave definite plans to buy and wanted a follow up meeting scheduled, that gives greater emphasis to the trade show lead.

3. Was the lead initiated at the trade show? Then even if there are lead touches after that, then the trade show lead could get a higher weighting.

4. Are you in an industry that has a high ratio of repeat business? At that point, it becomes even harder to establish credit for lead sources, because the buying cycle is actually a buying marathon.

5. Call me naive, but I don't count the cost of the sales call follow up in any of the calculations for marketing ROI, as the follow up calls are going to happen regardless, and often come from other budgets than marketing or demand generation.

Studies show that the close ratio goes up based on the number of contacts with a prospect. Trade shows are a great way to set meetings & set agreed-upon next steps with clients & prospects, thus moving the sales cycle forward & closing sales.

Closing the Sale Statistics

2% of Sales are made on the 1st contact

3% of sales are made on the 2nd contact

5% of sales are made on the 3rd contact

10% of sales are made on the 4th contact

80% of sales are made on the 5th to 12th Contact

Sales Staff Performance Statistics

48% of Sales people never follow-up with a prospect

25% of Sales People make only a second contact and then stop

12% of sales people make three contacts and stop

Only 10% of sales people make more than three contacts