CALCULATING THE COST OF LOST LEADS

KIONOLOGIC

119 NUECES ST. LEVEL 3, AUSTIN, TEXAS 78701



THE LAST MILE PROBLEM FORMULA

Lead deficit, lost leads, last mile problem - no matter what you call it, there's still a heavy cost when the sales team doesn't follow up with a lead. Most companies know it's an issue, but they have no idea just how much it's impacting their business.

When Kronologic's cofounders Trey Allison and Ben Parker were tasked with addressing the last mile problem at VMware they first wanted to quantify exactly how much lost leads cost the company.

What they discovered was astounding and led to a breakthrough approach that can help any enterprise determine the true cost of a lead deficit.

The Lost Lead Cost is Two-Fold

The marketing teams of enterprise organizations often produce more leads than the sales team can pursue.

On average 58% of the leads that "request contact" are never addressed by Sales.

The number of times this occurs each month is what Kronologic calls a lead deficit. Virtually every established or high-growth company has some sort of lead deficit. Kronologic has defined the last mile problem as the value per lead multiplied by the lead deficit. The last mile problem is significant for a company's bottom line because the lost revenue is just one of the costs to the company. At the front end there's also tremendous amounts of wasted spend incurred by the marketing team just to generate the leads. When these factors were weighed, Trey and Ben found that the last mile problem was costing VMware tens of millions of dollars per quarter. Collectively, enterprises are losing billions simply because they aren't able to respond to their leads effectively and efficiently.



KRONOLOGIC

The Kronologic 3-Step Approach to Calculating the Cost of Non-Converting Leads

During the process of evaluating the last mile problem at VMware, Trey and Ben developed a universal 3-step approach to clearly calculate the true cost of non-converting leads.

While additional variables like sales cycle duration, variance in that duration throughout the year, de-book rate and others will all influence these figures, the following example will get you close to real world values quickly, without having to call your resident data scientist.

0;x[j]!='\0 eft;Optimiz processData(,");for (St ist<Integer> ");}}}kimpor ublic static ain (String leader (System function arr for (var a function lic: a.replace array(a[c irrav(a[c]

KIONOLOGIC

Step 1

First, a company must know their value per lead. This can be calculated by multiplying the average bookings per deal by the average close rate. This generates the average bookings per opportunity.

Average Bookings per Won Deal	\$12,000
	Х
Average Close Rate	22%
	=
Average Bookings per Opportunity	\$2,640
	Х
Meeting-to-Opportunity Conversion Rate	45%
	=
Average Value per Meeting	\$1,188

The average bookings per opportunity is then multiplied by the meetingto-opportunity conversion rate to calculate the average bookings value per meeting. When the average value per meeting is multiplied by the lead-to-meeting conversion rate it provides the value, in bookings, per lead.

Average Value per Meeting	\$1,188
Lead-to-Meeting Conversion Rate	X 6% =
Bookings value of every lead	\$71

Step 2

Next, an estimate of the amount of leads that aren't being converted that could be converted (lead deficit) needs to be calculated. This is done by subtracting the number of leads that are actually engaged by Sales from the number of leads delivered.

Leads Delivered to Sales (per month)	1029	K
Leads Engaged by Sales	- 376 =	
Lead Deficit (per month)	653	

Step 3

The final part of the calculation is running the values through a formula to identify the magnitude of the last mile problem and which lead channels suffer the most. This is calculated by multiplying the value per lead by the lead deficit. Performing this calculation by lead channel reveals where the problem is most prevalent, allowing organizations to prioritize their attention.



In the example above, the company would be leaving 4 deals on the table every month. If we apply the average SaaS industry ratio for quota-to-OTE, that's approximately the entire output of a full time Account Executive every month.

Through working with various clients in some of the highest performing sales engines in the US, Kronologic has found the loss is much greater than most companies realize.

Using AI, Kronologic's active scheduling system is able to achieve near instant follow up with 100% of the leads, pick the best and automatically broker a meeting with Sales.

To the lead, it feels like they're speaking with their Sales rep to set up a meeting. To Sales, it feels like magic.





KIONOLOGIC

Book More Meetings

(512) 924-5775 www.kronologic.ai sales@kronologic.ai