



IMPACT OF LEAD RESPONSE TIME ON SALES

A look into how prospect inquiry response time impacts sales and simple strategies to improve.

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OVERVIEW

[Summary: The tortoise does not beat the hare]

Imagine you are searching online for a local service provider, such as a real estate agent, attorney, or HVAC contractor. You fill-out a “Contact Us” form and receive a message that says, “Thank you for contacting us. We’ll be in touch soon.” Then, you wait...and wait. You finally hear back a day later when you’re busy at work. You’re no longer in the ‘buying mindset’ and likely have already contacted and engaged another, more responsive, service provider.

In today’s on-demand, internet empowered world, immediacy of response and service is expected. “Fast response time” is no longer a nice-to-have, it’s a must-have.

Bottom line? Businesses that don’t respond quickly are losing sales to their more responsive competitors.

A study from MIT/InsideSales.com shows that 35% to 50% of sales go to the business that responds first. Think about it – when you fill out a contact form, you’re ready to engage. An hour, a day, or a week from now, are you still in that same mindset? Of course not. Your prospective clients are no different.

In this White Paper, we address the importance of response time, its impact on conversion rate, and highlight simple strategies to improve your response time and turn more leads into revenue.

SETTING THE STAGE

For the purposes of this White Paper, we're addressing the "interest" section in your sales funnel. This begins when a prospect provides contact information indicating interest and ends when you personally contact the lead.



The leads we refer to in this White Paper are leads that are generated online – from your website or from third-party lead generation firms. Online leadgeneration has quickly become the norm for small and medium sized business. SMBs currently spend nearly 50% of their marketing budget on digital marketing¹, and this proportion will only continue to increase.

Finally, "response time" refers to the number of minutes between when a prospect submits their contact details to you (a clear indication of interest), and your first point of contact with the prospect to qualify, set-up an appointment, and/or provide service.

¹ BrightLocal , "SMB Digital Marketing Survey" (2013)

PROBLEM: SLOW RESPONSE TIME

While every industry is different, in general, web lead response time is shockingly slow. Most businesses that we speak with initially say that they do in fact respond “quickly”, but the numbers tell a different story.

The Harvard Business Review recently audited 2,241 companies in the United States, measuring how long each business took to respond to a web-generated test lead². Their findings reveal a number of salient statistics:



- 37% responded within one hour
- 16% responded within 1 to 24 hours
- 24% took over 24 hours to respond
- 23% of companies never responded

If your business responds to leads “within one hour”, don’t pat yourself on the back quite yet. Minutes, not hours, drive conversion rate.

² Harvard Business Review, “Short Life of Online Sales Leads” (2011)

TIME TURNS WARM LEADS COLD

Time degrades the quality of a lead and the likelihood that you'll connect with the prospect. A quality lead when submitted can become a bad lead in an hour, a day, or a week from now.

Dr. James Oldroyd's *Lead Response Management Study* shows just how little time businesses have to respond before their 'warm' leads become 'cold.'³

While every industry is different, Oldroyd's research shows that 35% to 50% of sales go to the business that responds first. If you're not shocked by this, you should be. You may provide the highest quality service and offer the best prices, but your competitor down the road just nabbed your potential customer because they were first responder. *Don't worry - we'll share strategies to help you become the first responder later in this White Paper.*



In addition, the odds of qualifying a lead increase 21x if contacted within 5 minutes versus 30 minutes. **Translation: responding in “an hour or two” means you’re missing opportunities.**

³ MIT/InsideSales.com, *Lead Response Management Study* (2010)

FASTER LEAD RESPONSE = MORE REVENUE



Let's be honest, you're probably not responding to every lead within 5 minutes (if you are, keep up the great work!).

Most businesses we speak with say that their greatest barrier to increasing their lead response time is a lack of resources – staff, time, or budget.

However, when you look at the numbers, it becomes clear that prioritizing resources to improve your lead response time can deliver an outsized ROI (especially because there are simple, affordable tools like Path that make it easy).

Start by asking yourself how much would a 21x increase in lead contact and qualification increase your overall revenue? Would more qualified leads drive more revenue?

We think so.

FASTER LEAD RESPONSE = MORE REVENUE

To determine your specific lead conversion rate and revenue impact, first answer the following two questions:

- 1) *How many leads does it currently take you to get a customer?*
- 2) *What's the lifetime value of your average customer?*

Let's say that, on average, one out of every 15 contact form submissions from your website turns into a customer. This is a lead-to-customer conversion rate of 6.6%. Not bad. Let's also assume that the average customer delivers \$5,000 in revenue to you (e.g. you're a law firm, financial planner – if you run a home care agency or senior living community, your customer lifetime value will be much higher).

Now, if you're able to turn one additional lead into a customer because you're responding right away, your conversion rate doubles from 6.6% to 13.3%. You just earned an additional \$5,000 in revenue without spending more on marketing. You were already generating leads, but now you are efficiently turning them into sales.

The math will of course be different for every business and every industry, but the overall insight is the same: increasing your lead-to-customer conversion rate is low-hanging fruit.

The next section outlines simple strategies to help you improve your lead response time and increase conversion rate.

SIMPLE WAYS TO IMPROVE LEAD RESPONSE TIME

Most businesses are hyper-focused on generating leads, which is of course essential, but too often the next step in the process is forgotten – turning leads into customers. Below are four strategies that we believe will help:

Make response time a priority

Set a lead response time goal and make it clear to everyone in your organization that your “speed to lead” time is a priority. If your team needs convincing, show them the numbers that link response time and revenue.

Assign duties

Set a clear schedule of who responds to what leads and when. There should be a primary and secondary responder. If the primary responder is not able to respond within your response time goal, the secondary responder should be ready.

Set up text alerts

It's far too easy for web leads to get buried in your inbox. Implement a text message notification system that delivers emails and texts when leads come in. Make sure the text includes the prospect's phone number so you can simply click to call them back.

Review and optimize

Review your average lead response time each month. Determine the factors that reduce your response time and what you're doing right. Get competitive and challenge yourself to reduce your average lead response time each month. It's easier than you think.

THE TAKEAWAY

Lead response time drives conversion rate and a better conversion rate means more revenue. Improving response time should be a priority for your business and there are simple strategies and tools, like Path, available to help.

A BETTER WAY TO CAPTURE MORE LEADS

Path provides an innovative software solutions you can leverage to turn more of your website visitors into ready-to-buy leads.

Easy-to-implement and simple to use, Path drastically improves lead response time and increases your overall revenue by providing your prospects with a delightful on-site experience.

Start generating more leads today with our 14-day free trial.

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