

Lead Generation: *Digital Media's Killer App?*

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By Ken Sonenclar

Managing Director, Digital Media & Technology Group

sonenclar@mediabankers.com

Companies that slash their clients' marketing outlays by delivering qualified prospects at reasonable cost are blossoming across the net – and siphoning ad spending from traditional media as they grow. B2B or B2C, product or service, it makes little difference. The web seems crafted as the supreme lead generator. Multiples for recent sales of lead-gen firms have ranged from reasonable to startling, with buyers snapping up premier properties at an accelerating pace.

Two of the more intriguing deals for web businesses over the past year might seem, at first glance, to have little in common.

Last December, fast-growing IT publisher TechTarget paid \$40 million in cash to acquire Bitpipe, a small but innovative website network that has pioneered new channels for distributing white papers and other vendor-created marketing materials to knowledge-hungry information professionals.

Eight months later, 127-year-old E.W. Scripps, the adventurous Cincinnati publisher that has moved boldly beyond its newsprint heritage (and seen its share performance eclipse longstanding rivals), paid a whopping \$525 million for Shopzilla, one of the leading web services for consumers in search of deals on everything from DVDs to BVDs.

What is it that unites a database administrator watching a security webcast via Bitpipe and a mom comparing prices of Louisville Sluggers for her son on Shopzilla?

In both cases, the product vendors are paying a fee to their online barkers – Bitpipe and Shopzilla – for the *lead*, which is the key word here. Both systems are designed for the express purpose of generating sales *leads*.

In fact, even though Bitpipe and Shopzilla's business models are quite different – and there are numerous other variations on the “lead-gen” theme – the two companies are emblematic of what has become the stealth mission of the World Wide Web: helping sellers find eager buyers at reasonable cost.

This table highlights significant lead-generation transactions from the past two years:

Deal Price (millions)	Date	Buyer/Investor	Lead-Gen Firm	Comment
\$620	Jun-05	eBay	Shopping.com	4.7x 2005 rev., 24.8x 2005 EBITDA
\$525	Jun-05	Scripps	Shopzilla	3.75x 2005 rev., 17x 2005 EDITDA
\$330	May-05	Experian	LowerMyBills	18x 2004 rev.
\$300	Jul-05	Popular	eLoans	3x 2005 rev.
\$210	Apr-04	Expedia/IAC	Trip Advisor	8x 2003 rev., 16x 2003 EBITDA
\$150	Nov-05	First Advantage	LeadClick	75% purchase; 8x 2005 EBITDA
\$72.50	Nov-05	Primedia	Automotive.com	80% purchase; 12.5x 2005 EBITDA
\$60	Jul-05	Experian	Classes USA	
\$48	Apr-04	Autobytel	Car.com	3x 2004 rev.
\$40	Dec-04	TechTarget	Bitpipe	9.5x 2004 EBITDA
\$17	Aug-05	BA Ventures	Reply	Investment (\$60M val.) 2.5x 2005 rev.
\$10	Nov-05	Bankrate	FastFind	
\$7	Oct-05	House Values	Loan Page	
N/A	Apr-04	Marchex	Pike Street	
N/A	Jul-05	Classified Ventures	NewCars.com	
N/A	Jul-05	Classified Ventures	Homegain.com	

Meat and Potatoes

Branding is a long-term affair, sometimes generations long, and debate never ends over the right mix of art, science, and luck needed to build a brand. Creating brand recognition, moreover, can be expensive and quixotic, while frequently yielding ephemeral results that are infamously difficult to measure.

On the other hand, generating and qualifying leads is the meat-and-potatoes work of sales and marketing. Finding new customers is a process. It's 10 percent inspiration, 90 percent perspiration. Phone calls, leaflets, trade-paper bingo cards, billboards, TV and radio spots with operators standing by, sandwich boards, low-flying aircraft, BRM cards, and plenty of other direct-marketing devices have their place in the traditional customer-acquisition toolkit.

It's impossible to say precisely when the net was initially recognized as an incomparable mechanism for unearthing new customers. Many of today's first-rank lead-gen companies trace their origins to the web's pre-bust salad days. Some launched in related niches but evolved into lead generators when the business's striking profitability became evident, in some cases dwarfing other revenue streams.

The road to success has been widened by competitive blindness. Old-line media outlets that had served as lead-generation platforms – newspapers most especially, but also B2B trade publications and even television – for the most part never saw the online pack creep up and then pass them with a shocking burst of speed.¹

Variations on the Theme

Each of the hundreds of online lead-generation firms is unique, with its own twist on building customer traffic, gaining client listings, balancing organic and paid search, partnering with complementary (and sometimes competitive) sites, managing keyword spending, and charging for its service. However, they can be grouped into certain imprecise categories to aid understanding. It is important, though, to recognize that they are all relatively simple businesses, none requiring massive infrastructure investment or staffing. Admittedly, extraordinary strengths in mathematics, game theory, and operations research – often represented to the layman as a *secret sauce* – underpin some firms' success. (Expertise in consumer psychology doesn't hurt either.) But whatever the model, for companies that gain traction in their niche, marginal costs can fall precipitously and stay low: a formula for robust profitability.

In most cases, the single largest operating expense arises from driving traffic to the lead-gen sites. Strategies for managing sometimes massive numbers of keywords on the major search engines often make or break a firm. Beyond, that, consumer sites may also turn to traditional media to boost marketing, sometimes coining catchphrases – “When banks compete, you win” – along the way. Sites may also rely on email newsletters and the promotional help of partners (often B2B publishers' sites) to enlarge their audience.

Like many other aspects of the internet, from retailing to blogging to aggregating the news, it is possible to set up a lead-gen site on a dime – almost literally. Search results for products on Google are usually sprinkled with single-page affiliate sites that, with one more click, redirect you to a vendor and perhaps collect a small fee for their trouble. That is not what this report is about. Rather, with the exception of consumer shopping sites (for reasons detailed below), leads – as this report uses the term – must be “fully contactable.” In other words, the user must register for ongoing access to the site, or supply full contact data for an anticipated one-time purchase, such as for a new car. This white paper examines

forms of lead generation where companies are building significant and sustainable cash flows, making full and innovative use of the net's extraordinary marketing reach, distancing themselves from competitors and, in some cases, creating substantial brand equity. Companies inventing and refining these models are important not just because they are grabbing marketing and advertising dollars by the fistful from old-line media outlets, but because they are also either becoming high-valuation acquisitions or public offerings.

Four approaches have come to dominate the lead-generation landscape:

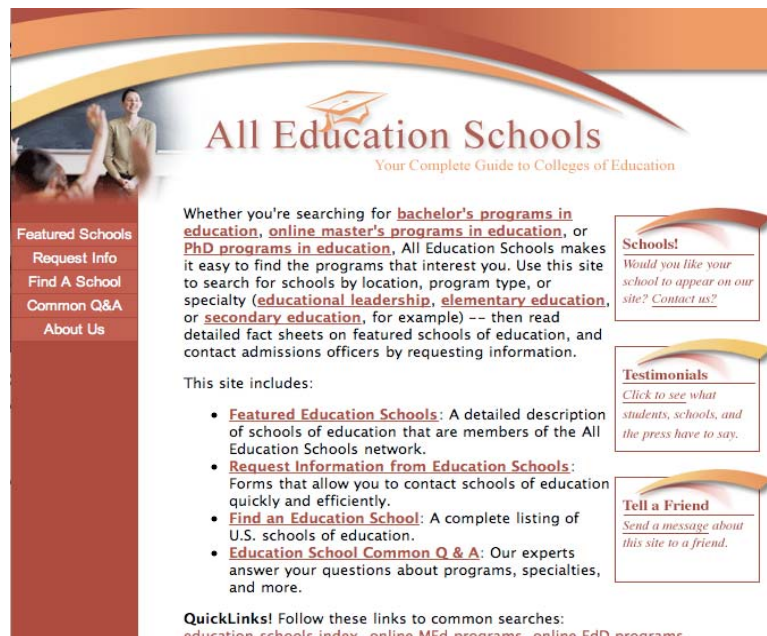
- Magazine/Directory
- Comparison Shopping
- Information Exchange
- Multiple Fee

A. Magazine/Directory

The simplest form of internet-based lead generator is best understood as either a web-hosted directory or an online magazine advertorial.

The revenue model will seem very familiar to anyone associated with traditional publishing. Typically, magazine/directory-type lead-generators sell space on their sites like a traditional print publication. Terms reflect ad size, duration, and positioning.

Though the site may offer some "editorial," (for instance, a travel site that specializes in discount luxury packages may include information about health, weather, and political risk at the destinations) it is all in service of the advertising. While some skimpy information may be available to any visitor to the site, full access requires registration. Likewise, while magazine/directory sites meet user demand for comprehensiveness by listing all credible vendors, only clients (advertisers) get preferred positioning and leads data.



An All Star Directories landing page for prospective education students. While all U.S. education schools are listed, "featured" schools receive prominent treatment – and leads.

The key to success here – once again, borrowing from the vocabulary of the publishing world – is circulation. Successful keyword management and inviting site design are both critical. In a sense, this is magazine publishing with a perpetual bingo card. The pressure is on the publisher to bring enough quality eyeballs to the advertiser's door to justify the renewal.

One specialized form of directory has arisen for the scientific/engineering community, where a handful of firms are seeking to provide one-stop shopping for product developers and manufacturers. GlobalSpec, based in upstate New York, has pioneered this space, and continues to grow rapidly, still adding 60,000 new registered users per month. While it works off a standard “rate card” for its listings, like other directory systems, it deviates sharply from this and other lead-gen models by its limited need for search-based traffic. It pays for little PPC (Pay Per Click – the paid ads alongside the free natural or organic listings on Google search-results pages) and relies only slightly on organic listings. Rather, given the specialized nature of its audience, it has gotten links to its site embedded at the desktop (and inside the firewall) in hundreds of leading product-development companies worldwide. In addition, it has built a partner network that includes not just engineering-publishing websites, but also leading packages of off-the-shelf engineering software.²

GLOBALSPEC
The Engineering Search Engine

Find: Limit your search to:

You are here: [GlobalSpec.com](#) > [Electrical and Electronic Components](#) > [Fans and Electronic Cooling](#) > [Heat Sinks](#) Your Stuff | Your Profile

Heat Sinks

200 companies supply Heat Sinks.
Click on a listing for more information or filter your list by adding specifications.

Select	Online Catalog	Company	Headquarters	Online Quote	Custom Order	CAD Files
<input type="checkbox"/>	26 products	Broadband TelCom Power, Inc. (Manufacturer)	Santa Ana, CA	✓		
<input type="checkbox"/>	9 products	JMC Products (Manufacturer)	Austin, TX	✓		
<input type="checkbox"/>	12 products	RO Associates, Inc. (Manufacturer)	Sunnyvale, CA	✓		
<input type="checkbox"/>	45 products	StarTech.com Ltd. (Manuf., Distrib. & Service)	Groveport, OH	✓		
		AA Electric (Distributor)		✓		
		CeramTec North America (Manuf. & Service)	Laurens, SC	✓		
		Digi-Key Corporation (Distributor)	Thief River Falls, MN	✓		
		Mid-States Aluminum Corp. (Manuf. & Service)	Fond Du Lac, WI	✓		
		Omega Piezo Technologies (Manuf. & Service)	State College, PA	✓		

ADVANCED SEARCH

SEARCH CRITERIA:

- [Device](#) >>
- [Footprint and Type](#) >>
- [Specifications](#) >>
- [Fan Specifications](#) >>

Engineers in need of heat sinks might find their way to this page. All manufacturers are listed on GlobalSpec's Spec Search site, but “fully contactable” leads, derived from registration data, go only to vendors who pay for listings (and operate a digital catalog).

B. Comparison Shopping

Type “flat panel TV” into Google and many of the top listings, after a further click, will take you to pages crafted, to say the least, to expedite the shopping process. If you haven't already narrowed your selection to a particular technology, screen size, or brand, these sites are designed to take your hand and guide you all the way to the cashier. The consumer may be king or queen, but these sites function as escort and chauffeur.

These sites – the major ones are Scripps's Shopzilla, Shopping.com (bought by eBay for \$620 million the same month as Shopzilla was sold), CNET, and Pricegrabber – are not stores, certainly not in the sense of a brick-and-mortar Circuit City – and not even in the

sense of an Amazon.com. As is true for all lead generators, they never hold inventory. Rather, shopping comparison sites are databases architected to let you quickly compare and contrast products and, once you've picked a model, let you choose among vendors based on price, availability, and reputation.³

Fees here – often far less than a dollar – are paid on a cost-per-action basis (i.e., after a sale is made), thus obviating the need for contact data.

Despite the substantial market share the leaders have gained – and that two of the biggest have now been acquired by deep-pocketed web and media giants – the market continues to attract new entrants. Not mere copycats, new shopping comparison sites offer additional incentives, including discount coupons, fraud protection, and easy access to research and reviews.

shopzilla
Find the best price on everything

Search for: **Nikon Coolpix P1** [Filter] [Refine] [Advanced]

Found at 10 stores

Store Name	Price	Shipping	Total Price
TigerDirect.com	\$566.98	Free Shipping	\$566.98
Buy.com	\$549.95	Free Shipping	\$549.95
AutofuPhoto.com	\$424.80	Free Shipping	\$424.80
Best Buy	\$421.89	Free Shipping	\$421.89
Best Buy	\$422.90	Free Shipping	\$422.90
Best Buy	\$423.79	Free Shipping	\$423.79
Best Buy	\$424.00	Free Shipping	\$424.00

Stores Selling Digital Cameras

Canon PowerShot S110 IS
Nikon Coolpix P1
Nikon Coolpix P1
Nikon Coolpix P1
Nikon Coolpix P1
Nikon Coolpix P1
Nikon Coolpix P1
Nikon Coolpix P1
Nikon Coolpix P1
Nikon Coolpix P1

BECOME
What are you shopping for?

Search for: **Nikon Coolpix P1** [Filter] [Refine] [Advanced]

Research

1. Nikon USA, COOLPIX P1
Nikon USA, COOLPIX P1
Nikon USA, COOLPIX P1
Nikon USA, COOLPIX P1
Nikon USA, COOLPIX P1
Nikon USA, COOLPIX P1
Nikon USA, COOLPIX P1
Nikon USA, COOLPIX P1
Nikon USA, COOLPIX P1
Nikon USA, COOLPIX P1
2. Nikon USA, COOLPIX P1 P2
Nikon USA, COOLPIX P1 P2
Nikon USA, COOLPIX P1 P2
Nikon USA, COOLPIX P1 P2
Nikon USA, COOLPIX P1 P2
Nikon USA, COOLPIX P1 P2
Nikon USA, COOLPIX P1 P2
Nikon USA, COOLPIX P1 P2
Nikon USA, COOLPIX P1 P2
Nikon USA, COOLPIX P1 P2
3. Nikon Coolpix P1 - iFA 2005 Report: Let'sGoDigital
Nikon Coolpix P1 - iFA 2005 Report: Let'sGoDigital
Nikon Coolpix P1 - iFA 2005 Report: Let'sGoDigital
Nikon Coolpix P1 - iFA 2005 Report: Let'sGoDigital
Nikon Coolpix P1 - iFA 2005 Report: Let'sGoDigital
Nikon Coolpix P1 - iFA 2005 Report: Let'sGoDigital
Nikon Coolpix P1 - iFA 2005 Report: Let'sGoDigital
Nikon Coolpix P1 - iFA 2005 Report: Let'sGoDigital
Nikon Coolpix P1 - iFA 2005 Report: Let'sGoDigital
Nikon Coolpix P1 - iFA 2005 Report: Let'sGoDigital
4. Nikon Coolpix P1 & P2 with Wi-Fi: Digital Photography Review
Nikon Coolpix P1 & P2 with Wi-Fi: Digital Photography Review
Nikon Coolpix P1 & P2 with Wi-Fi: Digital Photography Review
Nikon Coolpix P1 & P2 with Wi-Fi: Digital Photography Review
Nikon Coolpix P1 & P2 with Wi-Fi: Digital Photography Review
Nikon Coolpix P1 & P2 with Wi-Fi: Digital Photography Review
Nikon Coolpix P1 & P2 with Wi-Fi: Digital Photography Review
Nikon Coolpix P1 & P2 with Wi-Fi: Digital Photography Review
Nikon Coolpix P1 & P2 with Wi-Fi: Digital Photography Review
Nikon Coolpix P1 & P2 with Wi-Fi: Digital Photography Review
5. Nikon Imaging | COOLPIX P1
Nikon Imaging | COOLPIX P1
Nikon Imaging | COOLPIX P1
Nikon Imaging | COOLPIX P1
Nikon Imaging | COOLPIX P1
Nikon Imaging | COOLPIX P1
Nikon Imaging | COOLPIX P1
Nikon Imaging | COOLPIX P1
Nikon Imaging | COOLPIX P1
Nikon Imaging | COOLPIX P1
6. Nikon Coolpix P1 review: Let'sGoDigital
Nikon Coolpix P1 review: Let'sGoDigital
Nikon Coolpix P1 review: Let'sGoDigital
Nikon Coolpix P1 review: Let'sGoDigital
Nikon Coolpix P1 review: Let'sGoDigital
Nikon Coolpix P1 review: Let'sGoDigital
Nikon Coolpix P1 review: Let'sGoDigital
Nikon Coolpix P1 review: Let'sGoDigital
Nikon Coolpix P1 review: Let'sGoDigital
Nikon Coolpix P1 review: Let'sGoDigital
7. Nikon Coolpix P1 P2
Nikon Coolpix P1 P2
Nikon Coolpix P1 P2
Nikon Coolpix P1 P2
Nikon Coolpix P1 P2
Nikon Coolpix P1 P2
Nikon Coolpix P1 P2
Nikon Coolpix P1 P2
Nikon Coolpix P1 P2
Nikon Coolpix P1 P2
8. Nikon Coolpix P1 - Unleashed reviews, prices and advice from Digital Camera HQ
Nikon Coolpix P1 - Unleashed reviews, prices and advice from Digital Camera HQ
Nikon Coolpix P1 - Unleashed reviews, prices and advice from Digital Camera HQ
Nikon Coolpix P1 - Unleashed reviews, prices and advice from Digital Camera HQ
Nikon Coolpix P1 - Unleashed reviews, prices and advice from Digital Camera HQ
Nikon Coolpix P1 - Unleashed reviews, prices and advice from Digital Camera HQ
Nikon Coolpix P1 - Unleashed reviews, prices and advice from Digital Camera HQ
Nikon Coolpix P1 - Unleashed reviews, prices and advice from Digital Camera HQ
Nikon Coolpix P1 - Unleashed reviews, prices and advice from Digital Camera HQ
Nikon Coolpix P1 - Unleashed reviews, prices and advice from Digital Camera HQ
9. Coolpix P1 cameras by Nikon: Nikon USA
Coolpix P1 cameras by Nikon: Nikon USA
Coolpix P1 cameras by Nikon: Nikon USA
Coolpix P1 cameras by Nikon: Nikon USA
Coolpix P1 cameras by Nikon: Nikon USA
Coolpix P1 cameras by Nikon: Nikon USA
Coolpix P1 cameras by Nikon: Nikon USA
Coolpix P1 cameras by Nikon: Nikon USA
Coolpix P1 cameras by Nikon: Nikon USA
Coolpix P1 cameras by Nikon: Nikon USA
10. Nikon Coolpix P1 and Coolpix P2 Cameras Offer Wi-Fi, iFA...
Nikon Coolpix P1 and Coolpix P2 Cameras Offer Wi-Fi, iFA...
Nikon Coolpix P1 and Coolpix P2 Cameras Offer Wi-Fi, iFA...
Nikon Coolpix P1 and Coolpix P2 Cameras Offer Wi-Fi, iFA...
Nikon Coolpix P1 and Coolpix P2 Cameras Offer Wi-Fi, iFA...
Nikon Coolpix P1 and Coolpix P2 Cameras Offer Wi-Fi, iFA...
Nikon Coolpix P1 and Coolpix P2 Cameras Offer Wi-Fi, iFA...
Nikon Coolpix P1 and Coolpix P2 Cameras Offer Wi-Fi, iFA...
Nikon Coolpix P1 and Coolpix P2 Cameras Offer Wi-Fi, iFA...
Nikon Coolpix P1 and Coolpix P2 Cameras Offer Wi-Fi, iFA...

Sponsored Links

Nikon USA
Nikon USA
Nikon USA
Nikon USA
Nikon USA
Nikon USA
Nikon USA
Nikon USA
Nikon USA
Nikon USA

Comparing comparison shopping. The Nikon Coolpix P1 digital camera on two shopping engines: Shopzilla, on the left, focuses on listings by store. Become.com, a newer service, lets the user toggle between research (though not necessarily independent and objective) and product listings.

C. Information Exchange

The “information exchange” is not far removed from the magazine/directory model. Like that group, information-exchange lead generators derive revenue from fixed-fee “advertising.” Rates depend on circulation, demographics, and positioning. However, while magazine/directory users often click through to a particular service or product supplier – it could be a school, a cruise operator, or an equipment manufacturer – users of information exchanges (most prominently Bitpipe and Knowledgestorm) are instead part of a phenomenon that some might have doubted even existed: the ongoing thirst for technical knowledge in the vast sea of information. This is a B2B phenomenon, with information professionals (IT and finance, the most prominent segments) seeking to fill the gaps in their functional knowledge with white papers, webcasts, and other materials produced by product and service vendors, and designed as much to persuade as to inform.

One might have thought this group was served by Gartner Group, Forrester, and the legion of other business-intelligence firms. However, output from these analysts generally reaches only a thin slice at the top of most companies. The preponderance of product developers, marketers and salespeople never gain access to this high-priced research (barred by the client gatekeepers as much as by the research firms themselves). The information-exchange lead generators have built strong businesses by making alternative information sources available in exchange for contact information – and the chance for an eventual sale.

The screenshot shows the homepage of Business Finance Magazine. The header includes the logo "BUSINESS FINANCE MAG.COM" and navigation links: "Home :: Contact Us :: Site Index". A search bar is present with a "go" button. On the left, a sidebar lists various business topics. The main content area is titled "Business Technology Research Library" and features a search bar, a "Go!" button, and links for "What's New?" and "What's Popular?". Below this, the "Daily Top 50 Reports" section is displayed, showing a list of popular documents for Thursday, November 3, 2005.

RANK	TITLE	PUBLISHER
1	Increase ROI and Ease the Pain of Integrating Excel with SAP and BW	Gesix Software Pty Ltd
2	Establishing a Culture of Measurement - A Practical Guide to BI	Information Builders
3	Ten Principles for Knowledge Management Success	Knova Software, Inc.
4	Corporate Performance Management	MicroStrategy Incorporated
5	Decentralized Warehouse Management: Enable 24/7 WM Operations to Run Independent of Core ERP	Catalyst International, Inc.
6	A CIO's Guide to Managing Compliance Spending	Symantec Corporation

The “Daily Top 50 Reports” section on the website of Penton Media’s Business Finance magazine is supplied and managed by TechTarget’s Bitpipe unit. Revenue generated by vendors posting their white papers for a fixed fee is shared with the website when readers download the paper in exchange for their contact information.

Traffic development for the information exchanges is not quite as dependent upon keyword management as the magazine/directory sites. Networks of B2B websites often help deliver users. Knowledgestorm reports that traffic to its sites grew more than 650 percent from 2001-2004. Looking to expand its audience, TechTarget very recently acquired an entire library of high-tech white papers from securitydocs.com.

D. Multiple Fee

This category, though sharing some features with the others, deserves separate treatment because of some distinctive characteristics. While these lead-gen firms gain revenue for every lead delivered (whether the client ultimately consummates a sale or not), as opposed to earning a flat fee from an ad, these companies may sell the lead (and get paid for it) multiple times. These companies often rely heavily on PPC traffic and develop sophisticated arbitrage strategies, with operating margins determined by the gap between PPC costs and revenue per lead sold. The chart on page nine shows the path a lead must take in order to result in a payment to a multiple-fee lead generator.

Rather than merely surrendering contact data, users here are required to drill down (to varying degrees) and specify what type of product they're looking for. This could range from office products to a car to a home mortgage. Multiple-fee firms make a virtue of the fact that buyers often want several sellers with the same product to compete on price. Of course, vendors are only going to remain part of the lead-gen network if highly qualified leads are delivered.

BuyerZone.com View all question categories | Help

Get FREE Color Copiers Quotes from Multiple Vendors

- Describe your needs, get matched with up to 6 color copier dealers
- Get quotes on stand-alone and networked color copiers for low, medium or high volume use
- It's FREE and easy to use. [Start a request now.](#)

Featured color copier suppliers include:

LANIER A XEROX COMPANY KENKO KENKO KENKO SHARP

Create your color copier request for quote
(Number of Questions: 14 ~ Average time to complete: 1 min, 45 sec)

- How many color copiers are you looking to purchase or lease? [required]**
 - ☐ 1
 - ☐ 2
 - ☐ 3
 - ☐ 4+ (please note exact quantity):
- What is your projected overall monthly copier volume? [required]**
 - ☐ Not sure
 - ☐ Low volume (Less than 3,000 copies/month)
 - ☐ Medium volume (3,000-10,000 copies/month)
 - ☐ High volume (10,000-30,000 copies/month)
 - ☐ Very high volume (30,000+ copies/month)
- Would you like the color copier suppliers to include information on color copier leasing options? [required]**
 - ☐ Yes - Please include leasing information
 - ☐ No - I am not interested in leasing options
- Will you be looking to use this color copier for black and white as well as color copies? [required]**

How It Works

- Complete this simple and **FREE** quote request form
- Receive customized price quotes
- Select the best solutions for your needs - save time and money

Buyer's Guide

Read our in-depth color copier buyer's guide:

- Introduction
- Choosing a copier
- Evaluating a copier
- Traditional features
- Multifunction devices
- Memory
- Specifica
- Price and how to buy
- Choosing a dealer
- Service agreements

[All color copiers advice...](#)

About BuyerZone

Since 1992 BuyerZone has helped hundreds of thousands of buyers successfully purchase products and services for their businesses.

In The Headlines

USA TODAY

"BuyerZone is the sort of site that the Internet seems designed for... an amazing service."

USA Today

Featured Suppliers

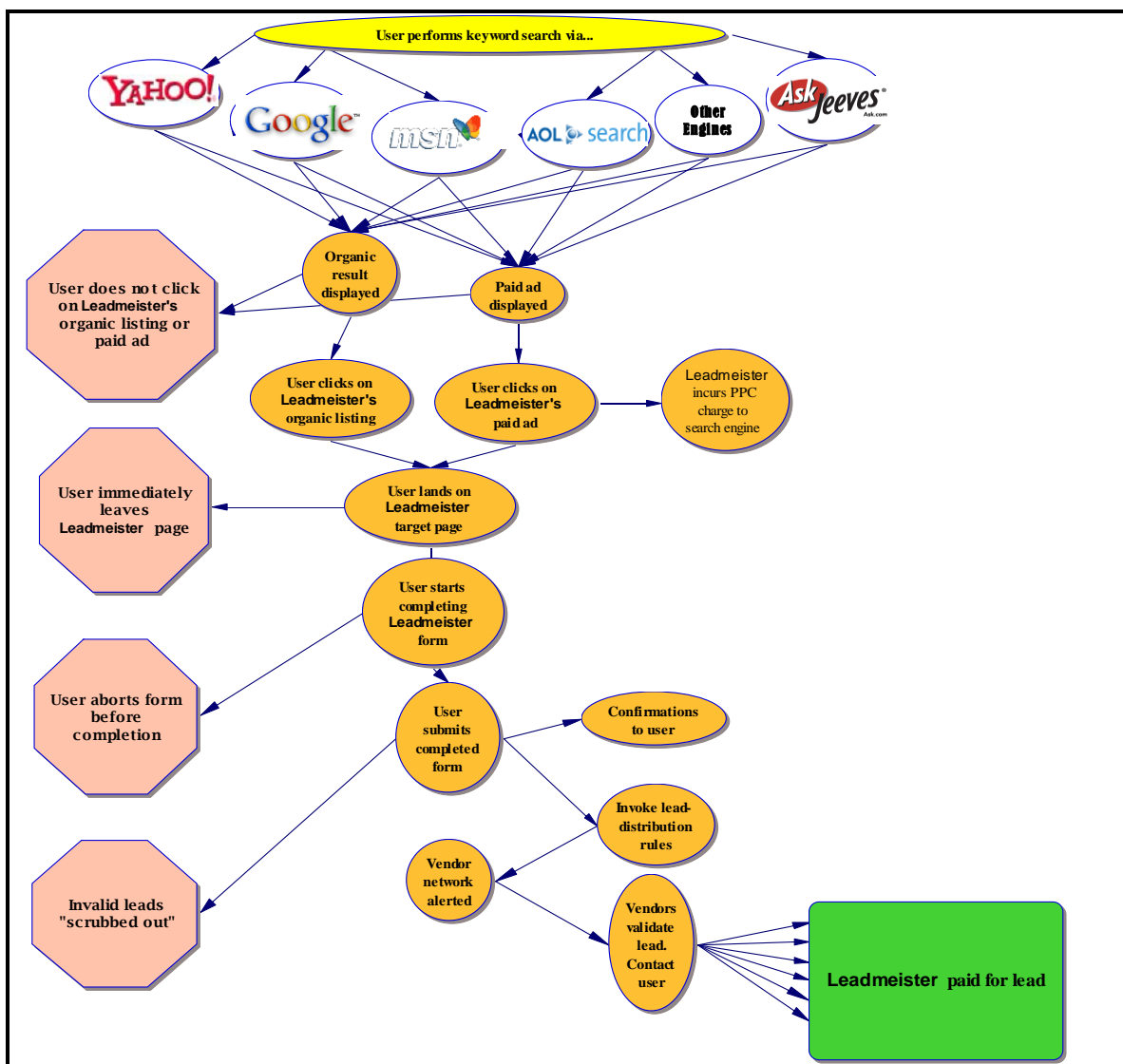
- Konica Minolta Copiers
- LANIER Color Copiers
- Sharp Color Copiers

Related Categories

The top of a questionnaire that prospective buyers must complete on BuyerZone.com, after, in this case, they have said they are in the market for office copiers. The site will forward the lead to several suppliers, all of whom will pay a fee, whether the lead yields a sale or not.

In cases of big-ticket items such as home repairs, pressure may develop over the next few years to pay these lead-generators on a cost-per-action basis (when the product is actually purchased). This would result in far higher payments per lead (though obviously cutting the number of leads sold and ending multiple payments) and favor the highest quality providers. But lead sellers in these niches still wield market power and will be slow to alter the model on their own.

Multiple-Fee Work Flow



This chart depicts the work flow for Leidmeister, a fictional lead generator. The “stop signs” indicate how many ways a potential lead may not pay off.

(Chart adapted from a design by Referral Technology)

Elements of Success

Successful firms across the lead-gen spectrum share a handful of characteristics:

- * **Thoughtful, sophisticated design and organization of their sites.** A revolution is underway in site design, led by retailers seeking to create metaphors based on the in-store shopping experience. This work is spilling over to the lead-gen world, where designers are making sites more welcoming and easier to navigate.
- * **Superior knowledge of search-engine marketing and key-word management.** The best firms have eschewed the conventional wisdom that an MBA or two can run a topflight PPC program. Rather, credentials at the leading firms run toward advanced degrees in mathematics, information science, experimental psychology, and operations research. Though alternative media exist for building awareness and traffic (from opt-in newsletters to network television), search generally remains key. For many sites, search spending dwarfs any other expense, including payroll.
- * **Embracing search-engine optimization (SEO) techniques.** Winning consistently high ranking in the “organic” (or “natural”) listings on the major search engines, some would contend, is even more difficult than managing PPC. (Of course, this argument doesn’t understand that PPC management is not about merely buying your way to the top – it’s about maximizing profitability on the keyword spend.) For lead-gen firms with content that can be crawled by the engine spiders, SEO is another method (and free, after paying the optimizers) for gaining traffic.
- * **Deep domain expertise, intelligently and artfully organized.** With extremely low initial barriers to entry, many niches are growing crowded. Depth of knowledge of a niche (which should also be evident in key-word strategies and site design) will differentiate a site from its competition. In addition, truly deep knowledge can pave the way for a transition to vertical search and other revenue streams, providing “shelter” from Google along the way.
- * **Comprehensiveness.** Users will not spend time on a site if they recognize it does not offer the full range of products and services it supposedly covers.
- * **Robust, automated screening and scrubbing technology.** This is critical to minimize delivery of poor leads. Loyalty toward lead generators is no stronger than anywhere else on the web, so high product quality must be maintained.
- * **Single-mindedness about building traffic.** Deep-pocketed buyers have made clear that growth – as demonstrated in site traffic – is fundamental to a healthy valuation. With general web growth slackening, this is growing even more critical. This also means fully exploiting traffic gathering techniques outside search, both traditional and revolutionary. Whatever works.

Who are the Buyers?

A quick review of the transactions listed on page two makes clear that lead-generation firms are finding buyers in a variety of different industries, including publishing,

financial services, and travel. In some cases, buyers see lead-gen firms are natural feeders into their existing services. In others, the companies have been acquired simply because they've got the earmarks of desirable businesses: vital growth prospects, strong management teams, defensible niches, and predictable cash flows.

Among those acquired as feeders is Trip Advisor, a site built on user-generated content long before that concept became the rage. A solid earner on its own, the company was bought a year-and-a-half ago by Expedia (at the time a unit of Barry Diller's Interactive Corp.) because it could also direct travel bookings Expedia's way.

Much more recently, First Advantage, a unit of First American that is trying to get its fingers into every aspect of the relationship between consumers and their automobiles (they're already into multiple facets of finance and insurance) just spent \$150 million for 75 percent of LeadClick Media, a supplier of leads to several verticals, including the real-estate, financial-services and automotive markets.

Also noteworthy is the rise of companies that, for lack of a better term, can be called lead-gen conglomerates. These companies – Quinstreet and Experian are examples – are starting-up or acquiring lead-gen operations that may have no obvious relation to each other, but that are all thriving as strong, standalone businesses. Experian, one of the three major credit-reporting agencies, has in the past year bought lead-gen companies in home finance (lowermybills.com) and education (Classes USA). Experian, moreover, has made clear that its long-term strategy will focus on companies that serve “major life events” (such as buying a house) and will certainly look to procure lead-gen companies that support those events.

Given the solid balance sheets and strong earnings many lead generators are now reporting, private equity firms can also be expected to seek to acquire these growth properties.

Publishing and Lead Generation

A special place at the table for buyers must be reserved for traditional media operations, especially newspaper companies.

As noted earlier, newspaper publishers have been brutalized by the rise of the internet. Classified advertising, the most profitable revenue stream of any newspaper, has been siphoned off to the web. Borrell Associates, a Portsmouth, Virginia, research firm estimates that online lead generators captured half of the estimated \$1.8 billion spent on real-estate advertising on the web in 2005. Craig's List, the *free*-listing online juggernaut, undermines local papers in every new town it reaches. Google's Base, its nascent classified offering, can only inflict further damage. (And while the value of the suffering newspapers stagnates or declines, the heavily trafficked websites grow increasingly pricey.)

Newspapers, however, are fighting back. Six major newspaper companies – Belo Corporation, Gannett Company, Knight Ridder, Inc., The McClatchy Company, Tribune Company and The Washington Post Company – have formed Classified Ventures, Inc., a Chicago-based company, whose mandate can be summed up as: if you can't beat 'em, join 'em. So far, the risk-spreading consortium has acquired internet listings/lead-gen firms in residential real estate (Homegain), apartment rentals (apartments.com) and auto sales (cars.com, which recently also bought newcars.com). Separately, several leading newspaper publishers, including Tribune Co. and The New York Times Co., have invested in online job-listing sites and aggregators.⁴

Regaining lost revenue is not the only motive for publishers to move into online lead generation. In today's intensely competitive marketplace for all goods and services,

advertisers are constantly pressuring publishers – magazine publishers, especially – to provide more than just ad space. Lead generators, with the power to deliver contactable, consenting adults directly to marketers, are a natural fit for publishers being leaned on by advertisers to bring them closer to customers.⁵

Publishers of B2B business and trade papers have also found a natural role as partners for lead generators. Access to white papers, webcasts, and product specs is an attractive add-on to publishers' websites, generating revenue that is shared by the publisher and lead generator. Naturally enough, at least one publisher has decided to take the leap from site network into lead generation itself. Reed Elsevier's Reed Business unit will use its 30 trade magazines as a primary outlet and traffic-generator for ReedLink, a lead-gen directory of product specs for engineers and manufacturers.

Publishers, moreover, may find themselves in the enviable position of bringing something to the table that neither financial nor strategic buyers outside publishing can – and that's content. The addition of high-quality content not only invites additional page views, but also opens the door to drawing traffic via SEO. And like a train picking up speed, this combination – in the right niche – attracts advertising. This strategy plainly underscores Primedia's acquisition of Automotive.com, a new-car lead generator.⁶ As *The Wall Street Journal* recently reported: "Web sites offering car-buying tips are booked [by advertisers] so far in advance – up to 18 months in some cases – that they are selling ads for next year in a process similar to the way network TV spots are sold."

Prospects & Perils

Ask most lead-gen CEOs what worries them and you will rarely hear about the one or three or 12 other small and medium-sized businesses vying for leads in their vertical. They can be handled. Rather, the prime concern is the same 500-pound gorilla who strikes fear into the hearts of Bill Gates, Sir Martin Sorrell, and Arthur Sulzberger, Jr.: Google.

Everyone across the lead-gen spectrum fears disintermediation. (Interestingly, this is even true among companies who rely little on search to draw traffic, since search could do the job as well.)

Should they be worried? Yes, of course. Is their demise imminent? Probably not.

This fear is perhaps most palpable among the comparison-shopping sites, which are confronted by Froogle, the search giant's own comparison shopper. Though still nominally in beta release (since December '02!), Froogle already occupies some of the most pristine and coveted real estate in the world (no, not a Malibu beach house): Google's home page.

What's more, Google (and Yahoo and MSN, for that matter) could certainly devote resources to other aspects of lead-gen. However, it seems that several factors discount that probability. Most important is the narrow, vertical nature of most lead-gen businesses versus the major search engines' broad worldview. There used to be a saying in the software business that going vertical was the last thing a company did before going horizontal. The fact is that strong, profitable vertical businesses dominate lead-gen, but few niches would seem rich enough to invite a direct challenge from Google or Yahoo.⁷

Still, whether the challenge comes from Google or the company in the next office suite, the response should be the same: strengthen relationships with lead buyers, build traffic, deliver only quality leads, constantly enhance the attractiveness and utility of the site, and seek ways to differentiate.

A lurking problem for any lead-gen company that needs to buy traffic via PPC is the rising cost of keywords. Rates fluctuate day to day and week to week, but the long-term

trend for key-world pricing on Google, Yahoo, and MSN has been upwards, the result of competition for words and phrases that have proven their value to lead generators over time. While close analysis of recent cost-per-click trends indicates that price rises have slowed or, in some verticals, even reversed,⁸ the only response can be to manage keyword buying more efficiently and to find alternatives. For lead generators, this will mean greater focus on gaining traffic via SEO, as well as non-search sources.

As always, the declining cost and spread of new technologies such as mobile devices and high-speed networks will present opportunities to grab competitive advantage. For instance, innovators will undoubtedly soon bring comparison shopping – both research and pricing data – right into the retail store (pity the local Best Buy manager).

A second opening for new technology (though calling it “new” may seem silly) is adding a telephone option (so-called “Pay Per Call” as opposed to “Pay Per Click”) for customers who prefer a supplier with a human voice. Instead of offering a link to click on, ads or listings display a phone number to call or let the prospective customer enter his phone number for a call back. (Fees are sharply higher than for Pay Per Click – perhaps an order of magnitude or two – but the close rate can also be far greater, justifying the expense.) Both Google and Yahoo are building infrastructure to handle Pay Per Call ads, and the perceived need for this technology may explain eBay’s otherwise inexplicable \$2.6 billion purchase of Skype. Small vendors taking the lead in Pay Per Call include eStara and Ingenio.

Smart lead-gen companies will also use a combination of technology and hand-holding to help clients take leads further down the road toward conversion. Sirius Decisions, a Southport, Connecticut, consulting firm, suggests that a preposterous percentage of good leads falls through the cracks during the sales process, never to be heard from again. This is an area ripe for strengthening customer relationships.

Summary and Conclusion

The concept of lead generation has been empowered by the web in a way no one could have imagined a decade ago. A variety of approaches exists, some better suited to individual markets and niches than others, but there are many roads to success on the net. Competition is intensifying, but no market seems anywhere near saturated. Product innovation, combined with solid marketing, can still quickly gain market share.

Big companies – in publishing, banking, travel, and, marketing – have been slow to grasp the power of online lead generation. For some, there’s still little compulsion to act. Others are more akin to Gulliver being tied down by the Lilliputians. It’s questionable if they’ll get up again. Ask Tony Ridder.

It is critical, moreover, to recognize that the dollars funding lead-gen programs, in a more genteel era (any time from Benjamin Franklin’s adolescence until five years ago), would probably have found their way into publishers’ pockets as advertising expenditures. Since advertising represents half – and often far more – of a publisher’s revenue picture (subscriptions supplying the “other half”), no industry has more to lose to the online lead generators than publishers. Consequently, no industry should be more focused on lead generation than publishers. Like laggards in any industry, they can either grow their own or buy their way in, but they cannot afford to stand by and watch.

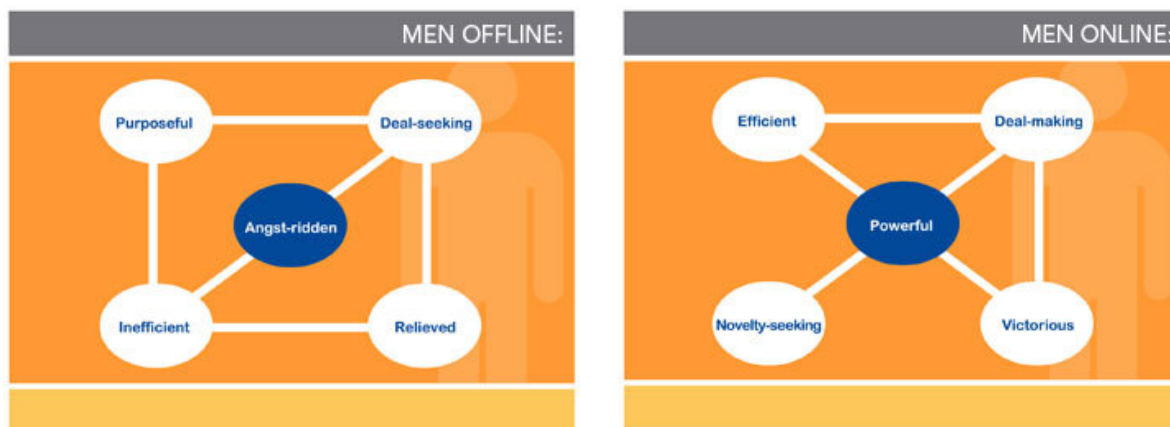
While sales of lead-gen companies have come at healthy multiples, they do not seem outrageous, especially on the B2B side. (Consumer deals have been frothier.) Therefore, look to a continuing strong market for lead-gen companies, especially as understanding of these businesses’ offerings, their financial strength, and their utility spreads.

Endnotes:

¹The decline of the newspaper business is a crime we're all witnessing, though it seems few CEOs are being called to account. With few exceptions, newspaper advertising is flat or down, while circulation slides dramatically and costs continue to spike. Explaining the circulation decline falls beyond this report, but advertising woes are directly tied to the rise of alternative – and *better* – means of reaching customers. It should be no surprise, for instance, that Hertz, once a mainstay in *The New York Times*, has not advertised in the paper since the spring of 2005. And the *Times* itself reports that Ford Motor Co. says that four out of five of its customers “now shop online, doing everything from their initial research to setting up test drives and getting quotes from dealers.” In early November 2005, the outgoing editor of *The Financial Times* declared that, “working in print, pure and simple, is the early 21st century equivalent of running a record company that specializes in vinyl.” He added that FT.com (the paper’s website) “is 10 years old this month, more people now access FT content online than have ever read it in print, and online advertising revenues have long since passed the threshold of significance.” Is it any surprise, then, that media buyers are slashing newspaper spending? Or that they will inevitably take an axe to TV budgets as well? Or that online properties are commanding gut-check multiples, often from the same media companies, who now feel compelled to play catch-up.

² GlobalSpec is noteworthy as well for its ongoing evolution into a powerful vertical search engine for engineers. It reached this point by crawling only sites of interest to its user community, and then layering on additional engineering-related content rarely available online. Providing access to deep, specialized knowledge is critical to GlobalSpec’s strategy of distinguishing itself from Google and the other horizontal engines. Meanwhile, the bridge from lead-generation to vertical search – and back the other way – is one more firms should and will be crossing.

³ One of the reasons for the success of these consumer sites – and perhaps for B2B sites and other lead-gen models – is their innate appeal to men, most of whom have a preternatural revulsion toward real – as opposed to virtual – shopping. Fascinating research conducted by Kelly Mooney, Chief Experience Officer at Columbus, Ohio, ad agency Resource Interactive, and first made public in September at Shop.org, the annual conference of the National Retail Federation, dissected and depicted men’s emotional responses to shopping off-line vs. on-line. The paired charts below speak for themselves. Kelly’s own analysis can be found on her blog at: mooneythinks.com.



Research suggests that the lead generators’ success may be attributable in part to the psychic appeal to men of shopping online, which leaves them feeling powerful (right) instead of angst-ridden, which is how real shopping affects them (left).

⁴ Just as all politics is local, so are most classified ads. Outside the U.S., British publisher Trinity Mirror has spent more than £80 million in recent months buying four online classified sites in the UK: Secsinthecity.com (secretarial recruitment), Workthing.com (general recruitment), Gaapweb (financial recruitment), and Smartnewhomes.com (real estate). In addition, high-flying real-estate site Rightmove.co.uk has reportedly spurned overtures from News Corp. and Trinity Mirror, and will likely go public instead.

⁵ One major B2B publisher, the CMP unit of United Business Media, no longer even describes itself as a publisher, but rather as a “marketing solutions company.” See http://cmp.com/about/ldr_sweitzner.jhtml.

⁶ Most startling about the Primedia deal is that the publisher is handing control of its auto-enthusiast magazines to Automotive.com, eliminating any question about who might be the lead dog.

⁷ Despite the intense immediate and long-term competition facing comparison-shopping sites, Scripps should have few regrets over its Shopzilla acquisition. First off, growth is accelerating. For the quarter ended September 30, 2005, revenue more than doubled from the year-ago quarter, while profit from the unit rose more than six-fold. Earnings are expected to double again (reaching \$13-15 million) for the Christmas 2005 quarter, spurred by sharp gains in traffic from Google and Yahoo. Scripps, moreover, is now embarking on integrating Shopzilla’s search software with the company’s content in food, home and garden, and other high-growth segments. Though they come from different cultures, exchanges between the Scripps and Shopzilla camps are underway, with Scripps compounding Shopzilla’s already considerable keyword buying power, and searching for new opportunities to employ the technology. Given the choice of spending half a billion dollars (give or take a hundred million) on either comparison shopping (as Scripps did) or simple consumer content (as The New York Times Co. did with About.com), it will be interesting to see which site delivers the greater ROI over the long haul.

⁸ See S.G. Cowen & Co., *Internet & New Media*, Latest Survey Results, December 5, 2005.

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