Would you like more traffic to your website? I have great news: It's easy. Create a viral video of your cat in a *Star Wars* costume, push it out on social media and YouTube, and make sure it links back to your site.

That isn't exactly what you had in mind, is it? That's because the actual revenue value of that traffic is close to worthless.

Would you pay $500 for a lead that had only a name, email address, and phone number? If you said yes or no, you failed. "Maybe" is the best answer, because those four pieces aren't enough information for you to give a definitive answer. You need to know how often such leads convert to an appointment and ultimately to a sale.

As long as you have an efficient sales funnel, leads are usually worth the price you have to pay for them. If you pay $500 each for leads that convert to a sale 50 percent of the time, then your cost per sale is going to be $1,000. While $100 leads that only convert to a sale 5 percent of the time will end up costing you $2,000 per sale. Leads that may appear to be a good value may actually end up being far more expensive in the end.

KEY METRIC NO. 1: COST PER LEAD

The goal is to find the advertising sources and operational processes that produce the lowest cost per lead and cost per sale. Try this quick calculation: Take your entire advertising and marketing spend for the year so far and divide it by the number of new prospects in your CRM or customer database. That's your current average cost per lead (CPL). My experience is that the current national average for CPL is between $100 and $350. As recently as 2010, I found the numbers were in the $300 to $450 range, but as builders have moved away from newspaper ads as a primary advertising source, we've seen big improvements in efficiency. These are overall averages from all sources; eventually you'll want to go one step further and determine your CPL by each major advertising source.

Marketers aim for the overall CPL to be lower each year as they maximize their lead-generation efforts. Knowing your CPL also helps you determine what to cut or invest in further. If an individual source's CPL is higher than your overall average, then it could be time to get out the knife. The exception is when a source's CPL is high but the cost per sale from that source remains at or below your overall average cost per sale.

KEY METRIC NO. 2: COST PER SALE

To calculate your average cost per sale (CPS), divide your total spend by your current sale count. Your CPS is the ultimate test of how well your sales and marketing team is functioning. While CPL will show how efficient your lead-generation activities are on their own, a lead doesn't generate revenue until it converts. Your CPS adds to this equation how efficient your sales team is at nurturing and converting those leads, underscoring the symbiotic relationship between sales and marketing. Just as with CPL, you will want to break down your CPS by individual source to make the most informed decisions possible.

THE BRUTAL TRUTH

When I ask a builder what their CPL is, I often hear numbers of $100, $50, or less. Without fail, if we end up working closely together, I find out the truth: They didn't actually know the exact number. How can that be?

It takes a lot of work to create an efficient way to measure and track all of the necessary data. Most marketers are busy putting out fires across the division for other departments and don't have the excess capacity to make sense of it all. This results in a lagging ability to shift their efforts to new and more efficient opportunities when they come along. If the market changes fast enough, you can be completely caught off guard while your competition finds an infinitely more efficient method to produce qualified prospects.

Start with your overall averages. Then begin layering in additional detail, source by source, as you determine the best way to track it. When I first began this quest, it took me nearly three years before I was confident in my numbers by each source type. Don't become discouraged or keep putting it off—that will only delay your ability to truly master your craft.

ARE YOU LEVERAGING YOUR ASSETS?

Once you know your CPL, you'll need to count the total number of unsold prospects in your CRM or database since inception, then multiply that number by your current CPL. A builder with 8,000 names at a CPL of $250 has a customer database worth around $2 million. Are you actively leveraging this asset, or have you given up on it? Our firm hears these excuses from home builders a lot:

- My salespeople hate our CRM.
- I don't know my own password to the CRM—how can I hold my staff accountable?
- I've assigned my administrative assistant to hold people accountable to using the CRM.
- If prospects were interested, they'd keep emailing or calling us. It's on them.

Quantifying the immense value of your customer database will help push you past these rationalizations and other barriers to success. You already have a gold mine of future purchasers, and you owe it to your business to prospect from it. **PB**

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