2019: The State of the Industry Report

March 13, 2019

Introduction

When we were initially contacted by LeadsCon about creating a first of its kind State of the Industry Report, we were excited. LeadsCon is a special event, where so many people come together in one place.

So much of this industry is digital that it's great to have a human opportunity to discuss the issues that drive our businesses, and how together we can address them. Leadership is fostering these types of discussions and bringing people together.

Our mission is to remove the risk from your customer acquisition activities. Generating insight into what the industry thinks and how to improve things can only serve to further reduce risk for buyers and sellers alike.

We are incredibly proud of our association with LeadsCon and the opportunity to produce this report, and we hope you find it useful.

Frans van Hulle, CEO & Co-Founder

Bas Offers, COO & Co-Founder

Executive Summary

This comprehensive report of buyers, sellers and technology providers shows that while the industry has improved somewhat over the past two years, there is still a long way to go.

There's more opportunity for buyers to scale, and there's more information for buyers to see and learn from. Additionally, buyers feel they have improved their processes and their effectiveness. However, they are less sure that the leads they buy are more effective. More than 50% of buyers think the industry has not improved in ways that collectively drive marketer success.

Lack of Visibility Results in Poor Performance.
An overwhelming majority of lead buyers are not hitting their ROI objectives, and on average, they fail to reach even half of their target. This directly correlates to a lack of visibility within the market, where those who have higher levels of visibility have higher levels of success.
For those who do reach their target ROI, end-to-end measurement of their campaigns is a prominent factor. The ability to consistently see and measure conversion throughout the sales funnel makes a lead buyer 2-3X more likely to hit their Target ROI.

More Publisher Options Result in Increased Performance.
The findings show buyers who hit their ROI objectives tend to manage far more sources than those who do not. Among lead buyers, those who manage more than 10 sources double their likelihood to hit their ROI goals; those managing 40 or more sources hit their target 93% of the time. Unfortunately, though, two-thirds of the market are managing 10 or fewer sources in their campaigns.

Industry Challenges

Buyers and Sellers

Increasing conversion is the #1 challenge for buyers.

	Challenge	Score (out of 6)
1	Increasing lead-to customer conversion	4.74
2	Improving the quality of lead data	4.32
3	Increasing the quantity of leads generated	3.54
4	Reducing the cost to acquire leads	3.46
5	Measuring ROI on my programs	2.52
6	Automating lead generation processes	2.42

Maximizing revenue is the #1 challenge for sellers.

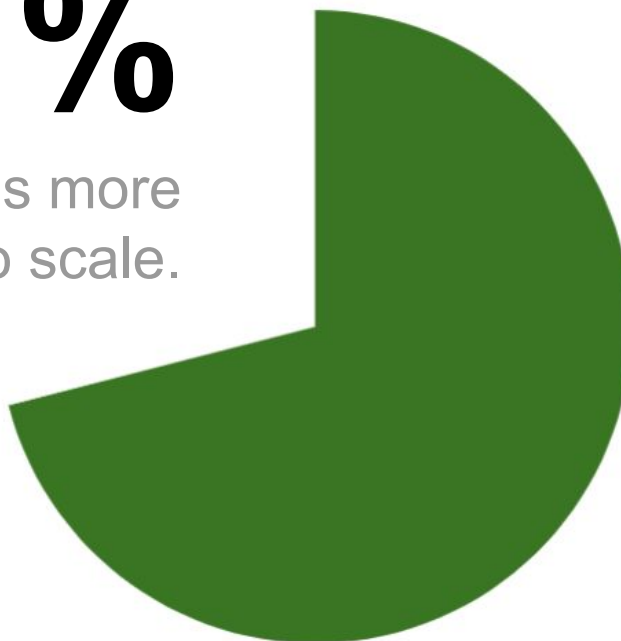|	Challenge	Score (out of 7)
1	Maximizing revenue	5.71
2	Coverage	4.71
3	Managing partner demand	4.38
4	Payments and cash flow	3.83
5	Finding the right audience	3.75
6	Limited buying platforms	2.83

Industry Trends

"Compared to 2 years ago..."

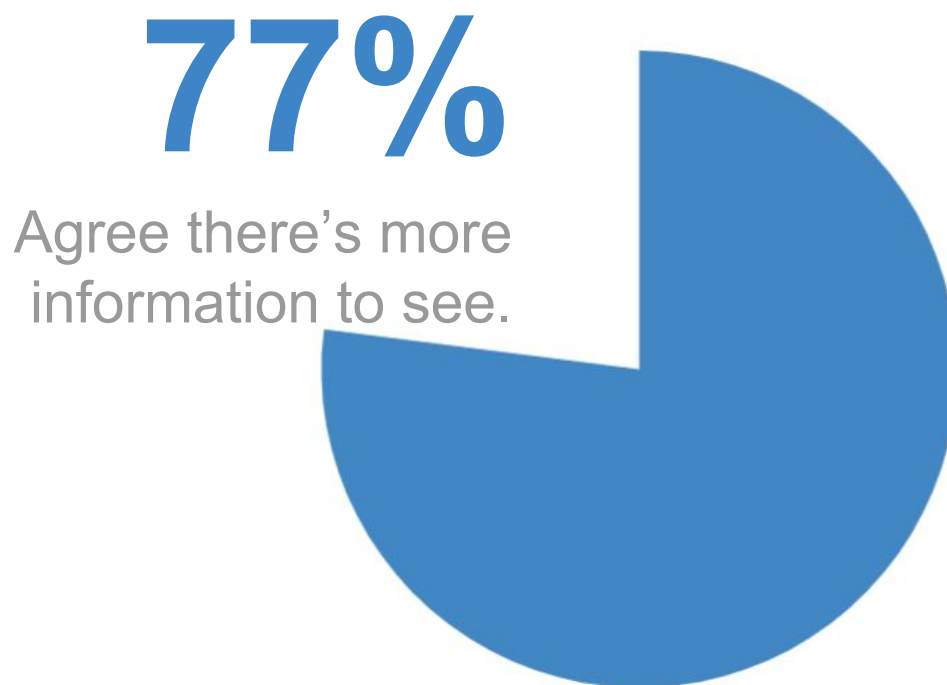# There's <u>more opportunity</u> for buyers to scale.

71%

Agree there's more opportunity to scale.

"Compared to 2 years ago... There is greater opportunity today for me to scale my program(s) and acquire more customers."

And there's <u>more information</u> for buyers to see.

77%

Agree there's more information to see.

"Compared to 2 years ago... I have very good (or great) knowledge on which specific lead sources are able to generate customers for me."

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Buyers feel they have improved their processes and their effectiveness.
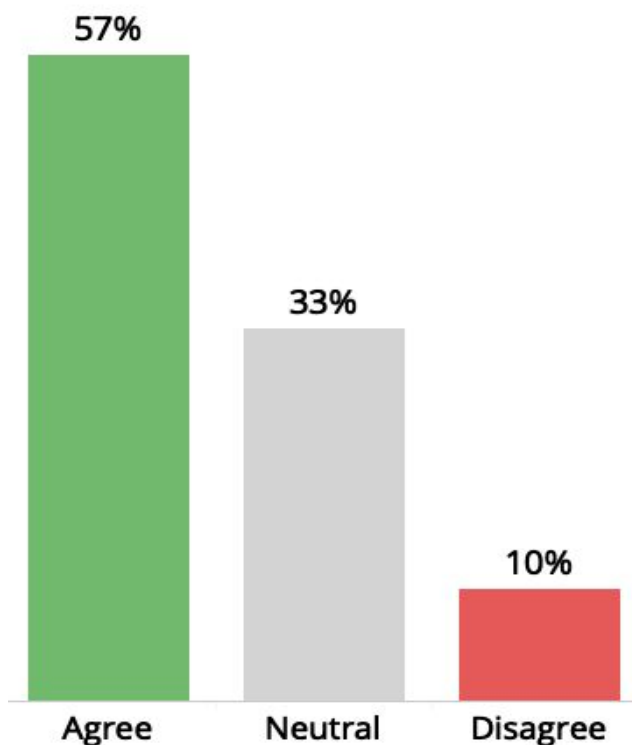
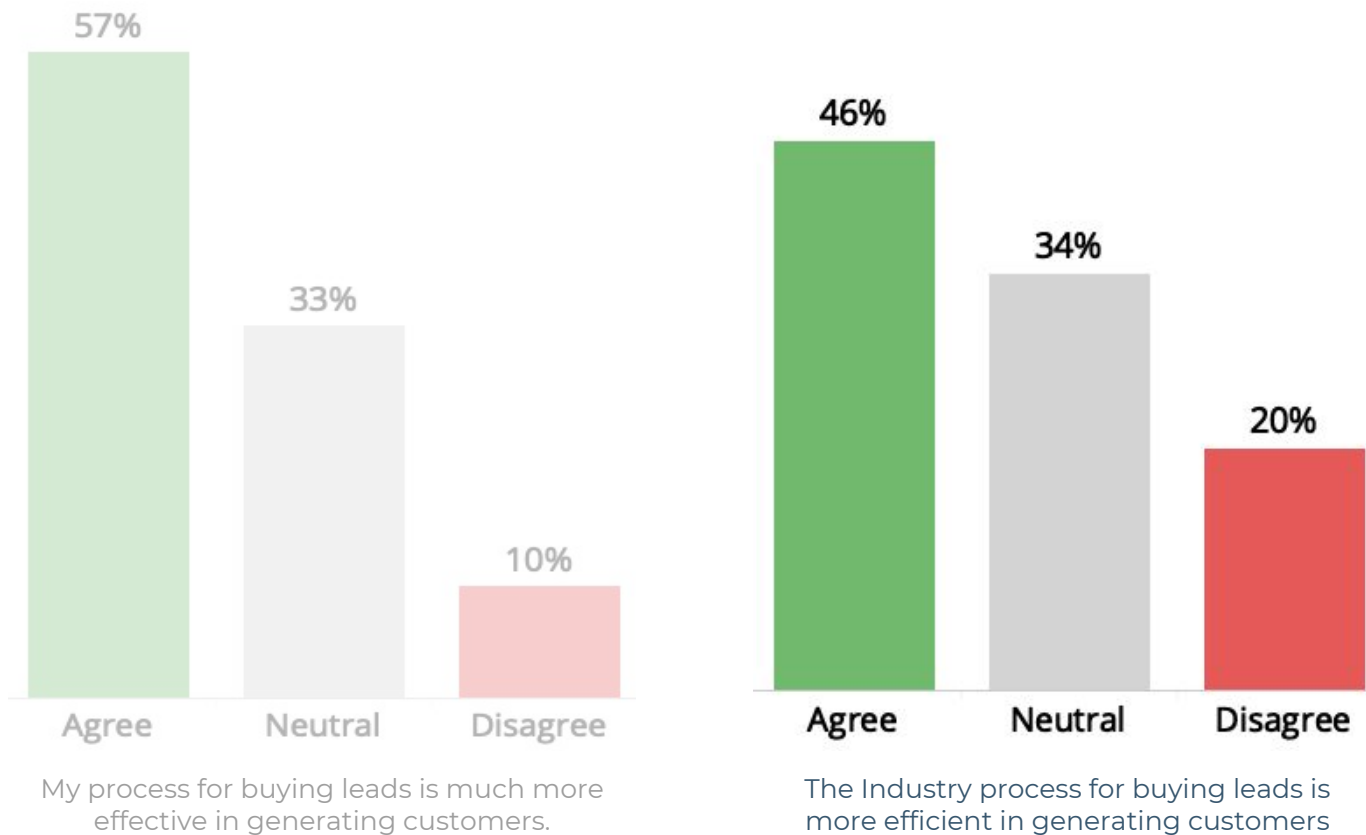My process for buying leads is much more effective in generating customers.

"Compared to 2 years ago... My process for buying leads is more effective in generating customers."

But, they are less sure that the leads they buy are more effective.

57% — Agree
33% — Neutral
10% — Disagree

My process for buying leads is much more effective in generating customers.

42% — Agree
38% — Neutral
20% — Disagree

The Leads I buy are much more effective at generating customers.
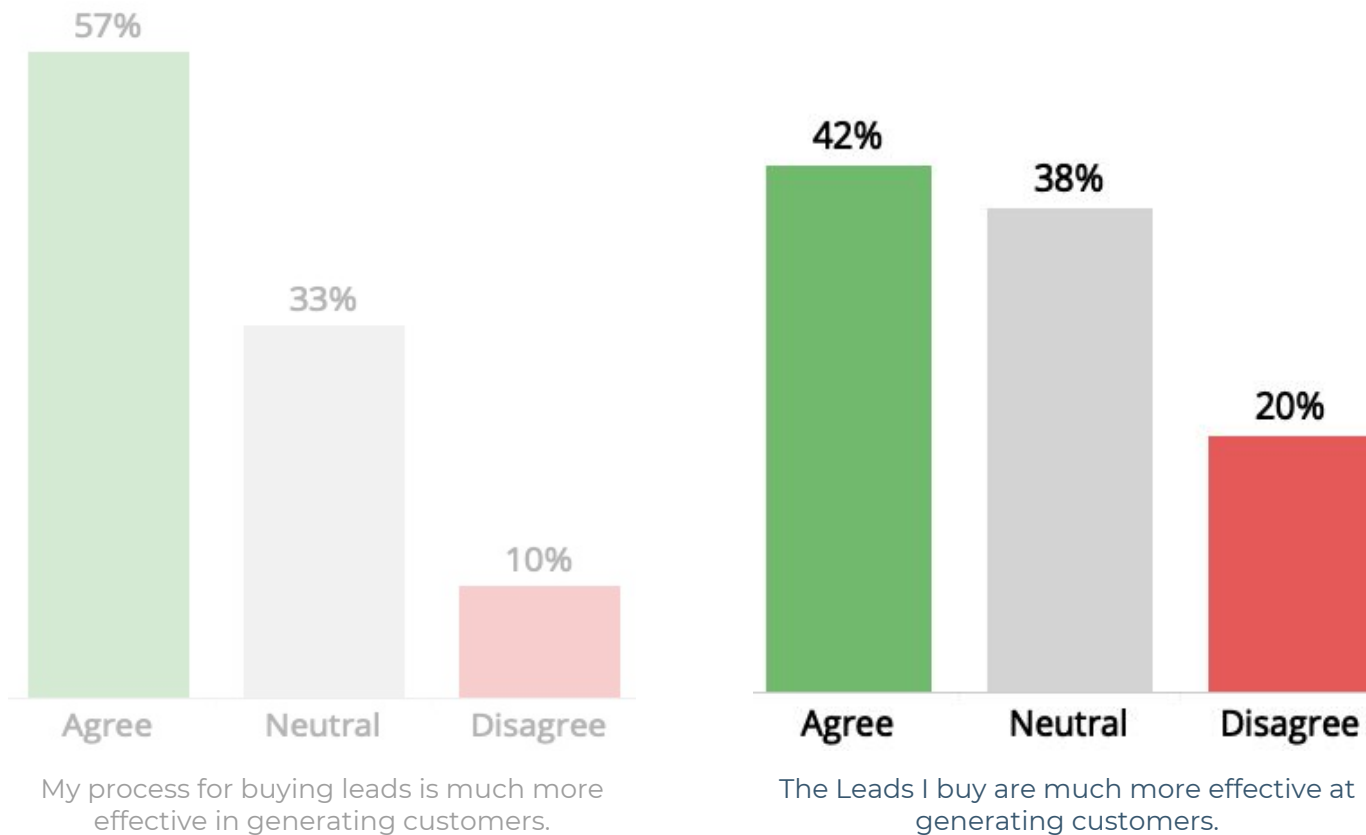
"Compared to 2 years ago... The leads I buy today are much more effective in generating customers."

More than 50% of buyers think the industry <u>has not</u> improved.

Left chart: My process for buying leads is much more effective in generating customers.
- Agree: 57%
- Neutral: 33%
- Disagree: 10%

Right chart: The Industry process for buying leads is more efficient in generating customers
- Agree: 46%
- Neutral: 34%
- Disagree: 20%

"Compared to 2 years ago... The industry process for buying leads is more efficient in generating customers."

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Summary of Industry Trends

Responses to the survey indicate that buyers very strongly agree that there are more opportunities in the market, in the form of more leads, more knowledge, and more ways to scale, versus 24 months ago. There is also an overall perception that they've been able to improve *their own* processes to collect leads and be efficient and effective.

However, they are less sure the leads they buy are more effective. The response to a question about "the leads I buy" showed considerable doubt, dropping to just 42%.

Similarly, when asked to compare their process to "the industry process," the same seeds of doubt appear. Agreement drops from 57% to just 46%.

This leads one to believe that there is more the industry can do collectively to assist buyers in driving success.
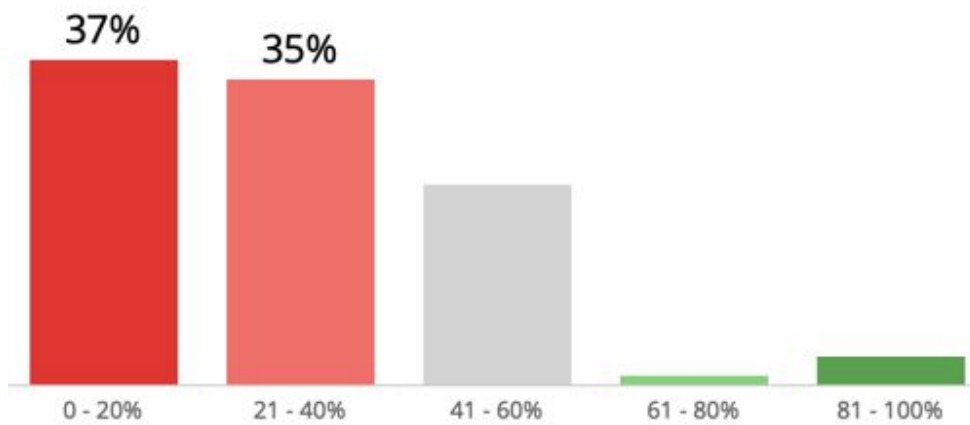
Sources

Buyers struggle to manage more than 10 sources.

66%

3%

1 - 10   11 - 20   21 - 30   31 - 40   40 +

Number of Sources Managed
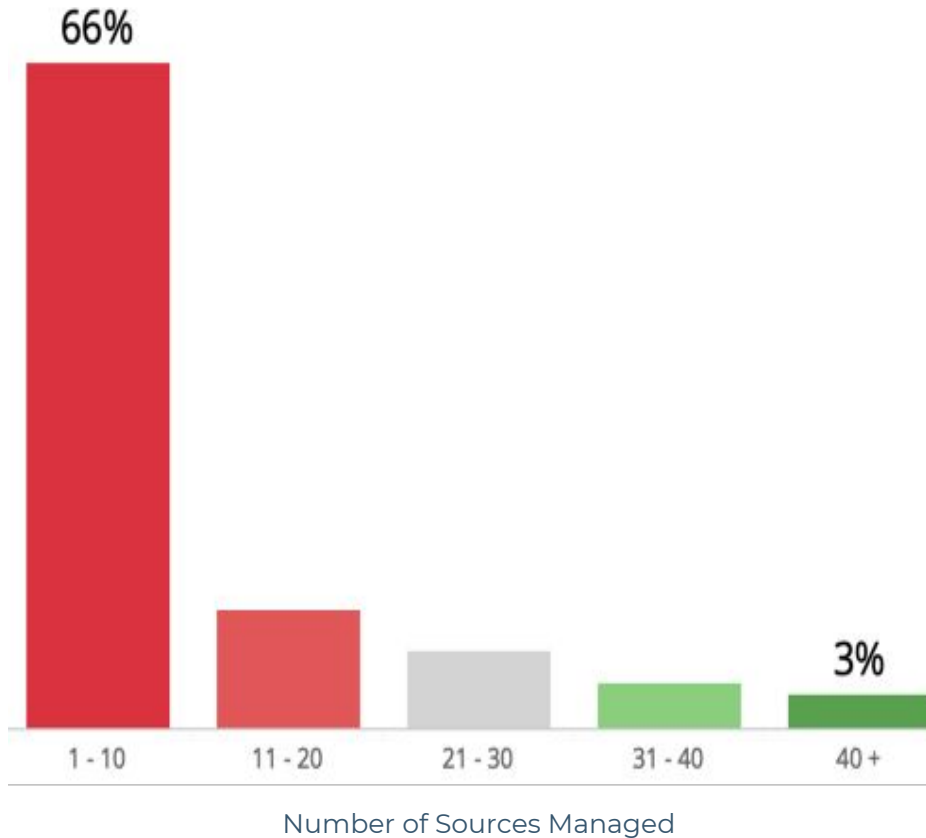
❏ It's not easy to find good sources.

❏ Scaling efforts can be easy, but is not a sure thing.

➔ *"On average, how many sources (vendors) are you buying from at any given time?"*
➔ *"It's easy for me to find high-performing sources." Agree/Disagree.*
➔ *"When I find high-performing sources, it's easy for me to scale my effort with those sources." Agree/Disagree.*

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Testing new sources is costly and time consuming

37% **35%**

0 - 20%   21 - 40%   41 - 60%   61 - 80%   81 - 100%

Typical Success Rate

..and most testing fails.

➔ *"What's your typical success rate in testing new lead sources (vendors)?"*

Summary of Sources

It is clear that buyers want access to more sources in the market. The sources are there, but there is a great level of complexity, both to integrate those sources into the plans and campaigns, and more importantly, to manage and measure the effectiveness of those sources.

This complexity is a strong explanation for why two-thirds of those surveyed are managing no more than 10 sources at a time.

ROI

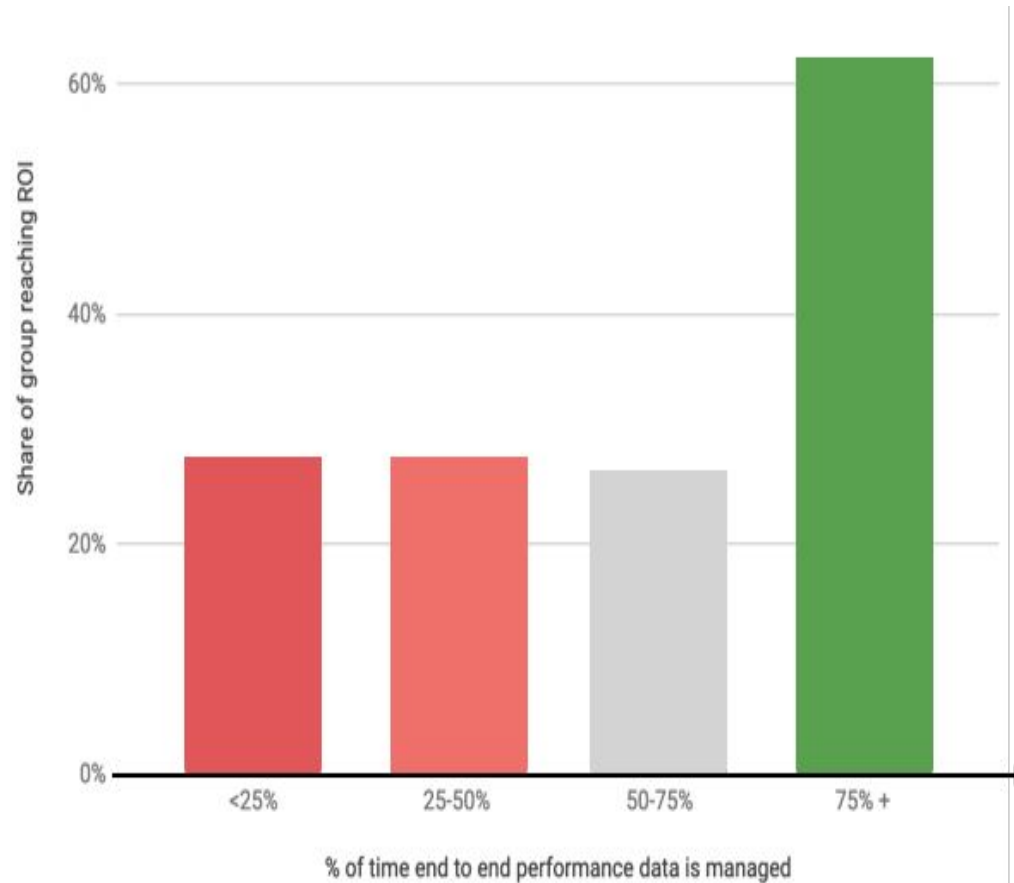# 82% of buyers surveyed are not hitting their target ROI.
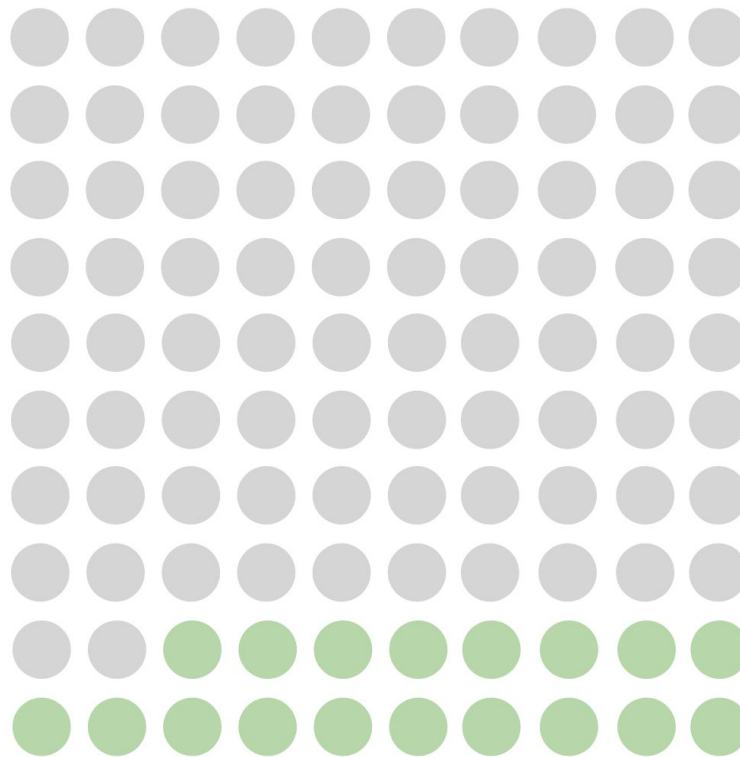
On average, they're missing By **-54%**

➔ *"What's the ROI on your lead programs?"*
➔ *"What's your TARGET ROI for lead programs?"*

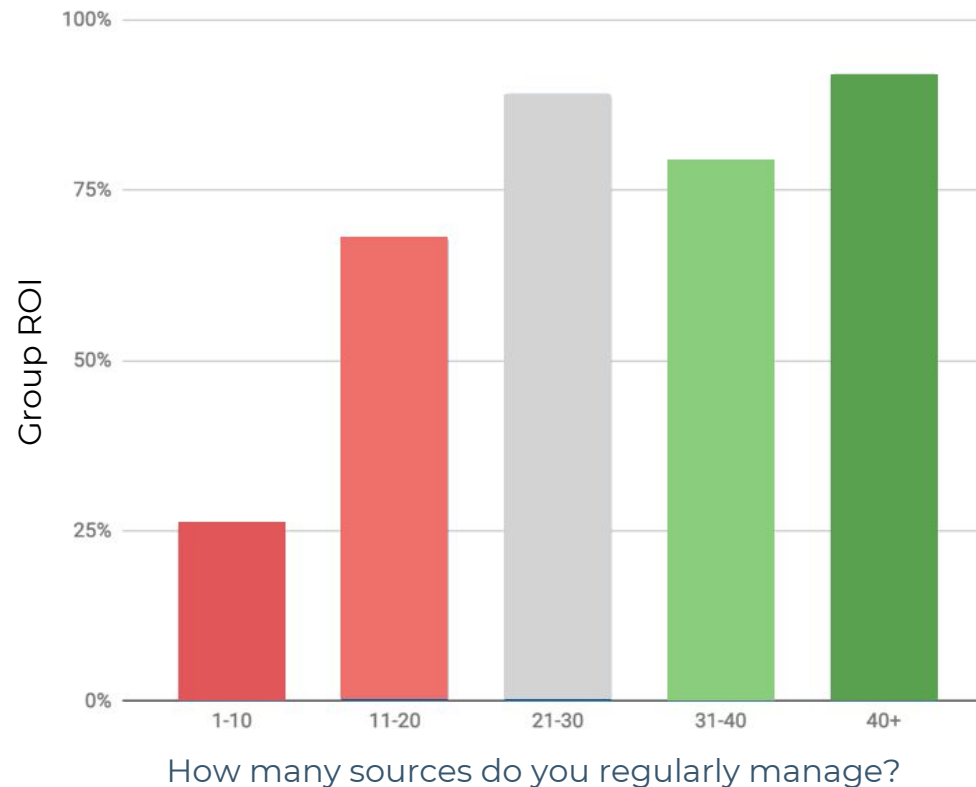# Factors that drive success for lead buyers to reach Target ROI.

Consistent end-to-end performance measurement drives success.

How often you're able to track/analyze end-to-end performance of leads/calls

➔ *"What's the ROI on your lead programs?"*
➔ *"What's your TARGET ROI for lead programs?"*
➔ *"What percentage of the time are you able to track and analyze the end-to-end performance of leads/calls to conversions (sales)?"*

The more sources you manage, the better your chance to hit your ROI.

Group ROI vs **How many sources do you regularly manage?**

- 1-10: ~26%
- 11-20: ~68%
- 21-30: ~89%
- 31-40: ~80%
- 40+: ~92%

➔ *"What's the ROI on your lead programs?"*
➔ *"What's your TARGET ROI for lead programs?"*
➔ *"On average, how many sources (vendors) are you buying from at any given time?"*

Summary of ROI

Among the most astounding insights to come from the survey was the degree to which marketers are not reaching their desired ROI goals. 82% of the buyers surveyed are not hitting their target ROI. Many buyers and sellers alike in the LeadsCon audience suggested this was not surprising to them, but that does not make the statistic any less interesting.

Two clear factors appeared suggesting a path to follow those who are successful:

1. Companies who are successful are those who frequently measure and have insight into their sales funnel. They track a lead from purchase, through call center through sale, and then feeding that information back to the source. Those companies are 2-3X successful as those who do not follow this track.

2. The companies who are able to manage more than 10 sources see a quantum leap in their likelihood to reach ROI goals.

Pricing

Buyers believe almost half the leads they buy are overpriced.

OVER PRICED
44%

RIGHT PRICED
43%

UNDER PRICED
13%

➔   *"What percentage of the leads you buy are right-priced, under-priced, and over-priced?"*

Publishers, Networks and Technology Providers

Publishers

- Publishers appear more enthusiastic than buyers about the overall future of the industry. 75% characterized themselves as optimistic -- with 39% *very optimistic (*compared to 27% very optimistic for buyers).

- While the overall group (57%) feels they are maximizing revenue opportunities, there is a subset (18%) who do not agree at all.

- Maximizing revenue is clearly their #1 challenge.

- There is an overall feeling (56%) that they are getting the best price for their leads, but there is a large group who disagree (30%).

Networks & Aggregators

- Most aggregators sell both leads and calls.

- 60% of those surveyed generate more than $200k per month (vs. of Publishers)

- Both publishers and aggregators believe they are getting clear feedback from buyers "that helps me to understand where my leads are most effective, and which types of leads result in sales for buyers." (81% agree. 43% strongly)

- The price squeeze is stronger felt by aggregators than publishers. 30% of aggregators feel they were getting a better price 2 years ago, while only 14% of publishers feel this way.

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Technology Providers

- Technology providers are clearly the most optimistic group surveyed. 95% characterized themselves as optimistic -- with 54% *very optimistic*

- They have a very clear and accurate view of the challenges faced by buyers and sellers, including the ranking of their priorities. Their ranking of challenges matched those of buyers and sellers.

- The one place they are not aligned is with regard to cost of technology solutions. They believe buyers see it as the #1 priority (43% rank it #1), while buyers see it lower on the list, after "Ability to Integrate" and "All-in-one Solution."

Methodology

PX partnered with LeadsCon to conduct an anonymous third-party survey of marketers, publishers, aggregators and technology providers in the customer acquisition (lead generation) space. Companies and individuals in the survey included a range of 22 different vertical industries. Respondents to the survey included:

- Lead Buyers (Marketer or Agency)   55%
- Lead Sellers (Publisher or Other)   17%
- Lead Network/ Aggregator   12%
- Technology Provider   17%

The survey was distributed by LeadsCon via email and received 336 total responses between January 30, 2019 and February 25, 2019.

From Insight to Decision to Action

In the world of customer acquisition, risk is created by unverified, non-compliant, and poorly-priced leads. The PX platform removes that risk. It gives you a one-stop marketplace for hundreds of vetted sources, plus an array of automated and predictive tools, so your effort to acquire leads is rewarded by converting those leads into customers. The PX platform addresses the primary challenges brands face in customer acquisition:

- Compliance
- Transparency
- Control
- Results

Learn More or Request a Demo

Request your free demo of the platform at www.px.com/request-a-demo

About PX

PX is the world's first transparent customer acquisition platform, providing a single marketplace for companies to acquire customers from hundreds of vetted and sought-after sources. The company removes the risk from customer acquisition by providing marketers with easy-to-use solutions and tools to grow and efficiently scale their customer base. PX is active in the Financial Services, Insurance and Home Services industries. Originally established in 2010, PX launched its open marketplace in 2018. Its global headquarters are in New York City, with offices Panama City, Amsterdam, and Odessa, Ukraine.

For more information, visit www.px.com.