Lead Scoring:
Five Steps to Getting Started

Raab associates, inc.
730 Yale Avenue
Swarthmore, PA 19081
www.raabassociatesinc.com
info@raabassociatesinc.com

Introduction

Lead scoring applies mathematical formulas to rank potential customers. It is chiefly used to identify prospects that are ready for direct sales contact. Because the calculations are automatic, the scores are consistent, current, and can include more variables than any manual assessment. This saves marketers work, ensures that all qualified leads are sent to sales promptly, and keeps non-qualified leads out of the sales system.

Despite the obvious value of automated scoring, a recent survey by Aberdeen Group found it's used by barely more than half (57%) of marketing automation users. The remainder may not know how to set up a lead scoring program or may consider it too much work. This paper will help those marketers to get started by showing how to set up a simple system and then refine it over time.

The Case for Lead Scoring

Before investing in a lead scoring system, most marketers will want a clear picture its benefits. The main use for lead scoring is selecting leads to send to sales. Doing this with an objective scoring process will screen out unqualified leads and find qualified leads that might otherwise be overlooked. Consistent quality encourages sales people to invest their own time in pursuing the leads they receive. Most lead scoring projects also define formal processes for lead transfer, set standards for how quickly and how many times sales people will attempt to reach marketing-qualified leads, and return rejected leads to marketing for additional nurturing. These changes ensure greater utilization of marketing-generated leads and less need for sales people to prospect on their own.

But there's more to lead scoring than deciding when to transfer leads. Scores provide an objective measure of lead quality, helping marketers understand the true value of different acquisition programs, spot trends in lead quality, and identify changes in behavior. Sales people can use scores to prioritize their calls and to better understand individual leads. Scores can identify each prospect's stage in the buying cycle, helping to track movement between stages, select marketing treatments, and use stage counts to build better sales forecasts.

Step by Step

Ironically, the first step on your lead scoring journey is to forget most of the benefits listed above. Instead, focus on a single, simple goal: using lead scores to select leads to hand over to sales. This is enough to get started. Once you have that application running smoothly, you can think about adding others.

Once your attention suitably focused, you're ready to dig into specifics. Here are five steps for building a basic scoring system.

1. **Set up the team.** From marketing, you'll need people who understand existing acquisition programs and operation of the marketing automation system. From sales, you'll need sales reps who are recognized experts in identifying quality leads, both so they can give good advice and so their participation gives credibility to the results. You'll also need someone from sales operations who can extract CRM data for analysis and can help define hand-off processes. You'll want senior managers from sales and marketing who can agree on reasonable standards for contacting new leads and for measuring results.

Checklist: Set up the Team

- ✓ sales rep, sales operations, manager
- ✓ marketing operations, manager
- ✓ project manager
- ✓ executive sponsor
- ✓ project charter
- ✓ project plan with dates

2. **Identify the leads to select.** Are you trying to find leads that will eventually become customers or are you trying to find leads that sales will accept and pursue? The groups are not necessarily identical: sales might like leads from big companies where a deal would be large even if the probability of success is low; or they may prefer small deals that will close quickly; or they might accept marginal leads physically near existing accounts. Chances are it's a mix of all those considerations and more.

   Since the first goal is a scoring system that is accepted by sales, you should start with scores that identify leads that sales will want. Once the scoring system has more credibility and you have more historical data available, you can try identifying additional leads that are worth pursuing even though sales would have ordinarily rejected them. But that comes later.

   Fitness measures: The simplest way to identify leads that sales will accept is to look at leads which sales has already accepted. Pull a sample of accepted and rejected leads from the CRM system and review them with sales to identify the characteristics that led to sales' decision. You'll probably end up with a small number of "demographic" traits such as industry, company size, and personal title. Location is often on the list, especially when in-person sales calls are common.

   Demographics might be supplemented by traditional "BANT" qualifiers: budget (is this a budgeted purchase?), authority (can this person make the purchase decision?), need (does the company need your product?), and timeline (when is the purchase likely to happen?). But accurate BANT information is often not available until later in the buying cycle.

   Demographics and BANT are both measures of "fit", which is whether someone looks like a potential customer.

Engagement measures: Many salespeople have been trained to immediately contact every high-fit lead they see. But a marketing automation system will often capture many more leads than a salesperson has been getting, including many at an earlier stage in the purchase cycle. So even if the sales department doesn't raise the issue, you may want your scoring system to filter out leads who are not ready for a sales contact.

Checklist: Identify Leads to Select

- ✓ define goal: sales acceptance or close?
- ✓ review sample of past leads
- ✓ choose fitness measures
- ✓ set engagement threshold
- ✓ choose engagement measures
- ✓ estimate lead volume

This contact-readiness is generally called "engagement". It is measured by looking at behaviors captured in the marketing automation system, including Web site visits, email responses, Webinar participation, and downloads. Most of this information has not previously been available to salespeople, which is another reason they are unlikely to suggest including it in a scoring formula. Marketers may wish to bring up some hypothetical examples to drive home the value of screening on engagement: "Do you really want to call someone who has only downloaded one white paper and not opened four emails in the past month?"

Sales will probably agree that leads should reach some sort of engagement threshold, such as a 10% likelihood of making an appointment. You may not be able to calculate this at first, but you can later track actual results and adjust the engagement standards to match the target. If the data is available, supplement your engagement threshold with an estimate of how many leads it would require the salesperson to follow up.

3. **Select the data elements to score.** Once sales and marketing have jointly decided what a qualified lead looks like in terms of fit and engagement, they can begin to explore at the actual data available for scoring.

   For fitness measures, the key challenge is that the data must be available in the marketing automation system. For example, the sales may have found that only companies over $100 million revenue are likely customers, but marketing automation may not have captured revenue at the time of scoring. Faced with such situations, the team may choose an alternative measure that is already stored in marketing automation, change marketing automation forms to gather the original item, append the information from an external data source, or drop the element altogether. Or, since no single approach is likely to provide data on all leads, the company might apply several of these approaches simultaneously.

   For engagement measures, a great deal of data is usually available. The challenge here is deciding which is relevant. Look at whatever historical data is accessible, ideally examining the behavior histories of individuals to identify typical patterns.

You might find that consuming certain pieces of content is highly significant, such as a vendor comparison paper or pricing Web page. If the existing data isn't organized properly, you'll probably have to start with team members' educated guesses. Organizing the behavior data for scoring may require adding flags for events such as visiting a particular Web page or maintaining summaries such as the number of emails opened in the past two weeks.

As with fitness measures, there may be some external sources that capture relevant behaviors, such as systems that monitor social media. But you can probably defer use of these and other non-marketing automation data sources during your initial scoring project.

Checklist: Select Elements to Score

- ✓ identify relevant data elements
- ✓ assess availability and accuracy
- ✓ look for predictive behavior patterns
- ✓ add summaries and flags for scoring
- ✓ gather or import new data as needed

For both fitness and engagement measures, it's important to look beyond the list of available elements to assess the quality of the actual data. Data is often missing or inaccurate, especially if it isn't used by the person or system who gathers it. Personal contact information and BANT data in particular are often unreliable. Marketers can work to improve data quality over time, but in the short run, the scoring system will have to use what's on hand.

4. **Define the scoring formula.** Once you've assembled the list of relevant data elements, you still must combine them in a formula that produces the score itself. Ideally, this would be based on statistical analysis that correlates the actual values with outcomes for previous leads. But most companies don't have the necessary data or statisticians available. You can probably run some simple reports, however. Go back to your sample of closed leads (see Step 2) and compare the values of the selected data elements on good vs. bad ones. Be sure to use the values as they stood when the lead would have been scored, not at the end of the buying process. This is important because demographic and BANT values are often missing early in the buying cycle and behavior measures accumulate over time.

Checklist: Define the Scoring Formula

- ✓ assign points to different data values
- ✓ consider points for missing values
- ✓ compare score to sales rating on sample
- ✓ set score ranges and treatment matrix
- ✓ phone calls to classify marginal leads

If no data is available, you'll have to rely on the educated opinions of your team members. Either way, the result looks the same: a formula with points assigned to different values of each element. For example, you might assign ten points to companies in your core customer industries, five points to companies in peripheral industries, and zero points to industries that rarely use your product. You might even assign negative points to industries that clearly cannot use you product, to ensure those leads are not passed on. Be sure to explicitly define treatment of missing data: does it disqualify a lead, count as zero, or count as a middle value?

The best answer will vary for different elements. Behavior scoring works the same way, except that the input is often a flag or summary field such as number of email clicks in the past week. In general, keep things simple during the first scoring project; you can always add complexity as you gather more data from actual results.

You'll probably want to develop separate scores for fitness and engagement. Group these into ranges on a two-dimensional matrix and specify which combinations are passed on to sales. This gives more precise control than simply adding the two scores together. For example, a high fit score with medium engagement might get passed to sales, while medium fit and high engagement might not, even though the sum of the two scores could be the same in both cases. There might be other treatments as well, such as sending marginal leads to a telephone qualification team and sending very low quality leads to a generic monthly newsletter.

Lead Treatment Matrix

		engagement		
		low score <50	mid score 51-75	high score 75+
fitness	high score 75+	nurture	phone	to sales
	mid score 51-75	nurture	nurture	to sales
	low score < 50	newsletter	nurture	phone

Once you've defined your initial formula, test it by having the sales members of your team examine some sample leads and decide how they would have rated them; then, score the leads and compare the scores with the ratings. Explore any major discrepancies – what did the sales people consider that the scoring formula missed? Adjust the formula and try again until the scores come reasonably close to the subjective ratings.

When setting your cut-off points for which leads get passed to sales, bear in mind that the cost of a missed opportunity is much higher than the cost of contacting and rejecting an unqualified lead. This means the standard for passing a lead to sales should be fairly low. But you may want a higher standard during the initial deployment of the scoring system, when it's critical that sales people see that the system is passing them high quality leads. If you do start with high standards and lower them over time, be sure that salespeople know what's going on.

5. **Deployment.** Your scoring rules and boundaries need to be transferred into the marketing automation system to become part of regular operations. Test carefully

to check that calculations and selection processes accurately reflect the team's intentions. Have team members review the initial scored records to ensure they meet the expected standards for quality and consistency. Set up reporting systems to track process measures such as the number of scored records, distribution of scores, and proportion of missing data in each element. The marketing automation team should review those measures regularly and explore any significant deviations over time.

At the same time you're finalizing the technical deployment, your team will need to build operational processes to ensure the selected leads are treated correctly. Necessary processes include transfer of leads into CRM, assignment of leads to salespeople (typically handled within CRM), and training of salespeople in the agreed standards for initial contact and disposition reporting. You might also ask salespeople to rate each lead as they receive it. This provides immediate feedback on perceived quality and identifies any problems with the scoring formulas. Be sure it's easy for salespeople to send these ratings and for marketing automation staff to load them into the system. You'll need other reporting to ensure that the sales team is meeting the agreed-upon treatment standards. Make sure everyone agrees that sales will attempt to contact all leads they are sent, even if the salesperson rates them poorly. Results from low-rated and low-scoring leads are essential for fine-tuning the scoring formulas.

Checklist: Deployment

- ✓ load scoring to marketing automation
- ✓ agree on transfer processes and deploy
- ✓ gather sales ratings on scored leads
- ✓ monitor system operations
- ✓ compare scores with actual results
- ✓ adjust scoring formulas based on data

First impressions are critical, so watch results carefully during the initial period. Set up a formal monthly review of the leads sent, having sales team members rate them and compare their ratings with system scores. As before, explore the reasons for any major discrepancies and fix any obvious major flaws.

By the end of the deployment period, the initial leads should be far enough into the sales process that you can begin to see which will become actual customers. Compare that information with both the initial lead scores and salesperson ratings. This will help to see whether the manual ratings are actually more accurate than the scores: if not, there's little reason to change the scoring formula to mimic the ratings. As more results become available, you can do other analysis to identify new data elements and formula changes that would produce more accurate scores.

Measurement

Initial deployment and acceptance of your scoring system is just the start. It's critical to regularly review your scoring processes to ensure they are operating correctly and to identify opportunities for improvement. Key performance measures include:

- scoring operations: look for trends in measures such as the number of leads scored, number of leads sent to sales, and firing rate for each scoring rule.

- score accuracy: lead scores at the time of hand-off should correlate closely with initial sales acceptance and final purchase behavior. Although the final purchase is what matters most, it's often easier to capture accurate information on sales acceptance.

- productivity: a better scoring system should ultimately result in higher productivity for salespeople, as they rely more on marketing-generated leads and less on their own prospecting efforts. Specific metrics to track this include close rate, deal size, cycle time, revenue per sales person, and percentage of revenue from marketing-sourced leads.

- results: higher productivity should be reflected basic measures of salesperson performance, including percentage of salespeople meeting quota and percentage of revenue plan achieved.

Refinements

Your initial lead scoring formulas will intentionally be kept simple to speed deployment. But once the system is stable, you can consider refinements to improve results. Some options include:

- time-based depreciation: reduce the number of points earned for older behaviors. This applies largely to engagement measures, which should focus primarily on current behavior.

- category caps: limit the total points available for any particular type of behavior, such as visiting a Web page. This ensures the score is not skewed by one repeated activity, such as downloading the same paper several times because the visitor failed to save it.

- negative points for disqualifying activities: assign very large negative values to activities or attributes that make it clear someone is not a potential buyer, such as visiting the Careers page or working for a competitor. Alternately, you can do this with filters or selection rules.

- high points for hot leads: assign very large positive values to activities or attributes that should lead to immediate sales contact, such as a "call me" request or download by high-priority target account. Again, it might be better to handle this through campaign rules rather than the scoring system.

- different rules by customer segment: apply different scoring rules to prospects in different customer segments, based on region, role, company size, etc. This reflects differences in the definition of a qualified lead within each group.

- account-level scoring: increase scores when multiple prospects from the same account are active at the same time. This might indicate high interest in a purchase.

Expansion

You'll also want to expand use of the scoring system. Opportunities include:

- separate scores for different products: these can be used to select which product to offer new customers and to identify opportunities for selling new products to current customers.

- buying stage: scores can measure the prospect's position in the purchase cycle to help select content and other treatments. This could be accomplished with a single score, by assigning a different point range to each stage, or by creating separate scores for each stage.

- system decisions: scores can be used in system rules to select campaigns, guide treatments, assign segments, define contact limits, alert salespeople, and do other tasks.

- sales insights: scores can help salespeople to understand individual leads. This requires showing the scores to the salesperson, usually within the CRM system. It also needs an explanation of what scoring levels mean and often includes access to attributes and behaviors that contributed to a score.

Summary

Lead scoring can be complex, but marketers shouldn't let that prevent them taking advantage of it. They can start with a simple scoring system focused on selecting leads that are ready for sales contact. The process starts with a joint marketing/sales team, which will define the leads to be selected, identify data elements to use in the scoring, build the scoring formulas, and deploy the results. Keys to success include: a properly staffed and motivated team; building scores that match salesperson ratings of new leads; ensuring new leads are contacted by sales; and carefully measuring results. Companies that follow this process will quickly gain immediate benefits from lead scoring and have a solid foundation for future growth.

About Raab Associates Inc.

Raab Associates Inc. is a consultancy specializing in marketing technology and analytics. Typical engagements include business needs assessment, technology audits, vendor selection, results analysis, and dashboard development. The company also consults with industry vendors on products and marketing strategy. It publishes the B2B Marketing Automation Vendor Selection Tool (VEST), the industry's most comprehensive independent guide to B2B marketing automation systems.

Contact:
Raab Associates Inc.
730 Yale Avenue
Swarthmore, PA 19081
www.raabassociatesinc.com
info@raabassociatesinc.com

