

The Evolution From Traditional To Predictive Lead Scoring:

A how-to guide for considering predictive scoring



INTRODUCTION

Marketing technology has come a long way over the past decade, providing a **wealth of opportunities** and challenges for marketers. But wading through the landscape of new tools can be daunting, let alone actually deploying and getting value. For sophisticated users of marketing automation, new predictive marketing solutions are all the rage. But what do these tools actually do and are marketers really getting a **return on their investment**?

Predictive lead scoring is the most widely adopted segment of the new technologies that fall under the umbrella of predictive marketing solutions — a host of tools designed to uncover common attributes among buyers to predict who is likely to buy next. **Predictive lead scoring is leading this emerging field** of marketing innovations with good reason.

Predictive lead scoring blends demographic, firmographic and behavioral information from marketing automation and CRM with thousands of account-level attributes that contain hidden buying signals. Predictive lead scoring discovers **patterns in the data** that rules-based scoring or gut instinct would typically miss.

Once this unique **lead “fingerprint”** is identified, it can then be used to score all leads or accounts based on their likelihood to close.

Yet, how this approach integrates with its traditional, rules-based predecessor remains the topic of some debate. There are several questions up for discussion: Does predictive scoring trump traditional scoring? Does one need to implement basic lead scoring before considering a predictive approach?

The purpose of this eBook is to show marketers how they can, **quickly and easily**, apply this new approach to their lead scoring and nurturing activities by:

- Highlighting the use and foundational value of traditional lead scoring;
- Examining where traditional lead scoring can be further developed and enhanced;
- Defining and examining the key uses cases for predictive lead scoring; and
- Presenting an example of predictive lead scoring in practice.



THE CASE FOR A PREDICTIVE APPROACH

It goes without saying that marketers want to help their sales counterparts prioritize leads so they can focus on the best revenue opportunities. However, even highly accurate traditional lead scoring models can fall short when it comes to forecasting which leads will become customers. The primary issue is **a lack of relevant data** on which to score.

Fortunately, the **emergence of predictive lead scoring models** provides digital marketers with a more **precise view** of which prospects are most likely to convert. It's in the algorithms that cull vast amounts of relevant data, including both contact or lead-level and account-level data, to **power the models**.

To be sure, predictive lead scoring represents an **evolutionary improvement** on conventional lead scoring. It is more effective than rules-based lead scoring models because it **vastly expands** upon the profile and behavioral indicators, (things like job title, company size, email opens and website visits).

The emergence of predictive lead scoring models provides digital marketers with a more precise view of which prospects are most likely to convert.

Even if you're doing all the right things



Marketing automation
Sales force automation
Lead nurturing
Lead scoring
Personas
SLAs in place
Great marketing team
Awesome sales team

94%

of your marketing-qualified leads (MQLs) will **NEVER** close

WHAT IS PREDICTIVE LEAD SCORING?

The most accurate predictions are based on the most thorough analyses — evaluations that start with all the potentially relevant data, synthesize the *right* data and produce the most relevant insights; in other words, **more signals, less noise**.

The key to understanding predictive lead scoring is understanding that it helps marketers **see and act upon more buying signals** while discerning more sharply between what is a true signal and what is noise.

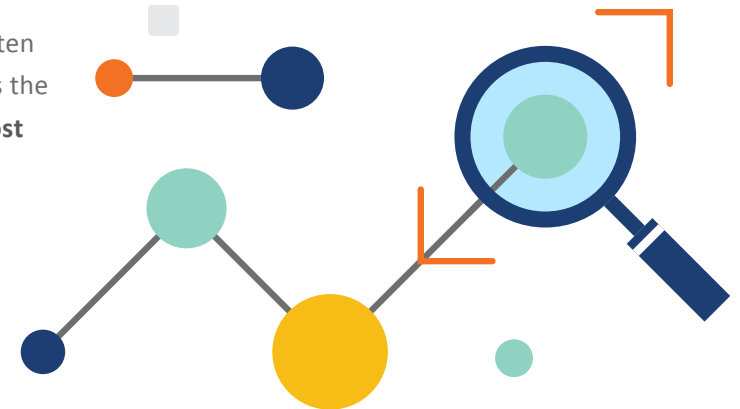
Big data generates big buzz, along with some even bigger claims. From a demand-generation perspective, what matters most is not the amount of data necessarily, but the ability to **identify meaningful trends** in the data. Predictive lead scoring pulls more signals from a larger data set compared to traditional lead scoring, but it also applies **powerful machine learning** to determine which attributes are significant and which are irrelevant.

The most effective predictive lead scoring technologies **combine the rich data** already tracked in marketing automation with **expansive external sources**, such as web, social or third-party data. By comparing common characteristics of successful leads, the scoring model then identifies hidden buying signals that would have been nearly impossible to find manually.

Just as Amazon and Netflix deploy data science techniques to analyze and **predict behaviors** and **present relevant products and content** based on interests and buying habits, B2B companies can use data science to **anticipate** their customers' likelihood to purchase.

Once the predictive DNA of a lead has been identified (five to 10 diverse indicators are often sufficient), predictive lead scoring then tracks the entire marketing database to **identify the most sales-ready leads**.

By comparing common characteristics of successful leads, the predictive scoring model identifies hidden buying signals that would have been nearly impossible to find manually.

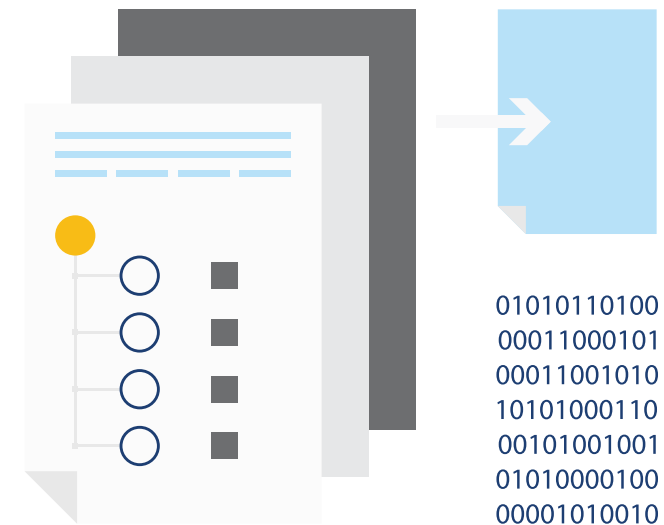


Again, some of these indicators may be the very same signals used in traditional lead scoring models; however, predictive lead scores also include more — and **far more precise and reliable** — indicators. This data-driven process **removes the guesswork**, and eliminates any debates over the definition of a good lead. The concept of weighting certain attributes is no longer necessary because predictive models produce a result that incorporates the relative value of one attribute over another.

While predictive lead scoring is more deeply data-driven and fact-based than traditional lead scoring, it also produces more **meaningful outputs** — evident in the “A-has!” it sparks among marketers. For example, predictive lead scoring may assign relatively high predictive

scores to companies that may have never visited your website. By scraping relevant industry websites, among other data collection techniques, predictive lead scoring can identify companies that have a **perfect storm of purchasing attributes** even if they have never engaged with your company.

In this way, predictive scoring can uncover a **wealth of leads** with a high likelihood to convert that might be sitting untouched in your database. Many of the initial predictive attributes marketers see have inspired them to expand their imaginations: *I didn’t realize we should be targeting larger (or smaller) companies. Wow, we had no idea that vertical has such a need for our offering. Now we know to target companies with highly decentralized structures.*



Conventional vs. Predictive Lead Scoring



Conventional Lead Scoring

Based on rules or logic
Small data set
Rank prospects
Activity-based
Subjective (opinions-based)

Predictive Lead Scoring

Based on patterns in conversion data
Massive data set
Identifiers purchase probability
Need-based
Objective (fact-based)



WHY LEAD SCORING MATTERS

While the most progressive marketers are at the leading edge of this **evolutionary curve**, there are clear signs that most marketers are hungry to improve their current lead scoring processes. Although **more than 40 percent** of B2B marketers use lead scoring, many give their scoring programs poor marks, according to the study *Benchmarking Marketing Automation: The Shift Toward Next Generation Lead Scoring & Segmentation*, conducted by Decision Tree Labs.* The primary reason marketers believe lead scoring falls short is **incomplete or inconsistent** data on prospects and a lack of clarity into which attributes signal buying behavior.

By expanding the universe of potentially predictive attributes and using analytics to **uncover patterns** in buying behavior, predictive lead scoring models transform the act of identifying the most likely buyers from a guessing game to an **objective, data-driven process**.

*There were 254 respondents to the *Benchmarking Marketing Automation: The Shift Toward Next Generation Lead Scoring & Segmentation* study, conducted in August 2013.

A growing body of real-world examples shows that predictive lead scoring delivers the following **benefits**:

- Higher conversion and win rates;
- More productive and efficient sales activities (i.e., sales people spend less time on leads unlikely to convert); and
- More effective sales and marketing collaboration.

As a result of ongoing improvements in analytical technology, as well as the ever-expanding supply of accessible data, predictive lead scoring tools **do not require an advanced degree** in data science to use, nor do they come with a hefty price tag.

The primary reason marketers believe lead scoring falls short is incomplete or inconsistent data on prospects and a lack of clarity into which attributes signal buying behavior.



Access to this type of machine learning has become **democratized** as marketers no longer need to hire quantitative analysts or invest in complex analytics platforms to use predictive lead scoring.

At its core, traditional lead scoring is rules based; it ranks prospects based exclusively on *lead* data (profile and behavioral indicators). While predictive lead scoring can, and should, incorporate those types of indicators into its analysis, it also incorporates **account-level data** (including analyses of past conversions) into a **probability-to-purchase** score.

Lead Scoring Ripe for Evolutionary Improvement

44 percent of B2B companies use traditional lead scoring

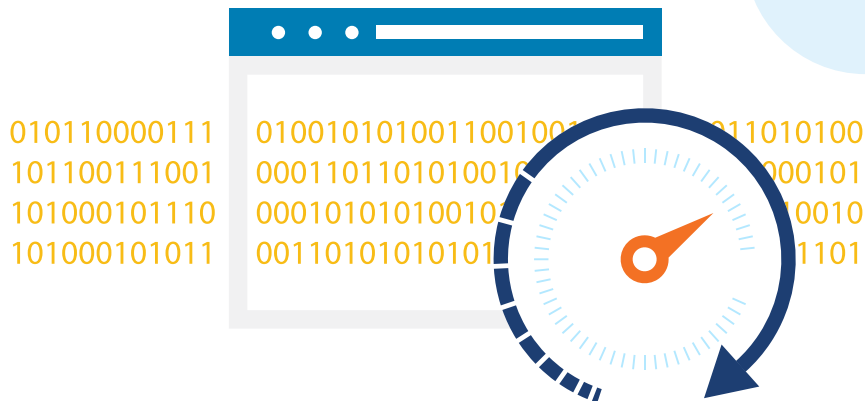
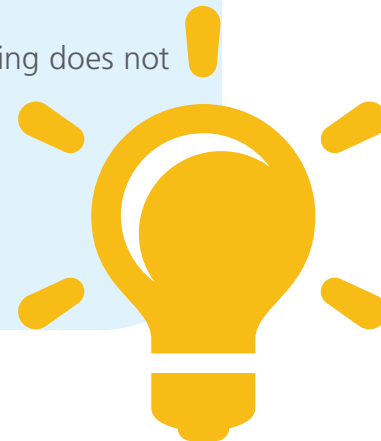
47 percent of marketers who use traditional lead scoring say quality of leads need improvement

62 percent of marketers want better predictability of lead performance

59 percent of marketers say lead scoring is hampered by incomplete data

43 percent of marketers say traditional lead scoring does not provide sufficient insight into buying attributes

*Sources: Decision Tree Labs, *Demand Gen Report*



A BRIEF HISTORY OF CONVENTIONAL LEAD SCORING

Conventional or traditional lead scoring is a tactic that attempts to **quantify the quality** of a lead to determine when it should be passed to sales. Ideally, the leads that are not yet sales-ready are placed in one of several different categories, or stages, where they can be **nurtured** in a way that eventually makes them ready for the handoff to sales.

Traditional lead scoring processes include two types of attributes:

Explicit information: Data collected through Web or registration forms or other explicit tactics and including, but not limited to things like job title, industry, company size and revenue;

Implicit information: Data gathered by tracking online activities and behaviors, like email opens, Website visits, form completions and similar behaviors.

Tracking and assigning scores (e.g., Letter grades of A through D, or numeric ranks of 1 through 10) based on profile and activity data, has certainly helped marketers improve the quality of leads they provide to their sales partners. Organizations that use lead scoring enjoy a **77 percent improvement** in lead-generation return on investment compared to companies that do not employ lead scoring, according to MarketingSherpa. By prioritizing one lead over another, marketing is able to improve sales productivity and drive better conversion from lead to opportunity.

Nearly half of all marketers in this survey (44 percent) were performing conventional lead scoring in mid-2013, according to research conducted by Decision Tree Labs. The same research also indicates that this capability is fairly routine to implement: 29 percent of marketing functions that use lead scoring today indicate that they got lead scoring up and running within three to six months. **That's the good news.**

By prioritizing one lead over another, marketing is able to improve sales productivity and drive better conversion from lead to opportunity.



TAKING LEAD SCORING TO THE NEXT LEVEL

The other news is less positive: Although conventional lead scoring is increasingly viewed as a necessary capability for many marketing functions, it is no longer sufficient for many pioneers and early adopters of marketing automation.

Savvy marketers want more. The average grade that conventional lead scoring capabilities received from the 254 marketers who responded to the Decision Tree Labs survey was five — on a 10-point scale. The primary reasons for this weak assessment are:

- Incomplete or inconsistent data; and
- Insufficient insight into which demographic and activity-based data truly indicates buying propensity.

Data is the key stumbling point when it comes to elevating traditional lead scoring to the next level. That's understandable. After all, when using traditional lead scoring, marketers still need to determine which of the hundreds of explicit and

implicit attributes really matter. For example, is something such as **job title** more important than the size of the organization when it comes to ranking lead quality? And which behaviors correlate to purchase intent? Does an **email open** demonstrate greater interest than **attending a webinar**, for instance?

Without running exhaustive analysis on the slews of historical data, it's difficult to derive fact-based answers to these types of questions.

Choosing and ranking the right attributes to build and refine a scoring model often includes lots of educated assumptions, and, not infrequently, pure guesswork.

Although the lead scoring tools embedded in many marketing automation systems have **greatly improved**, the process of creating a formula that defines a **"good lead"** remains a highly manual, consensus-driven effort.

Many companies are currently scoring leads based on about 1 percent of the data that is actually available about their prospects.



The **increased focus** on account-based marketing reflects the desire to **improve** upon traditional lead scoring. Account-based marketing begs the question: *Why do we market to **individuals** when it's the **company** that ultimately does the buying?* This points to the limitations of scoring leads exclusively on limited demographic and behavioral cues when the indicators of need or interest likely exist at the account level. Many companies are currently scoring leads based on about **1 percent** of the data that is **actually available** about their prospects.

Scoring an individual prospect's website visit, for example, may be far less indicative of a future purchase compared to account-based attributes, such as company growth indicators or organizational structure (as a opposed to decentralized vs. centralized). A scoring model that values behaviors over **true indicators** of need will produce many false positives over time.

To be sure, conventional, rules-based lead scoring delivers **valuable benefits**, and the tools and processes that produce these scores have improved over time.

This type of *iterative* improvement, however, also highlights a central shortcoming of the conventional approach. It often takes numerous iterations to get traditional lead scoring working well because the process typically involves:

- **Gaining** consensus between marketing and sales on which attributes matter;
- **Weighting** these attributes (sometimes via consensus, and always subjectively);
- **Building** the lead-scoring model;
- **Waiting** at least one sales cycle for results;
- **Measuring** sales volume, lead quality and conversion;
- **Repeating** these steps until satisfied.

This process can take a long time to achieve satisfactory results. What's more, the ultimate product of traditional lead scoring is a *rank*, a judgment of which lead is **more likely to convert** compared to other leads. This output can be helpful, but it has its limits: for example, it's difficult to evaluate the accuracy of three ranked leads if none of them convert. That's why a *prediction* represents a more **optimal lead-scoring** output.

Why do we market to individuals when it's the company that ultimately does the buying?



PREDICTIVE LEAD SCORING IN ACTION: DOCUSIGN SUCCESS STORY

DocuSign Inc., a global leader in digital transaction management and the world's leading provider of eSignature management, uses predictive lead scoring to address the “**curse of abundance**” that companies with large top-of-funnel volumes routinely confront. The company's experience yielded the types of insights that aren't uncommon for organizations that adopt a predictive approach.

DocuSign's massive market consists of virtually anyone who signs a document. The number of prospects in DocuSign's database swells to roughly 135,000 new leads per quarter, and these prospects include businesses of all sizes, across a wide span of industries. What's more, the company's inside sales team is **lean**, consisting of only 25 representatives.

Before implementing predictive lead scoring, DocuSign's marketers relied on a traditional approach; more specifically they used four demographic and activity-based measures to generate a letter ranking of A (most valuable) to D (least valuable) for the leads it passed to sales. While these indicators were helpful, the marketing team was concerned about clarity, particularly for the inside sales team which struggled to understand the difference between leads with the same scores. **Was one 'A' lead better than another?** With an absence of clarity, sales reps continued to cherry pick leads. This caused the marketing team to **evaluate** their lead scoring system. Some questions they asked:

- *Is our scoring system based on the right rules?*
- *Why don't we have sharper insight into which leads are most likely to convert into sales?*
- *Why is sales still relying heavily on their own intuition to prioritize leads?*

A Predictive Primer: 3 Unexpected Insights

- ✓ A lead's score should be determined by far more than email opens and job titles.
- ✓ Just because a company has not engaged with yours does not mean it does not possess the key attributes that make it an excellent prospect.
- ✓ Predictive lead scoring often sharpens and refines traditional insights. In one case, a company learned that opening marketing emails is not universally predictive of a purchase; opening fewer than two emails or more than five emails was not correlated to purchases, but opening three to four emails was highly correlated.

To address these issues, DocuSign deployed a predictive scoring solution, which connected data from the company's CRM and marketing automation systems; this data, which included product usage data along with standard firmographic and behavioral data, was combined with **thousands of additional buying signals** culled from the Web, social media and other external sources.

This shift to predictive lead scoring resulted in a **transition** from a letter-grade ranking system to a **purchasing likelihood percentage** (i.e., a decile approach); additionally, the number of buying indicators tracked increased from 4 to 10.

The application identifies the leads with the greatest likelihood of purchasing, and the highest scored leads are directly passed to the inside sales team so they can focus on closing business. Leads with a lower-ranking score are kept within marketing automation for additional nurturing.

Since implementing the predictive lead scoring capability, DocuSign's marketing function has achieved a **38 percent increase** in the number of **sales-qualified leads** (SQLs) it produces. By focusing their limited inside sales resources on leads with the highest probability to convert, marketing is able to pass fewer leads, but yield higher conversion rates. The company also reports a **22-times return on its predictive lead scoring technology investment** in its initial two months; this figure was calculated by multiplying SQLs, the percentage increases and average selling price, and then dividing that figure by the cost of the application.

DocuSign reported a 22-times return on its predictive lead scoring technology investment in its initial two months.

DocuSign Lattice Lead Score Rollout

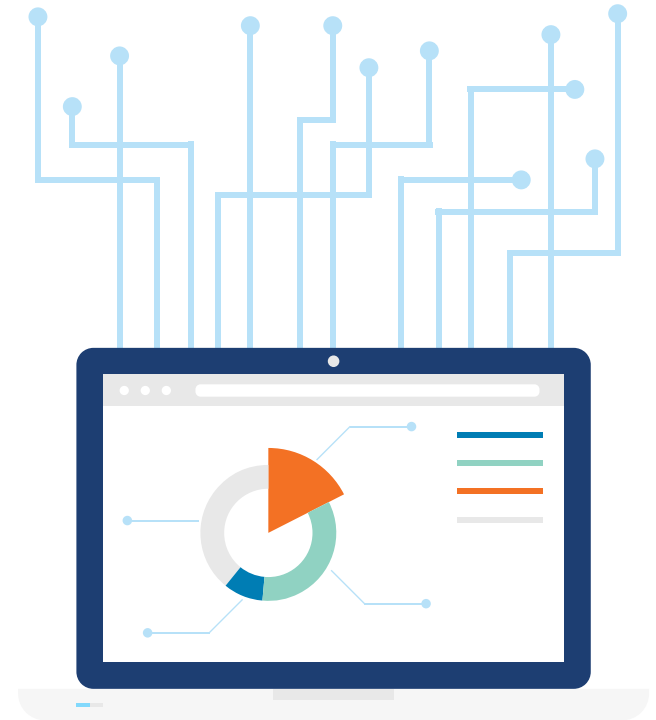


DocuSign tracked 4 buying indicators when using a traditional lead scoring approach. The company was able to increase that to 10 as it **shifted to a predictive lead scoring model**.

PREPARING FOR CHANGE: A BEST PRACTICE APPROACH

The keys to DocuSign's success with predictive lead scoring are consistent with those identified by other predictive lead scoring adopters:

- **Benchmark:** DocuSign tracked its original rules-based scores, predictive scores, current scores and last score data to monitor the progression of the new approach.
- **Partner:** Marketers met regularly with sales management throughout the process, which ultimately helped build trust in the predictive score and lay the groundwork for realigning the sales team and process.
- **Validate:** DocuSign consistently reviews its predictive model and various stages of the funnel to ensure it is getting the best results.
- **Start small:** Since DocuSign's target audience is broad and highly diverse in size and structure, the company focused its predictive scoring efforts on one persona to start. The team is now rolling the predictive scoring models out to other personas.



Getting Ready for Predictive Lead Models

Questions marketers should pose when implementing predictive lead scoring:

- How do we want to use this score?
- What process changes should we make to relay this intelligence to sales?
- Are there any obstacles or reservations that could prevent sales from using predictive scores?
- What score thresholds should sales focus on?



CONCLUSION

Fortunately, the “**start small and expand**” approach is perfectly suited to predictive lead scoring; models can be developed in pilot situations, and the results can be shared to **build credibility** – and momentum for broader application.

For marketers familiar with traditional lead scoring, the shift to predictive is **evolutionary** – not revolutionary. As a result, the change-management requirements are typically minimal. That’s because many of the foundational enablers for predictive lead scoring are already in place in marketing functions that currently perform basic lead scoring; these enablers include:

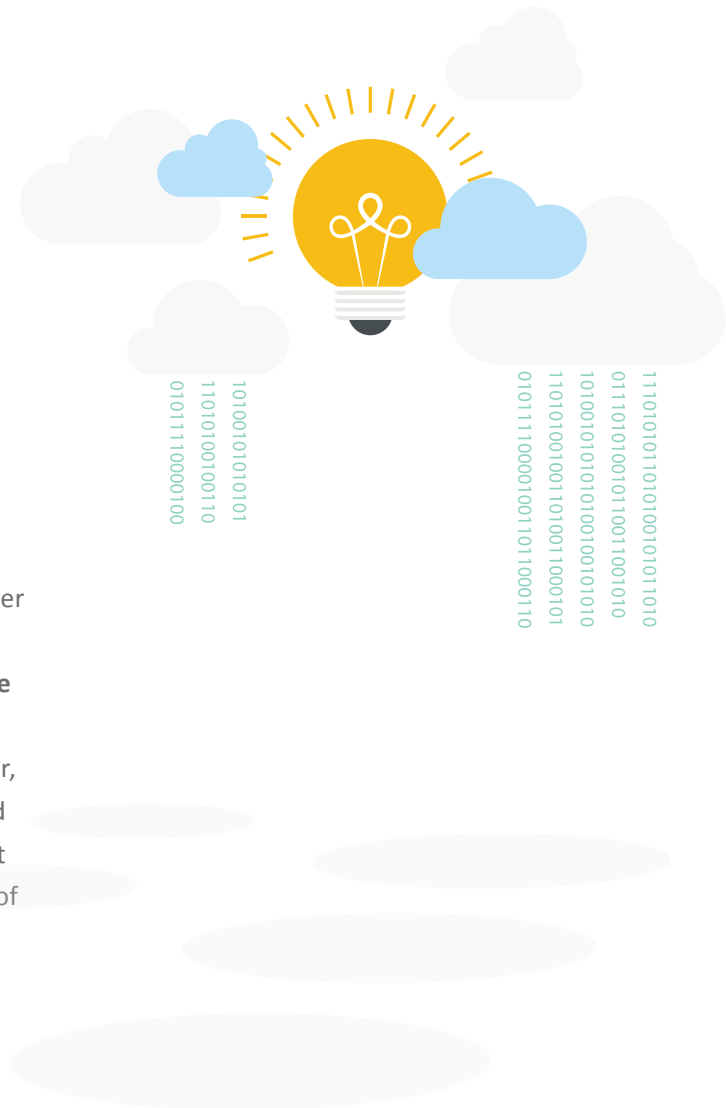
- A fairly defined waterfall or funnel;
- Common stages and clear definitions for each stage;
- Visibility into current performance (e.g., conversion rates) for benchmarking purposes.

Beyond those foundational elements, predictive lead scoring is a **straightforward process**, and it figures as a **natural and valuable extension** beyond traditional lead scoring.

The value of predictive lead scoring models take the form of **higher conversion rates**, more **productive and efficient sales activities**; and **healthier collaboration** between the sales and marketing functions.

Achieving this value, as DocuSign has demonstrated, does not require an expensive, time-consuming software implementation; the capability can be applied **quickly** to specific customer segments or product offerings.

And once the benefits are achieved, predictive lead scoring can be rolled out more broadly. As this occurs, marketers can expect to receive fewer questions from sales about the quality of the leads they relay and requests for **more and more predictive insights**. Although the debate about predictive vs. rules-based lead scoring may linger, sales and marketing functions that have adopted predictive lead scoring can attest to the fact that they have far fewer arguments over the quality of their leads.





Lattice Headquarters
1825 South Grant Street, Suite 510
San Mateo, CA 94402

1.877.460.0010
www.lattice-engines.com



ABOUT LATTICE

Lattice is pioneering the predictive applications market for marketing and sales. Lattice helps companies grow revenue across the entire customer lifecycle with data-driven marketing and sales applications that make complex data science easy to use. By combining thousands of buying signals with advanced predictive analytics in a suite of secure cloud applications, Lattice helps companies of all sizes to stop guessing and start relying on predictive insights to increase conversion rates and deal sizes by more than three times. Lattice is backed by NEA and Sequoia Capital with headquarters in San Mateo, CA. Learn more at www.lattice-engines.com and follow @Lattice_Engines.