



TARGUSinfo®

ONLINE LEAD VERIFICATION BEST PRACTICES:

THREE KEY COMPONENTS OF
OPTIMIZING YOUR
LEAD REVIEW PROCESS

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ONLINE LEAD VERIFICATION BEST PRACTICES:

THREE KEY COMPONENTS OF OPTIMIZING YOUR LEAD REVIEW PROCESS

Executive Summary

Lead verification has become a popular tactic for ensuring the quality of consumer contact information submitted online. Many verification solutions are easily implemented. But how can you be sure that you're getting the most out of yours? What are the most effective ways to maximize the efficiency and profitability of your lead verification process?

Consider three key components of your solution: data coverage, data quality and the solution's flexibility.

Coverage:

Completeness of data increases your ability to automate as much of your lead verification as possible. The more phone numbers and addresses that you can automatically link to verified consumer data, the more you can process your leads instantly and effortlessly. For many reasons, commonly used White Pages and Directory Assistance information can't provide enough data coverage on consumers to make automation effective.

Quality:

The competitiveness of the industry is putting more and more pressure on online lead generators, so your decision to accept or reject leads has to be right. If your verification solution mistakenly marks a good lead as faulty, then these false negatives are wasting

some of your inventory. If your solution errs the other way — frequently failing to recognize leads with flawed contact information — then these false positives can cost you customers and even affiliates. By using quality data to verify leads, you can avoid these dangers and turn the boost in your lead value into accelerated top-line growth. And that value can be driven by more than just the accuracy of your leads' contact information. It can also be raised by adding demographics, lifestyle and purchase behavior characteristics — or by instantly verifying leads so they can be distributed immediately, at peak value.

Flexibility:

One size does not fit all for lead verification solutions. If your solution does not evaluate leads according to your business rules, then it could be producing needless false positives and false negatives. Customizing lead verification to your unique business rules improves your operational efficiency.

By building these three attributes into your lead verification solution, you can ensure that it's fully optimized. Instead of becoming just another expense, verification can be a major driver of revenue for your business.

Introduction: Linking Your Lead Quality To Profitability

Today's lead generators must consider lead quality as a cost of doing business.

Just a few years ago, delivering a list of consumer names with accurate contact information was regarded as an exceptional value. Today, lead quality has become the expected. Companies that buy leads have become aggressive in returning those that cannot be reached, eating into the profits of lead generators. In this highly competitive industry, few companies can afford to invest manpower in trying to chase down faulty leads.

Today's market pressures force lead generators to keep an eye on their lead quality because it is tied more directly than ever to their bottom line. With so much riding on the accuracy of their leads' contact information, they have to get it right.

Seeking Solutions To Lead-Quality Issues

How can lead generators be sure they are actually collecting correct names, addresses and phone numbers? Since 2004, the lead verification industry has exploded, creating a jumble of solutions. Some are inexpensive, but rely on low-quality consumer contact information that can let through too many bad leads (false positives).

A surplus of false positives can drive customers away from companies that sell leads. If your company buys leads, then false positives can be just as wasteful, squandering your sales force's time and resources. The low data quality also means these solutions may misidentify a good lead as faulty, creating a false negative that wipes out the return on your investment in lead verification.

These losses can be eliminated by using accurate and up-to-date consumer contact information to verify leads. The more precise the data used for verification, the more it enables you to gain savings from efficiency. For example, you can slash the sales and marketing costs that are wasted trying to reach faulty leads. And better contact data has been shown to directly correlate to higher conversion rates.

Lead Accuracy Fuels Conversions

The quality of consumer contact information is directly correlated to lead conversion rates, as shown by a study of online mortgage leads. The index numbers at right show how well leads converted when compared to the mean average. For example, leads of the highest quality were 21% more likely to convert. At the other end of the spectrum, leads flagged as completely unverified were only 36% as likely to convert.

Business Rule	Current Result Segment	Lead Count	Lead to Closed Loan %	Index
Name, Address and Phone Verified	Verified	136,281	2.30%	121
Name and Address Verified	Verified	82,168	2.01%	106
Phone and Name Verified	Verified	53,886	1.81%	95
Phone and Address Verified	Verified	24,714	1.77%	93
Phone Verified	Verified	41,579	1.67%	88
Other	Not Verified	15,249	1.23%	65
Timeout Error	Reject	2521	2.06%	108
Address Not Verified	Reject	7,569	1.02%	54
Phone Not Verified	Reject	29,772	0.75%	39
Name, Address and Phone Not Verified	Reject	10,952	0.69%	36
Total	-	404,691	1.90%	100

Raising the accuracy of your leads isn't the only way to drive more value from them. Lead value can also be raised by adding demographics, lifestyle and purchase behavior characteristics — or by instantly verifying leads so they can be distributed immediately, at peak value.

Ensuring That Automation Brings Real Efficiency Gains

Seeking to improve profit margins and scalability, many companies have adopted automated solutions to ensure lead quality. But many of these companies find that automation does not bring the gains in efficiency they had envisioned.

As with many automated processes, lead verification solutions lose their punch if they have gaps in their data. It takes precise data to make automation effective. But accuracy alone is not enough. Exceptional data coverage is required. If a verification solution can't provide a useful response for more than 90% of all queries, then it demands too much effort on the back end from the lead generator to make it effective.

Optimizing Verification Requires More Than Data Quality

No single lead verification process can fit every company's business model. It takes flexibility to fit verification to a company's unique business rules and ensure maximum efficiency. Without this level of customization, lead verification can produce too many false positives and false negatives to be trusted.

Fully optimized lead verification can be a major driver of revenue for your business. With a greater number of confirmed — and tailored — marketing targets, the opportunity for top-line growth rises.

Automating Lead Verification Requires Far-Reaching Data Coverage

Automation Looks Like A No-Brainer ... But Is It?

Just a few years ago, many lead generation companies used to look upon manual review as a wholly inefficient solution but a necessary evil to protect their online lead quality.

The ever-rising competitiveness of the industry has sent most of these companies searching for automated alternatives. To maximize their

resources, lead generators have to automate their verification — especially for high-volume operations that require scalable solutions.

But automation can also carry risks. Automatic but inaccurate lead verification can be as ineffective as no verification at all.

If automating verification increases the number of good leads that are returned or discarded, then it can erase the savings that the solution was designed to bring. In some cases, the loss is compounded by demanding affiliates — who sometimes end relationships with lead generators because of high rates of lead return.

For automated lead verification to eliminate those risks, it needs a supply of top-quality decision-making data. Of course, if a lead generator is using faulty data to verify leads, then it won't raise its lead quality. But some lead generators overlook another factor of data quality that can prove just as costly: coverage. If an automated verification solution can't provide accurate answers on more than 90% of the leads it processes, then it still leaves a lead generator in need of an additional solution to ensure the quality of the rest of its leads.

Many companies use verification solutions that rely on publicly available data — information from White Pages or Directory Assistance sources. These sources were not designed for verifying addresses with names and phone numbers, so they have serious gaps in their coverage when used for this purpose. A recent TARGUSinfo study of 69,775 consumer-provided leads showed that only 34.5% could be verified or rejected by an automated process that used publicly available data.

Publicly Available Data Misses Much Of The Public

There are many reasons for this low rate of effective automation. In some cases, the blame goes to the evolution of consumer phone use. In others, it comes down to basic limitations of publicly available data.

Consumers play a part because of the proliferation of mobile phones over the past decade. More and more, consumers are porting their home phone number to a mobile phone or giving their mobile number when submitting their contact information online. A recent audit estimated that just 2% of mobile numbers are listed in White Pages or Directory Assistance (DA).¹

Similarly, as more and more consumers migrate to unpublished numbers, those numbers also become impossible to verify by using only White Pages or DA sources. The same problem occurs when a customer submits contact information that includes a Direct Inward Dial business line.

Even when consumers submit phone numbers that are listed in publicly available information, they may still be unreachable. White Pages sources are unable to determine whether a line is connected or disconnected. DA sources can only provide that information on listed numbers.

Competition Blocks Flow Of Phone Data

Telephone service providers are also contributing to the shortcomings of publicly available data as a tool

for automated lead verification. As more and more providers emerge, they add to the “fragmentation in dial tone,” taking us further from the days when Ma Bell was a centralized repository of information on every phone number.

With the launch of every competitive carrier, the patches that make up the quilt of DA coverage become smaller and smaller. And each new telephone service provider makes navigating Directory Assistance more complicated because many of these companies do not share information with other providers.

Many of these providers gain no benefit by giving information on a new customer to their competition. A battle over the same pool of customers is pitting large corporations that used to specialize in telephone service against both smaller telecom companies and new competition from large cable providers. The cable companies and small telcos that sign customers away from a large telecom corporation may not want to tell that corporation where those customers have gone.

In this environment of intense competition, the number of entries listed by Directory Assistance has dropped by millions annually. DA coverage is expected to keep shrinking as more consumers switch telephone providers or make their numbers private or go completely wireless.

¹“Phones Flagged as Cellular in White Pages Data.” Amacai study, July 2006.

Databases Can Quickly Fall Out Of Date

On top of these issues with phone-number coverage, White Pages sources often fall short as a verification tool because of their business model. In many areas, White Pages are only updated every few months or published annually. They can fall hopelessly out-of-date as an increasing amount of phone numbers get recycled to new consumers. In major metropolitan areas, phone companies only offer to forward or hold open a number for 30 days.

The skyrocketing count of phone lines in use has made this a growing problem over the past five years. It will keep rising with the population and the spread of wireless devices.

Not Designed As An Address Solution

For all the problems with using publicly available data to verify consumer phone numbers, DA and White Pages data carries just as many flaws with their address coverage.

This lack of accurate addresses affects even lead generators who do not use direct mail. Addresses make verification more reliable because verifying leads with three variables (name, address and phone) is more effective than evaluating only name and phone data.

In most cases, using publicly available data may reduce three-variable verification to two variables — or less. Neither DA nor White Pages sources were created for the purpose of providing accurate street names

and numbers. Statistics on their address coverage reflect this. On average, 20% of Directory Assistance and White Pages listings are completely missing an address.²

For lead generators in California, this coverage gap is even more pronounced. Of that state's White Pages listings, 40% have no address.³

Taking A Fuller Look For Verification

For all the gaps in its coverage of phone and address information, publicly available data by itself can't efficiently support an automated lead verification solution. In order to truly verify that consumer contact information is correct, other, more advanced solutions are available that connect all the pieces of a customer record — not just name and telephone number but also address.

By collectively verifying these three aspects of consumer contact information, automated verification can provide a more comprehensive evaluation. Even if a lead generator does not contact consumers by mail, verification with full contact information improves lead quality over name-phone confirmation.

² "TARGUSinfo vs. Competition." Study, TARGUSinfo, June 2002.

³ "TARGUSinfo vs. Competition." Study, TARGUSinfo, June 2002.

Leveraging Lead Value For Greater Profitability

More Demands Placed On Leads Today

As the excesses of the early online boom fade further into history, lead generators find increasing pressure to raise their accountability. Ignoring lead quality for quantity is no longer an option.

In the past, online marketers were most concerned with driving as many consumers to their Web sites as possible. Although many of them generated considerable traffic, how many of their visitors were actual leads?

Burned by the many costs of faulty consumer contact information, online lead generators have evolved. Lead quality has become a central business concern.

Dubious Lead Quality Endangers Lead Value

If the quality of its consumer contact information is questionable, then a lead generator will have a hard time defending the value of its leads.

Many companies no longer tolerate high rates of leads that can't be contacted. For companies that sell leads, excessive returns eat into profits. Companies that contact leads find their productivity sapped and marketing investments wasted by faulty consumer contact information. If a lead generator has an affiliate network, then questionable lead quality can lead to damaged or even severed relationships.

To avoid these threats to profitability, lead generators need to be able to confirm that each consumer on their lists can be reached right away. They need to be able to verify that the consumer is currently at a submitted address, owns the given phone number and the number is currently connected.

Anything less opens the lead generator to questions about lead value — and the loss of potential profit.

Avoid The Currency Trap

In this business environment, a company's decisions on whether to accept or reject leads have to be right. The data used to make these decisions has to be reliable and it has to be current.

For companies depending on automated lead verification, even solutions with high match rates can't offer much help if the supposed match includes outdated consumer data.

Over the course of every year, about 17% of the US population moves.⁴ Phone numbers can be recycled in 30 days but White Pages data may not be updated for 12 months. If consumer data doesn't keep up with the pace of consumer change, then it can't produce the right answers for lead verification queries.

When out-of-date information is used to confirm consumers' names, addresses and phone numbers, the danger of false negatives rises. Leads with correct contact information can be mislabeled as faulty. And each false negative reduces a company's return on its marketing investments and raises the cost of inaccurate data.

The Next Step: Turning Lead Value Into Greater Profitability

Once lead generators secure the accuracy and currency of their contact information, they eliminate the risk of low lead quality. At that point, their lead value is high enough to avoid becoming a liability.

Some companies are taking the next step and using their lead value to leverage profits. They raise the premium on their leads in one of two ways: by making them more highly qualified or by speeding up their availability.

Turning High-Volume Lead Quality Into New Channels For Growth

Using high-quality data for automated lead verification can have the biggest impact in sectors of the lead generation industry that have traditionally had the biggest emphasis on volume.

Greg Morey, EVP for customer acquisition strategies firm G.R. Wyse & Co. LLP, has worked with many companies in the lead generation industry, and notes of automated verification:

“It gives clients the opportunity to go out and use co-registration data, which typically is not good, valid information but is very low cost. If you have the ability to verify it instantly and get a confidence rating in the info you were getting back, you have the opportunity to create a very scalable solution for clients at a very economical cost. For example, the travel industry is very competitive for leads and I see this as very cost-economical for them.

“Lead verification, I think, is the ‘killer app’ for the incentivized lead space because they are able to take what is a very bad reputation as far as lead quality and they're able to provide a confidence rating in the lead accuracy. And that's what the customer hired them for in the first place.”¹

Morey, Greg. Telephone interview with author, 12 Dec. 2005.

⁴“Annual Geographical Mobility Rates, By Type Of Movement: 1947-2003.” Report, US Census, 2003.

Enhancing Leads To Add Even More Value

As many lead generators try to enter or gain their share of more upscale markets, they are discovering that verification can enable them to do so.

By appending demographics or lifestyle and purchase behavior characteristics to a lead, you can give them a premium value that increases their profitability. And this enhancement approach doesn't require high lead volume to have an impact.

Making Enhancement More Actionable

Some companies use demographics to enable lead segmentation. Others prefer profiles — which can include buying propensity scores and other predictive data — for their marketing purposes.

The demand for this kind of information is rising and enhanced leads are becoming more actionable and valuable.

More than 85% of consumer-oriented firms planned to target their marketing messages by mid 2006.⁵ In other words, even if a company isn't planning to do so, then its competition probably is. But, of the firms that perform this targeting today, most do not use predictive analytics to determine the message that a consumer receives. Instead, they accept the limitations of relying on basic business rules that offer no segmentation.

Sample Lead Verification Profile Categories

Lead generators can drive premium value from demographic information, but sometimes lifestyle and purchase behavior data can be even more actionable. A lead can be enhanced to indicate a consumer's likelihood to own, buy or use any of thousands of products or services. Examples of available categories include:

- Insurance and Investments
- Leisure Activities
- Automotive Products
- Automotive Services
- Media Usage
- Banking and Finance
- Cable Television
- Over-the-Counter Drugs
- Personal Services
- Electronics
- Restaurant Chains
- Energy
- Sporting Goods
- Travel
- Home Furnishings
- Video (Cable, Satellite, VCR, DVD, etc.)
- Home Improvement
- Wireless Telecommunications
- Home Office Technologies
- Database Wireline Telecommunications
- Insurance
- Attitudes
- Yellow Pages usage

⁵Elana Anderson with Eric Schmitt, Tenley McHarg and Sally M. Cohen. "Inbound Marketing Goes Mainstream." Forrester, Sept. 19 2005.

Enhancement Provides Clear Differentiation For Leads

When lead generators enhance leads with demographics or lifestyle and purchase behavior characteristics, they can offer their clients a more complete view of consumers, creating a greater chance of closing deals with them. For companies that contact leads, this kind of data can enable the use of appropriate sales scripts.

Some lead generators even enhance leads with this kind of consumer data so that they can prioritize them for each advertiser.

Increasing The Likelihood Of Gathering Valuable Data

Appending information to leads, rather than collecting it from consumers, also dramatically reduces abandonment rates.

Studies have shown that consumers' likelihood of dropping out of a lead collection process increases in proportion to the amount of information they are required to submit.

Distributing Leads At Peak Value

Just as enhancing leads adds to their value, so does making them more immediately actionable.

Instant verification is most valuable when there is heightened time sensitivity for getting leads processed, such as with mortgage brokers. Consumers seeking mortgages online want to be contacted right away. In response, some lead generators verify leads immediately after consumers

click the "submit" button, enabling the live distribution of leads to their customers. Instead of letting these leads cool off while they wait for review, these companies ensure they still have premium value.

Companies that buy leads sometimes face a tight deadline for returning any faulty leads. Automated verification allows these companies to instantly ensure that leads can be contacted and eliminates deadline pressure for returns.

Using Verification To Improve Leads As They're Submitted

Some lead generators are also using instant verification to ensure that consumers submit accurate information online. When a lead can't be verified, the company re-prompts consumers for valid information with an unintrusive message such as, "We are unable to verify the information entered. Please retry."

Need for Flexibility in Rule Decisioning

No single lead verification solution can fit every company.

A rich variety of business models have emerged in the lead generation industry as well as among enterprises that purchase leads. All of these companies depend upon their lead quality for profitability, but for many of them, different aspects of consumer contact information take precedence.

Take the example of consumers who fill out online forms and give landline phone numbers that don't match their names. For a company collecting mortgage leads, this discrepancy may raise a red flag. The likelihood of a home listing carrying the wrong name is low, so the lead is probably suspect.

For a company generating leads for online degree programs, the incongruous name is probably a good lead. Consumers interested in these programs are usually younger than people seeking mortgages. Because of their youth, education leads are also more likely to live with roommates, who may pay the phone bill and therefore be listed for the landline.

Lead Verification Rules Need To Fit Your Priorities

Likewise, a company buying co-registration leads for travel companies may have different business rules from a company processing insurance leads that it generated itself. And some companies using incentivized leads are most concerned about whether the phone connection status is good. But other companies focus on direct mail campaigns and drive significant lead value from having a verified address.

Lead verification solutions have to be flexible enough to enable each company to fit automated processes to its unique business rules.

Without this level of customization, a mortgage lead generator could end up with false positives (leads marked as good that end up being bad) for consumers who submit names and addresses that don't match. Lead quality could drop, choking efficiency.

On the other side of the same business rule, an education lead generator could lose business to false negatives (leads marked as bad that end up being good) — if unverified name-address pairings are automatically rejected. By not customizing its verification to the business rule, the company risks needlessly throwing away good leads and some of its profitability.

To save those leads, the company could back-check them after verification by having agents call to confirm consumers' contact information. But the cost of this option — as well as its lack of scalability — makes it an ineffective solution for most companies.

Trimming More Waste From Lead Review

Having the flexibility to address business rules can drive greater operational efficiency for you. You won't have to depend on follow-up or further review to ensure lead quality. Fewer leads that don't fit your requirements will slip through the cracks. And with tighter control over lead verification, you can cut not only your false positives but also your false negatives.

With a new ability to focus your efforts more clearly on well-suited leads, your customer service also improves. And if you sell leads, then you can further capitalize by offering leads tailored to your customers' priorities.

Summary

1. Lead Generators have adopted automated solutions to ensure quality, but they may not be efficient

- Garbage in-garbage out issues persist, so quality data is needed to make automation effective
- Accuracy alone is not enough; exceptional data coverage is needed to automate more than 90% of responses
- Publicly available data such as White Pages or Directory Assistance enables companies to automatically accept or reject less than 35% of all leads

2. Quality of consumer contact information has a direct effect on the bottom line, so you have to have it right

- Your lead quality is only as good as the data you use for verification
- Low-quality data creates counterproductive false positives and false negatives
- High-quality data for verification has an impact on many levels:
 - Higher conversion rates
 - Decreased marketing costs from pursuing fewer bad leads
 - Increased revenue from improved lead quality
 - Raised efficiency
 - Increased profitability from enhancing leads with completed or corrected contact information, demographics or profiles

3. Data quality contributes to optimizing automated lead verification, but more is required

- No untailed lead verification process can fit every company's business model
- Flexibility is required to fit verification to a company's unique business rules and ensure maximum efficiency

Glossary

Address standardization: A frequently-used process in lead validation, address standardization checks to make sure that a given street name exists and that a submitted address number falls within the range of possibility. Address standardization cannot confirm that a given address is actually correlated to a person's name or phone number, so it is a less comprehensive review than lead verification.

Match rate: This rate is measured by the percentage of leads that can be compared to a record in a lead verification solution's database. Match rates can become a misleading metric for this purpose. If a verification solution is using out-of-date contact information, then any match it provides for submitted consumer data is worthless.

Phone in-service status: Telco-supplied information, phone in-service status confirms whether or not a phone is connected. For lead generators, this also verifies that lead can be contacted by phone. In-service status is not available from White Pages information and Directory Assistance only provides this information on listed numbers. Without this information, there is no way of knowing whether a consumer can actually be reached by phone.

Phone type: Phone-type information indicates whether a given number is related to a wireless or wireline phone. Combining phone type and in-service status makes lead verification more accurate because it helps to let companies set detailed business rules to fit their individual requirements — especially if they enhance the data with the phone listing type: consumer, business, wireless, pay phone, private or fax line.

Publicly available data: This data can be found in either White Pages or Directory Assistance. Although other sources of publicly available data exist, those two are the only ones traditionally used for lead verification. Accurate verification requires going beyond this dataset and including other sources that are frequently updated and include complete coverage of mail-deliverable addresses.

Purchase propensity scores: The predictive behavioral tendency information in these scores indicates a caller's likelihood to own, buy, or use a product or service. Some companies provide pre-built scores for more than 2,500 products and services based on nationally syndicated data sources. A few of the available profile categories include:

- Insurance and Investments
- Leisure Activities
- Automotive Services
- Banking and Finance
- Personal Services
- Travel
- Home Improvement
- Attitudes

Validation: A lead-review process that is less comprehensive than lead verification. Validation simply checks to make sure that each individual component independently meets a specific standard. For example, it may check that the first six digits of the telephone number constitute a valid area code and exchange combination in the US. Validation does not ensure that a lead is actually correct. It does not confirm whether a submitted name, address and phone number all belong to the same person.

The TARGUSinfo Story

TARGUSinfo is the data authority for organizations that understand the strategic imperative of knowing consumers at the point of interaction.

Since its founding in 1993, TARGUSinfo has pioneered the development of On-Demand Data that is uniquely refined, relevant and actionable — to help companies optimize interactions.

The company employs patented processes to link phone numbers to consumer names and verified addresses. That data foundation unlocks other information such as demographics, location, predictive buying behavior and risk-assessment factors.

A real-time network delivers this exceptionally accurate data to TARGUSinfo customers in milliseconds.

A privately held company, TARGUSinfo is headquartered in Vienna, Virginia.

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