

## The Inside Story On Pay Per Lead Programs

It can be tempting to compensate your lead generation team on a pay per lead basis since in “theory” pay per performance dramatically minimizes your return on investment risk. Or does it? Pay per lead programs are not a magic bullet solution – they are not the right fit for every B2B lead generation challenge.

In reality pay per lead programs can work very well in some situations but the application for this type of compensation system is narrow and should not be a “one size fits all” proposition. Here are the most common industry uses for pay per lead generation systems;

- When you have a product that is very easy to sell and also lends itself to easy sales lead generation.
- When you have an easy target, such as a list of previous or existing customers and are only trying to cross sell or up sell.
- When your lead generation team is already working with your target customers and the product you are selling would be a value-add.
- When you have a short sales cycle and a low average deal size. When you have a longer sales cycle, the lead generation process is usually a multi step complex process and will require a much larger time investment for the lead generator. Also a longer sales cycle generally means that your product or service is not a commodity item and requires relationship building. This deeper level of involvement with your potential customer should send up a “red flag” as pay per lead systems that require a significant investment of time and resources in this area are not “easy” to do lead generation programs.

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There are many common situations in which it would be better not to use the pay per lead method.

- In the opposite of the situations listed above: when you have products that are more difficult to sell, when you are attempting to generate new customers, and when the product has a higher price point and requires a larger purchase, and you have a long sales cycle.
- Don't use pay per lead as a shortcut or money-saving technique. Frequently, pay per lead is not only used to avoid paying retainers, but also to substitute for training, proper management, and customer follow-up. If you are using this strategy in an attempt to bypass the creation of a solid sales foundation, it will almost certainly backfire on you and may harm your brand's reputation.
- If somehow you have managed to get your complex lead generation program running on a pay per lead basis don't start celebrating just yet. Besides the problems outlined above most of these mismatched programs turn in to administrative nightmares. It is difficult to make pay per lead work

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for both the sales team and lead generation team if agreements are informal or record-keeping is not tightly managed. This always leads to disagreements over what exactly a qualified lead is and how sales leads are counted. These disputes undermine trust, and create potential unhappiness for both sides. Pay per lead can

only work when everyone involved is invested in the process and there is clear expectations and fair compensation.

- Pay per lead will not work if either of the parties involved does not appreciate the other's contribution. The lead generation firm should learn about the product and the target audience. They should be excited about bringing in new clients, qualifying sales prospects, conducting appointment setting, and working with your sales team to sell your product. Sales teams enthusiastic about the ability of the lead generation team to bring new ideas, strategies, and customers. Only when both sides are valued can pay per lead truly be effective.



Other considerations:

If you are rewarding your lead generation team by using pay per lead, lead generation and appointment setting teams will have incentives that make them less focused on relationship building with your customers. Because they are being rewarded for the quantity of leads they develop and not for developing business intelligence and digging for pain issues you should be focusing on exactly what their deliverable is going to be.

If you know that your sales process is based on longer-term relationship building (instead of simple pay per lead tactics) and requires a significant investment from the lead generation company. They must be able to pay lead generation staff and appointment setters for weeks if your lead generation program has a long start-up time. This may create financial stress for the lead generation company who may or may not be able to finance the payroll for your marketing program. You may think this is not your problem until your lead generator calls and tells you they need an additional “advance” to keep your program running.

You might be patting yourself on the back because you negotiated a favorable cost per lead structure with your lead generator. Don't pop the cork on your champagne bottle just yet. If lead generation companies are being paid a small and uncertain commission, it might be more difficult for the team to maintain excitement and motivation for promoting your product. If a more attractive lead generation program comes along, it is likely that the lead generation firm may terminate their contract with you in favor of one that might be easier and more profitable for them to execute. The real damage here is that your lead generation program is not operating anymore and you have to restart your vendor search all over again.

Remember that only paying representatives for the leads that they generate does not mean that hiring a pay per lead team is free. There are still many costs associated with this strategy, including hiring, training, and managing these employees. If this team turns over be prepared for the loss of time and effort you put in and the time its going to take you to retrain the new team.

