

What is a lead? What makes it good?

If you are considering buying leads for your business there is insider information you should know about. By insider I mean those who are in the business of generating and selling leads. By putting yourself on a playing field with those who are providing leads you will be better prepared to find what works for you.

Let's start with one of the 16 dictionary definitions for the noun form of "lead"

→ *An indication of potential opportunity (dictionary.com)*

In simple every day form a lead is really just the prospect of a potential business partner or a potential customer. It is no different than telling someone that you are in the painting business and they respond "Really I have a room or a garage that needs painting." (*You just generated a lead.*) This person that tells you they are looking for your field of work is a potential client for your painting service. This is a lead that may take a few calls and maybe a live inspection to **POSSIBLY** get the business.

Some people think that a lead is a golden ticket and that every person on that list is just waiting on the other end with a boat load of money to dump in their hands. I don't know of any lead in the market today for any product or service where this is true. If you happen to find one be sure to let me know. ☺

Now that we understand what a lead is lets talk about how to determine if a lead is good or not.

A common myth with leads buying is the more money you spend on a lead the better it must be. This is true in the broadest form only. Meaning that if you buy a targeted home based business lead it is going to cost more than a cheap co-registration email lead and the home based business lead should give you a much higher percentage of people interested in your home based business than the percentage you will pull from a general consumer co-registration lead.

However when you are examining leads that contain largely the same information and are comparable in age it won't make a difference that you paid \$10 for that lead when you could have bought the same kind of lead for \$2.50.

Yes an \$80,000 Mercedes Benz is arguably better than a \$10,000 KIA because there is a higher cost of production to equip the Mercedes with all that luxury. In the lead business cost of production is more likely the reason for the price of a lead rather than the quality. If Joe leads generator has found a more efficient method to generate a 6 question surveyed lead and Gerry leads generator has a higher cost of production they will sell the same lead but Gerry will require a higher price. Although unlike the Mercedes / Kia example you are getting close to, if not exactly, the same thing.

There is one question that you should always ask about a lead regardless of price. That question is: "Are these leads incentivized generated?" In other words was there some exchange as a trade off for that prospect? If the answer is yes unless you are getting a very cheap email lead I would NOT try these leads. The reason being is if there is any kind of incentive for the prospect to fill out the form they probably were just doing it for the incentive and not because they are genuinely interested in the target market. (IE: Starting a home based business.)

You now know that price is not always a good indicator of quality and incentive leads should be avoided. You are probably still wondering how to know if a lead is good.

Due diligence on a lead is a good start such as asking about how it is generated, how old it is and if the vendor has references or testimonials. However there is only one way to know for sure if a lead is good. Give the lead a fair trial run. Then based on your average response rate of the lead calculate return on investment. (A good test will depend on the specific type of lead and how targeted it is supposed to be. It could be as few as 5 leads and as many as 50 thousand.)

For example let's say that I'm a car salesman and I buy "highly targeted, premium, ultra, super seller, mega" leads. These are supposed to be top notch and allow me to close a lot of business. Let's say I make \$500 on each car I actually sell. My leads cost \$100/each. It may be that these are very good leads and it may be that I couldn't find a higher close ratio anywhere. However because I only make \$500 on the sale of a car I need to sell a car to at least 1/5 people whose name I buy as a lead. Otherwise this is NOT a good lead for me! The reason being if it took an average of more than 5 of these \$100 leads for me to generate one sale I'm actually going to lose money on my purchase of leads. So unless my business model allows for the leads I buy to be at least breakeven they are not good leads for me to use. Also you should notice, in this example, that unless I close an overall percentage higher than 20% my leads buy is only a breakeven proposition. However if you do not have leads that can be profitable right away breakeven is ok to use. The idea behind breaking even is that you are not losing money so you don't have to worry about getting over your head or going out of business. Your resulting customers should become a good source of referrals and do repeat business themselves. This will actually make your breakeven leads profitable.

Now you know what a lead is and how to determine if it is good for you. This is not to say that once you've found a good lead you can't find better. In fact you should be looking until you've found something that works consistently and you are satisfied with your return on investment over the long-run. You should be open to trying new possibilities as it may *lead* to even more profits and business for you.

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