

DOING IT RIGHT — SCORING FOR OPTIMIZATION

Gain Deeper Insight Into Your Best Prospects

It's no surprise that conversion rates plummet when the wrong level of effort is applied to the wrong leads. The more you know about a lead the better decisions you can make as to how to treat that lead, resulting in a greater likelihood for success. The key to maximizing your success is minimizing the time and effort spent finding customers who will positively impact your bottom line.

The billion dollar online lead generation business has resulted in a host of companies providing opportunities that can complement an organization's existing in-house resources. While lead generators can be helpful and provide the basis for new business generation, it is important that the leads purchased not only be **qualified** but also be **optimized**.

Lead Qualification allows you to identify which leads represent your best opportunities for business generation. It examines the likelihood of a lead to exhibit a certain behavior: commit to a purchase decision, have high lifetime value or become a long-term loyal customer.

Lead Optimization takes qualification to the next level by ensuring your highly qualified leads are receiving the right treatment. To unlock the full benefits of lead scoring and be competitive within your marketplace, one must comprehend — with full granularity and transparency — the details that characterize a high-scoring lead, recognize the lead's true potential, and understand how best to respond given a lead's unique characteristics. A winning lead optimization strategy requires that a company be willing to dedicate the appropriate level of effort to achieve success from the initiative which, when effectively applied, can result in superior customer experience and a greatly improved bottom line. Full optimization is a result of the lead buyer making the most out of the information provided to them, matching the appropriate interaction to the proper "hand-raiser," and creating a positive interaction with the prospect — all a consequence of a strategic and measured campaign. However, this effort must parallel collaboration and transparency surrounding the process.

Back to Basics: What is Lead Scoring and How Does it Work?

Lead scoring has evolved into a highly analytical evaluation of a lead that produces a ranking or score for a particular prospect as compared to another. As marketers become more focused on quality versus quantity and lead scoring matures, the demand for highly effective scoring continues to skyrocket.

From a lead buyer perspective, scoring helps determine how to best allocate resources for purchased leads. Based on the substantiating data, leads that exhibit the greatest potential for a desired outcome — conversion or high lifetime value — may be treated differently as compared to leads that have scores indicating a lower propensity. For example, the higher-scored lead may be handled by a top agent while the lower-scored lead may receive an email or another less intensive means of follow up, ultimately maximizing the use of resources.

From the lead seller perspective, scoring can help determine the success of a campaign, pinpoint which lead buyers might have the most success with particular leads, establish whether or not to sell a lead based upon the resulting score or, in some cases, calculate how leads may be priced.

While an effective lead scoring initiative may require a little extra effort in the implementation, it can greatly decrease the total organizational effort and result in an end goal that reduces costs and drives revenues. When lead buyers focus on the leads most likely to exhibit a desired outcome, there is a direct impact on overall conversion and a subsequent increase in revenue. Consequently, costs can be reduced by replacing expensive manual efforts with less intensive automated resources such as email. Additionally, lead buyers, armed with the insight derived from lead scoring, will be in a position to take on lower quality leads if a lower cost justifies the purchase. Similarly, as mentioned above, sellers can be in a better position to vary pricing for higher scoring leads that could ultimately result in greater conversions and improved outcomes.

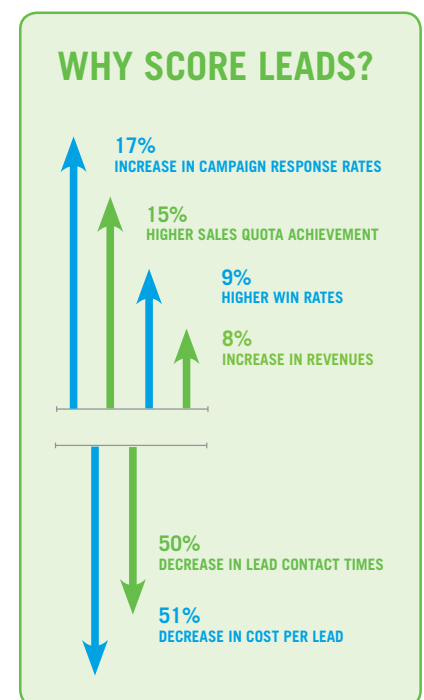
In the seemingly endless pursuit to generate the ideal lead, marketers often overlook the basics in favor of simply generating more leads. While lead scoring is a great tactical tool, it is ultimately just a number. Unfortunately, when trying to optimize resources and find more of the right leads, a number alone does not provide the full view of the prospect. While it will help you prioritize efforts, scoring alone does not supply the insights required to develop a strategy to acquire more high quality leads.

Making the Case for Transparency

For lead scoring to deliver on both lead qualification and optimization, it is critical to have complete data transparency. For the good of your business, you must avoid black-box solutions that leave you standing in front of the proverbial Zoltar fortune machine waiting to learn what the future may hold. You have invested too much in your lead generation activities to not know or, frankly, to understand what Zoltar is going to say.

To effectively leverage scores for optimization and truly drive business, you need to be able to answer some basic questions:

- What are the important characteristics of leads that drive success/conversion?
- Which leads are de-prioritized because of a score, and why?
- How does the use of scoring impact your lead generation activity?



Multiple sources: Forrester Research (2007); Gartner (2007); Vendor white papers; TARGUSinfo client experience

Lead scores are only one part of an overall strategy; ultimately organizations must be able to integrate the score back into existing CRM activities. Without transparency it is virtually impossible to develop optimized treatments that leverage ALL the benefits of having scored the lead in the first place.

To answer these questions you need full access to the underpinnings of scoring models and a process for characterizing high and low scoring leads. Open communication between you and your lead scoring partner is fundamental and critically necessary to align goals and share the benefits of improved lead effectiveness.

Not All Scoring is Created Equal

While we are witnessing an ongoing increase in the sophistication of lead scoring capabilities, not all scoring methods available today are necessarily effective for every organization. When developing a lead scoring strategy, there are several options available that will assist in predicting a prospect's propensity to exhibit a desired outcome. The option that makes the most sense for a given organization will depend upon a number of factors including accessibility to data, availability of internal resources, time to implement and level of customization, among others.

While lead scores are a valuable tactical tool, it is important to understand the composition of the high value customers and to determine how to attract them. Once the definition of YOUR high quality lead is determined, options for lead scoring must be evaluated based upon the intended use, time frame, desired confidence in accuracy and data availability. Depending upon these factors, scores can take the form of **Demographic**, **Standard** or **Custom**. They are described below based on each option's predictability level (least predictive to most predictive).



Demographic scores utilize pre-defined classification schemas or segments. Households exhibiting similar purchase behaviors, attitudes and demographic characteristics will be assigned to the same segment or audience group. Scores are created for each grouping based upon the percentage of target households in the group relative to the overall population. For example, if 10% of the households in a group enrolled in a particular educational program, and the overall enrollment rate for all households is 5%, then the score for that audience group would be $(.10/.05) \times 100 = 200$.



Standard scores are derived using statistical modeling to predict the likelihood that a given household is a good target or lead. The scores are standard because the models utilize industry-wide or non-client specific data for calibration. Consequently, they are superior to behavioral scores, but lack customization for the client. To be implementable, standard scores take into account non-customer specific data including household demographics, aggregated credit, third party survey data, etc., but can also incorporate some standard forms of customer data collected from lead forms.



Custom scores are developed for a specific client using their own conversion and/or customer value data. For a Custom score, a unique model is developed, leveraging historical conversion and value data to determine the best set of factors for predicting the targeted behavior. Lead form data, household demographics, aggregated credit, property data and more are appended to the client file, and statistical techniques are used to determine the optimal set of factors and weights for use in calculating a household's score.








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Comparison of Scoring Options

	PROS	CONS
DEMOGRAPHIC 	<ul style="list-style-type: none">✓ Easy to apply✓ Easy to implement✓ Easy to interpret✓ Flexible data requirements	<ul style="list-style-type: none">✗ Each household in a given segment receives the same score✗ Less predictive than other scoring options
STANDARD 	<ul style="list-style-type: none">✓ Increased performance as scores are based on statistical models✓ Easy to apply✓ Easy to implement✓ Can make use of standard lead form data✓ Does not require historical conversion data	<ul style="list-style-type: none">✗ Will not account for unique brand differences from the general industry✗ More complex to interpret
CUSTOM 	<ul style="list-style-type: none">✓ Highly predictive✓ Customized to meet a client's specific business need✓ Performance can be easily tracked over time	<ul style="list-style-type: none">✗ Requires sufficient volume of conversion or disposition data to produce a stable result✗ Longer development timeframe✗ Requires additional work to develop measures for interpretation of scores

Conclusion

As lead scoring continues to mature, it is no longer enough to simply qualify and score your leads. Today's savvy marketer understands that the secret behind a successful lead management program necessitates that scored leads are *optimized*. Building on a commitment to absolute transparency, true lead optimization requires that the lead buyer fully understand what is meant by a high scoring lead and, based on that information, be in a position to immediately respond to the prospect with an appropriate interaction. This targeted and calculated response is the basis behind a superior customer experience, enhanced consumer loyalty, and ultimately an improved top and bottom line.

