

HOME HIVE 360 | BUSINESS GROWTH & MARKETING

Cost Per Lead Is Lying to You — Here's What to Measure Instead

Why cheaper leads don't always mean better marketing—and the three numbers every contractor should be tracking.

Most contractors have been conditioned to judge their marketing by one number: cost per lead (CPL). If you're paying $20 per lead, you're doing great. If you're paying $100 per lead, something must be wrong. Right? Not necessarily.

Cost per lead tells you how much you spend to generate interest. It doesn't tell you whether that interest becomes an appointment, an estimate, a signed contract, or actual revenue. The real question isn't how much you pay for leads. It's how much you pay to win a customer.

The $20 Lead vs. the $100 Lead

Imagine two roofing contractors each spending $2,000 on marketing:

	Contractor A	Contractor B
Marketing spend	$2,000	$2,000
Cost per lead	$20	$100
Leads generated	100	20
Customers won	2	5
Cost per customer	$1,000	$400

Illustrative example, not industry benchmark data.

Contractor A generated five times as many leads. Contractor B acquired more than twice as many customers. Despite paying five times more per lead, Contractor B spent 60% less to acquire each customer. Chasing the cheapest lead can be an expensive mistake.

The Three Numbers You Should Actually Track

1. Cost Per Qualified Lead (CPQL)

Not every inquiry is a legitimate sales opportunity. Some are outside your service area, some aren’t ready to buy, and others are simply comparing prices. Formula: Total lead-generation spend ÷ number of qualified leads. Define qualification using service need, location, buying intent, and ability to purchase.

2. Customer Acquisition Cost (CAC)

This reveals what it actually costs to win new business. Formula: Total sales and marketing acquisition costs ÷ new customers acquired. Include applicable advertising expenses, lead purchases, sales labor, and acquisition-related software costs.

3. Customer Acquisition ROI

Winning customers isn’t enough if acquiring and serving them costs more than they’re worth. Formula: (Gross profit from acquired customers − acquisition costs) ÷ acquisition costs × 100. Use gross profit after direct job costs rather than revenue alone. For longer-term relationships, consider repeat business and customer lifetime value.

See What the Numbers Reveal

Here is an illustrative monthly scenario: $3,000 in lead-generation spend, 100 leads, 40 qualified leads, 8 customers, and $1,200 average gross profit per customer.

Cost per lead	$30

Cost per qualified lead	$75
Lead-generation cost per customer	$375
Illustrative acquisition ROI	220%

This simplified example excludes additional sales and overhead expenses. Full CAC and ROI should include all applicable acquisition costs.

The Hidden Cost Nobody Talks About: What Happens After the Lead Arrives?

Generating a lead and converting a lead are two completely different processes. Imagine a homeowner requesting an HVAC estimate from three contractors. One responds immediately and schedules a visit. Another calls four hours later. The third responds the following morning. All three might pay the same amount for the lead—but their opportunity to win the job is very different.

Your follow-up process can be just as important as your lead-generation strategy. Monitor speed to lead, appointment-setting rates, estimates delivered, close rates, and reasons opportunities are lost. Poor conversion doesn’t automatically mean bad leads. It may mean your business isn’t converting the opportunities it already has.

Stop Buying More Leads Before Fixing the Ones You Have

When revenue slows, the natural reaction is to increase advertising: more Google Ads, more Facebook campaigns, more purchased leads. But consider a contractor generating 100 leads per month and closing 10 customers—a 10% conversion rate. Improving conversion to 15% produces five additional customers without a single additional lead.

That is a 50% increase in customers from the same lead volume. Sometimes the most profitable improvement isn’t generating more opportunities. It’s learning how to stop losing the ones you’ve already paid for. This is an illustrative scenario; results depend on lead quality, follow-up, sales execution, and market conditions.

Where Home Hive 360 Comes In

At Home Hive 360, we believe contractors should focus on maximizing the value of every opportunity—not simply purchasing more leads. Our approach is built around helping home service businesses work smarter through a connected business ecosystem.

That includes improving visibility, creating new opportunities through complementary business relationships, exploring shared lead opportunities, and helping contractors make better use of existing customer and prospect relationships.

The goal isn’t simply to lower the price of a lead. It’s to improve the economics of acquiring a customer. A $100 lead that turns into a profitable $10,000 job can be far more valuable than ten $10 leads that never turn into business.

The Bottom Line

Cost per lead isn’t useless. It’s incomplete. If you make marketing decisions solely on how cheaply you generate inquiries, you miss the bigger picture. Measure opportunity quality, the actual cost of winning customers, and the profit those customers generate. Then look closely at what happens between the moment someone expresses interest and the moment they become a paying customer.

Your biggest growth opportunity may already be sitting in your pipeline.

Ready to Get More Value From Every Lead?

Stop measuring success by how many leads you buy. Start measuring how much business you win. Discover how Home Hive 360 is helping build a more connected ecosystem for home service professionals.

homehive360.com

Better connections. Smarter opportunities. Stronger businesses.