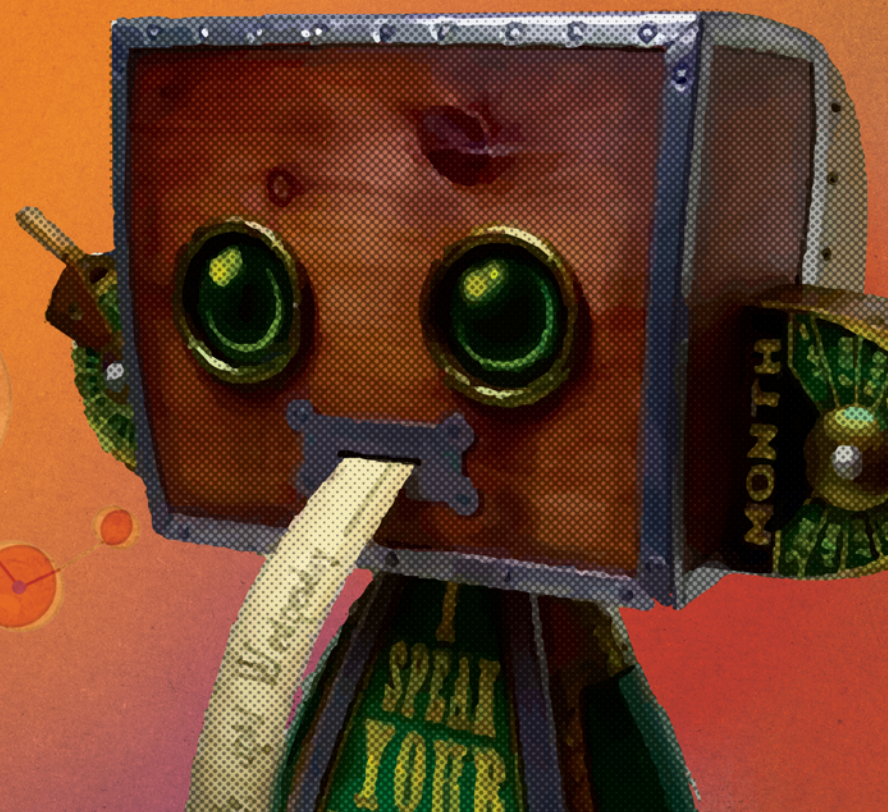# BENCHMARKING MARKETING AUTOMATION

THE **SHIFT** TOWARD NEXT GENERATION LEAD SCORING & SEGMENTATION

New research shows a growing number of marketers are putting lead scoring systems in place. However, most marketers are skeptical of the results and are seeking new tactics to lend deeper intelligence and predictability in identifying likely buyers.

Lattice

EXECUTIVE SUMMARY

Marketing automation systems have brought tremendous efficiencies, including delivering campaigns to targeted lists of prospects and tracking their behavior after they have engaged with those campaigns.

This includes lead scoring, which has great appeal to both marketing and sales organizations. By providing a system that helps to rank and prioritize marketing qualified leads based on their fit as a potential customer, automation systems provide tremendous benefits in terms of sales and marketing efficiency and effectiveness.

Along with marketing automation technology being utilized by a growing majority of B2B marketers, the new *Benchmarking Marketing Automation*: *The Shift Toward Next Generation Lead Scoring & Segmentation* study, conducted by Decision Tree Labs in August 2013, shows that lead scoring is becoming a more mainstream practice. The good news is that 44 percent of marketers are doing lead scoring, and nearly one third

(29 percent) have been able to implement a basic program within three to six months.

However, while the survey found a growing number of marketers are implementing lead scoring, it also reveals opportunities to improve the effectiveness and satisfaction rates of lead scoring models. The 254 survey respondents gave their current scoring programs poor marks for effectiveness, with an average grade of five out of a possible score of 10.

When asked about their levels of confidence in their current lead scoring efforts, more than half of respondents (59 percent) cited incomplete or inconsistent data as the top area for improvement. As the data improves, so does the accuracy and predictability of lead scoring initiatives.

The second big area for improvement is that respondents do not have sufficient insight into which attributes indicate buying behavior. This is a concern cited by 44 percent of respondents.

The top two reasons that respondents lack confidence in their lead scoring are incomplete or inconsistent data (59%) and insufficient insight into which attributes indicate buying behavior (44%).

Much of the success of lead scoring hinges on adding a predictive element to help marketers gain insights into the likelihood of a lead converting to an opportunity, and ultimately a deal, according to Jim Lenskold, President and Founder of Lenskold Group, a marketing consulting firm.
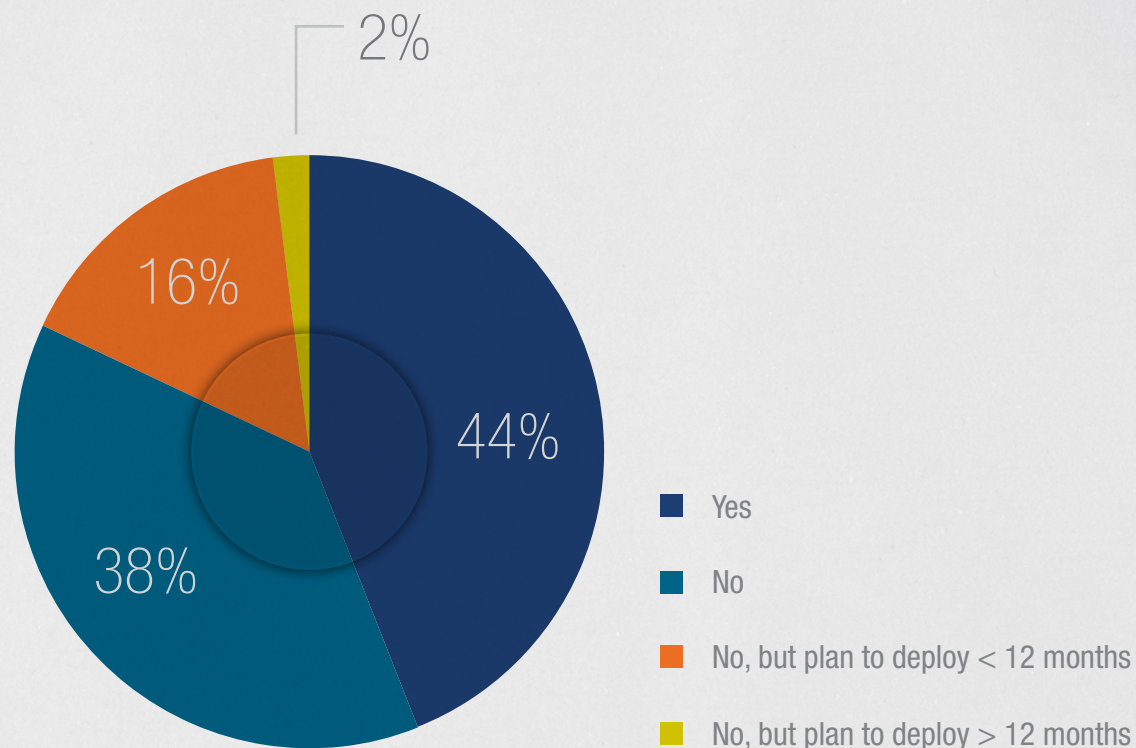
This next phase — predictive lead scoring — is getting that insight, closing the loop and ultimately finding out which attributes are important to put into a model.

In this report, we will cover the progress being made in lead scoring initiatives, and some of the challenges and opportunities ahead.
Topics include:

- The state of lead scoring today;

- Challenges to traditional lead scoring; and

- A wish list for the next generation of lead scoring.

ARE YOU CURRENTLY UTILIZING LEAD SCORING WITHIN YOUR ORGANIZATION?

2%

16%

44%

38%

■ Yes

■ No

■ No, but plan to deploy < 12 months

■ No, but plan to deploy > 12 months

NEARLY HALF OF COMPANIES ARE LEAD SCORING

Many companies are recognizing the value of lead scoring as an effective tool to prioritize leads and segment prospects. As a result, the sales team can reach out to the leads that have the greatest potential to close.

When asked about the use of lead scoring in their organization, nearly half (44 percent) of respondents indicate that they are currently using a lead scoring system, while 16 percent plan to implement lead scoring in the next 12 months.

"Basically, once marketers have their initial email programs in place, lead scoring is something you do next," said David M. Raab, Principal of Raab Associates, a marketing consultancy.

When asked how they are using lead scoring, the overwhelming majority (78 percent) noted that they are using it to identify which leads are ready to pass to sales. However, prioritization of leads only scratches the surface of what a predictive lead scoring model can do.
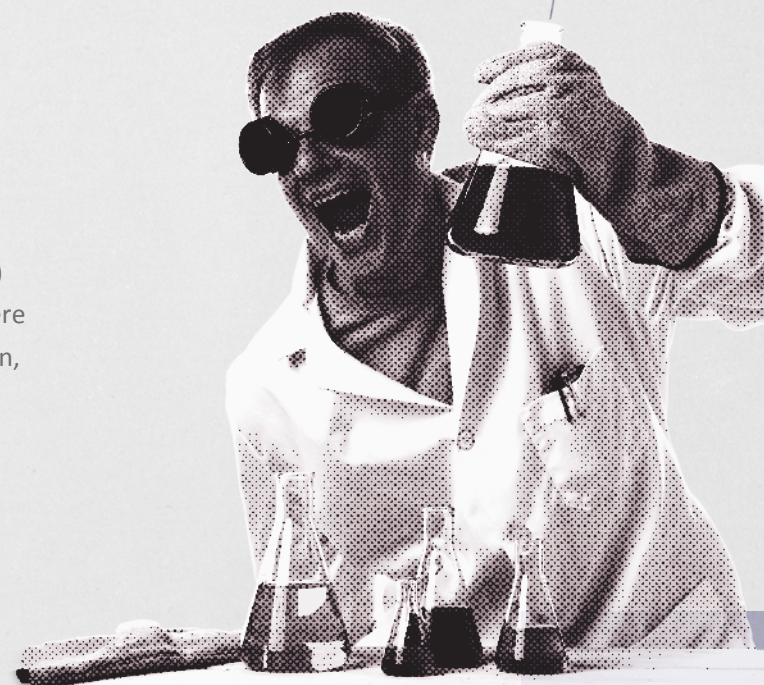
In terms of the data being used when using lead scoring to prioritize leads, the survey showed the following breakdown:

- 87 percent score based on activity responses to campaigns;

- 76 percent score based on demographics;

- 62 percent score based on firmographics; and

- 41 percent score based on web analytics.

While the survey found that most marketers are primarily using scoring for the prioritization of leads passed over to sales, it did find a growing interest among more advanced organizations to use scoring to support lead nurturing and segmentation initiatives. Nearly half (46 percent) of respondents said that lead scoring insights were being used to help drive their nurturing campaign, and that number is expected to increase as the need to re-engage leads grows.
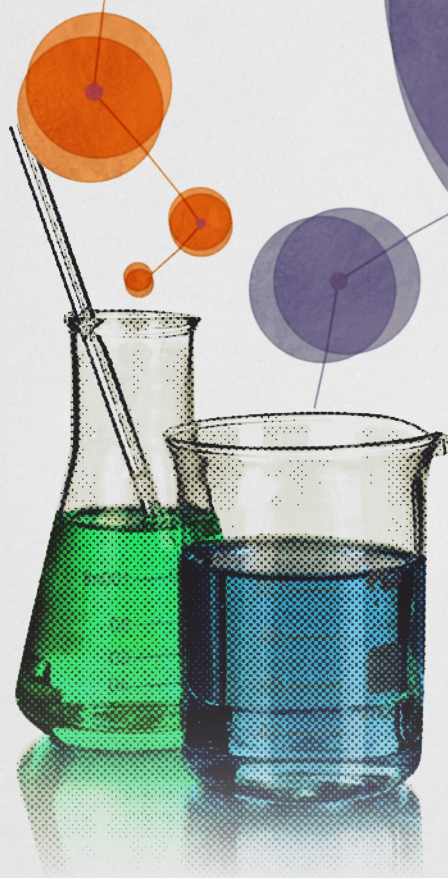
44% use lead scoring systems

32% LACK GOOD TOOLS OR AN EDUCATION

24% INDICATE THAT IT IS HARD TO DEFINE A LEAD

- 18 percent said that sales wants to receive all leads; and

- 17 percent indicated little perceived value by sales.

While almost one third cited the lack of tools or education as reasons to delay lead scoring, the landscape is shifting and more resources are becoming available to improve the accuracy and predictability of lead scoring. With the proper framework, organizations are able to actually determine the attributes that predict buying behavior, something that could not be done before.
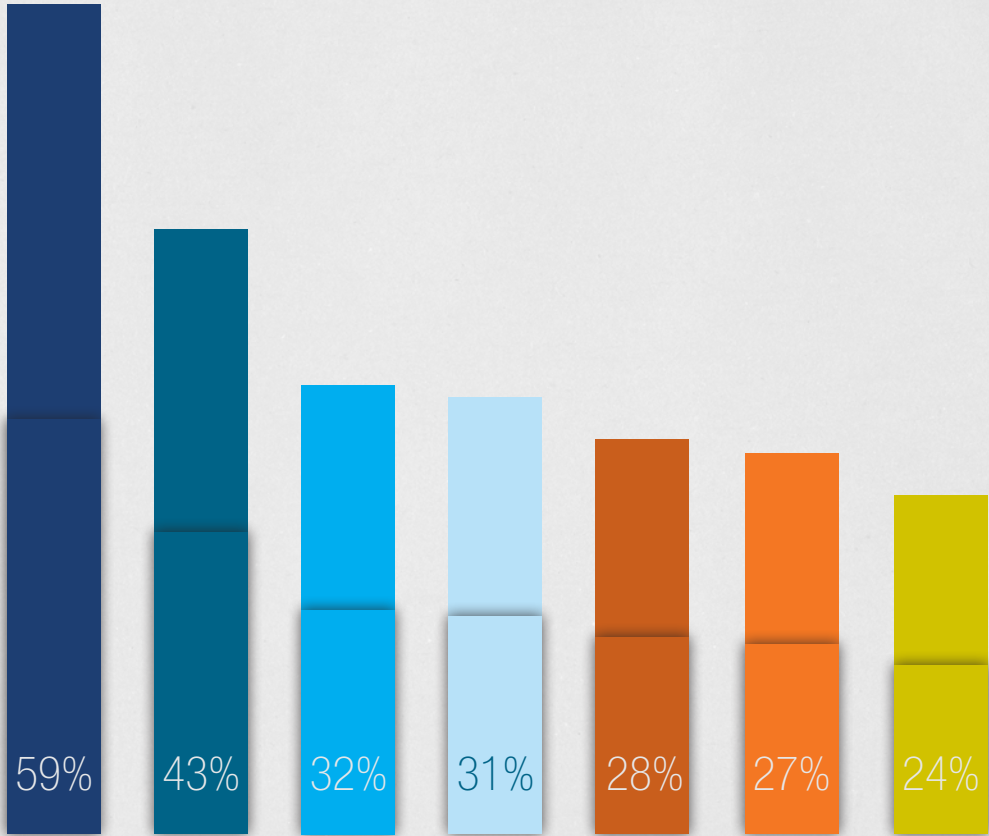
Difficulty in defining a lead was the second most-mentioned explanation for not doing lead scoring. This points to an opportunity for greater marketing and sales alignment in many organizations. When marketing and sales jointly agree on what constitutes a lead and the process for moving a lead through the funnel, everyone can focus on driving sales and closing opportunities, rather than debating the merits of a particular prospect.

While a sizeable number of respondents indicated that they have already implemented lead scoring or plan to do so within a year, there were a number of reasons given for holding off:

- 32 percent lack good tools or an education;

- 24 percent indicated it was hard to define what constitutes a good lead;

- 24 percent said it was too expensive;

- 19 percent said it was too complex;

The inability for sales and marketing to agree on the attributes of a lead also lowered the confidence level of respondents in their lead current scoring systems. If sales and marketing don't have a clear vision of what makes a good lead, there is little chance that either side is going to feel secure in the numbers they are assigning to leads.

- ■ Incomplete or inconsistent data on prospects;

- ■ Not enough insights into which attributes indicate buying behavior;

- ■ Lack of alignment between sales and marketing on the definition of a lead;

- ■ Sales indicates poor lead quality;

- ■ Inability to measure scoring accuracy;

- ■ Inability to track external buying signals, such as social media, news, jobs data, etc.; and

- ■ Sales indicates poor lead quantity.

WHEN IT COMES TO THE FACTORS THAT SHAKE CONFIDENCE IN THEIR LEAD SCORING SYSTEM, RESPONDENTS INDICATED:

| 59% | 43% | 32% | 31% | 28% | 27% | 24% |

MARKETERS SEEK BETTER DATA FOR BETTER INSIGHTS

Data quality remains a burning issue, as there are a growing number of sources, more types of data to integrate, and a greater need to integrate data at the contact and account levels across all channels.

"Clean, external data can help by connecting separate identifiers to the same person, by providing pre-existing profile information so clients can gather less of it directly, and looking at data outside the marketer's own system for hints that there's a buying opportunity," Raab said.

Survey respondents are seeking more accurate data to boost their confidence in their lead scoring initiatives. On a scale of 0 to 10, with 10 being the most satisfied, respondents rated their satisfaction with the accuracy of the data they are using at 5.3.

There is also an opportunity to delve further into which attributes can accurately indicate buying behavior. Many marketers surveyed graded their lead scoring initiative with a failing mark, with 43 percent of respondents pointing to this as an issue

that needs to be addressed going forward. There is an opportunity to close the gap in terms of mining data about current buyers and turning that information into useful insights about future buyers.

Raab and other industry analysts suggest that having the ability to understand which past behaviors will potentially trigger a sale and then applying that data to current leads with similar profiles, is at the heart of predictive lead scoring.

This combination will represent the next generation of lead scoring. While the information provided by marketing automation and CRM systems can provide some of the data needed for optimal lead scoring, critical third-party information, such as personnel changes or the opening of a new office, can be instrumental in uncovering previously unknown buying signals.

Progressive profiling is one common strategy to fuel lead scoring, but there are some challenges associated with this tactic. As marketers ask for additional bits of info with each customer engagement, it can be a lengthy process to get a complete picture of the buyer.

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>
> **— David Raab, Raab Associates**

IDENTIFYING PREDICTIVE BUYING ATTRIBUTES

In many cases, understanding the "ideal" buyer is essentially a black hole, and marketing and sales teams are charged with assigning attributes. This is often a subjective, rather than objective, process that is a bit of a tug-of-war between marketing and sales.

With a predictive model, identifying the fingerprint of a buyer is no longer a guessing game. Marketers can build their models based on correct buyer attributes, instead of what they hope or think are the right attributes.

In many situations, industry is the number one attribute of a buyer. By drilling down further, you can uncover whether a particular industry is a positive or negative predictor. For example, banking, telecom and high tech may be the most likely to buy, while manufacturing, and oil and gas might actually be the most negative predictors of a buyer. This illustrates that there are multiple levels when it comes to predictive attributes.

First, you have to determine the attributes and then what the variables are within those attributes that are predictive of buying behavior for your company.

Another critical aspect to moving the needle on lead scoring requires account-based targeting. Marketing is adept at identifying hot leads based on the buyer's response to an email campaign, webpages they visited or content they downloaded. This doesn't necessarily align with how a salesperson approaches a prospect. They typically research the company and learn more about the organization.

"The sales team needs to recognize that a slight improvement in close rate can have a significant impact on the bottom line," said Lenskold. "The modeling is not going to result in leads that are all going to close."

"Modeling can be used to predict different outcomes, including segment-level needs for specific content or marketing contacts."
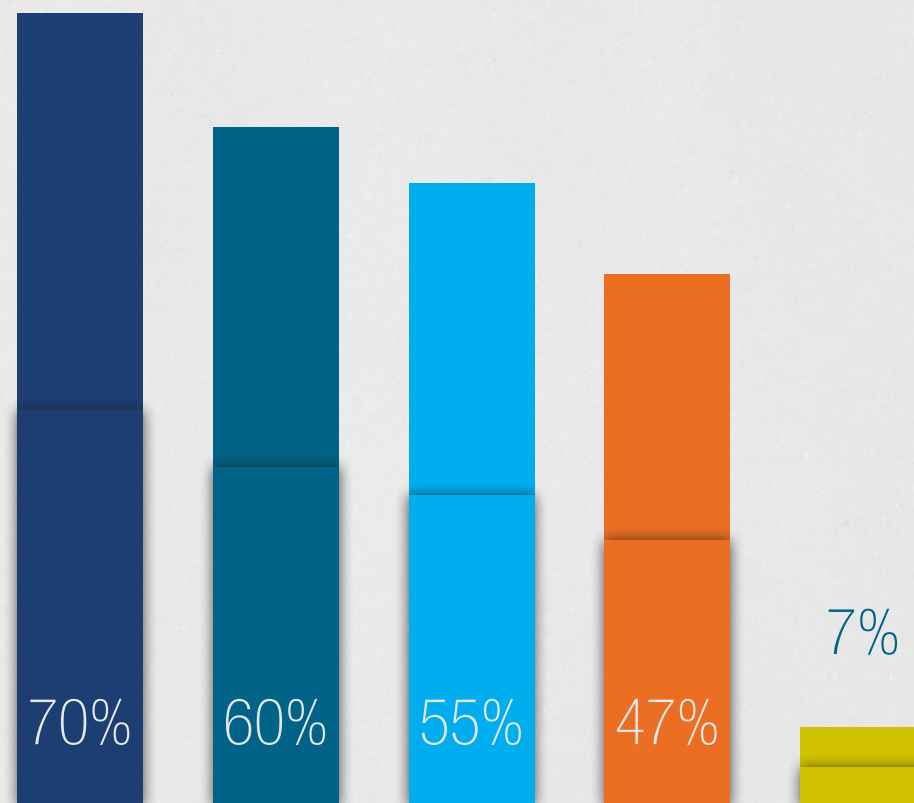
— **Jim Lenskold,
Lenskold Group**

Account-level scoring can result in highly predictive scoring models, but many organizations are unable to take scoring to this next level because, while this data is widely available, they lack the central repository and the level of marketing-sales alignment to make it happen.

"Modeling can be used to predict different outcomes, including segment-level needs for specific content or marketing contacts," Lenskold continued. "Guiding the marketing actions should improve overall effectiveness with higher conversion rates."

- ■ Expressed interest shown by prospect
- ■ Demographics (i.e., Title, Role)
- ■ BANT (Budget, Authority, Need, Timeline)
- ■ Firmographics (i.e., Industry, Company Revenue)
- ■ Other

WHAT CRITERIA DOES SALES USE TO ACCEPT AND THEN QUALIFY A LEAD? (CHECK ALL THAT APPLY)

70% 60% 55% 47% 7%

PREDICTIVE MODELING RANKED AT THE TOP OF WHAT'S NEEDED FOR EFFECTIVE LEAD SCORING

The growing number of companies doing lead scoring is clearly a positive sign for the marketing automation category. Marketing automation has enabled marketers to automate and build models; however, the survey data also points to a need for companies to take scoring to the next level. "The payback for good lead scoring comes from keeping leads less likely to convert in marketing for nurturing instead of wasting more expensive sales team resources unproductively," Lenskold said. "As data quality and predictive accuracy increases, it will be easier to hand off better quality leads."
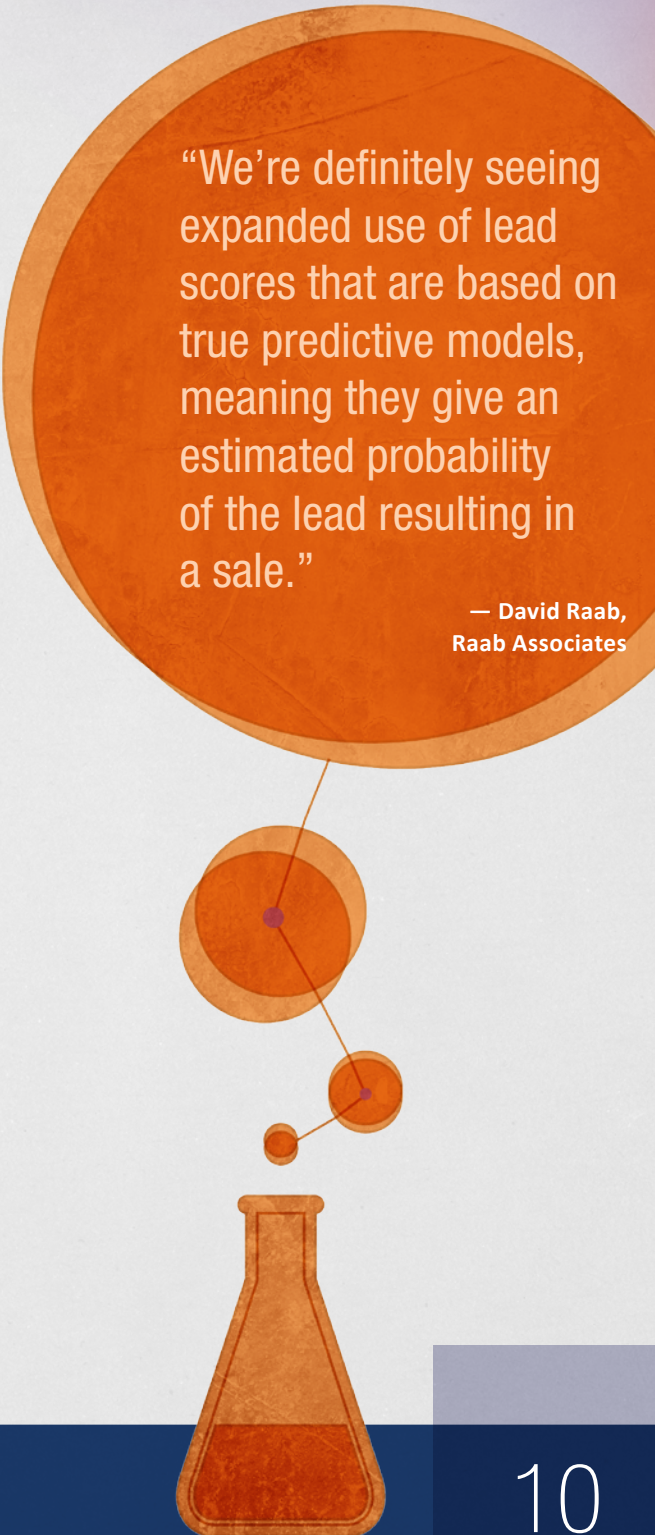
Progressive marketers are realizing that if they can better predict who's likely to buy, instead of coming up with a set of rules that provide an approximation of their most valued prospects, it can help speed opportunities through the sales funnel and close more deals.

"We're definitely seeing expanded use of lead scores that are based on true predictive models, meaning they give an estimated probability of the lead resulting in a sale," Raab said. "However, this is something that takes model building technology that is not part of most B2B marketing automation systems."

Industry analysts point to the next stage of lead scoring using a variety of new data sources from the cloud to learn more about buyer attributes, which can bring thousands of attributes into a prospect's record that would otherwise not be captured. It's a combination of CRM and marketing automation, as well as behaviors that prospects exhibit outside of those systems, that might indicate propensity to buy.

"Building and fine-tuning a model is a long and resource-intensive process. So whatever predictive tools they can use to speed up that process and get their models right in the first place can conserve resources and better pinpoint the leads that are most likely to result in sales," Raab added.

"We're definitely seeing expanded use of lead scores that are based on true predictive models, meaning they give an estimated probability of the lead resulting in a sale."
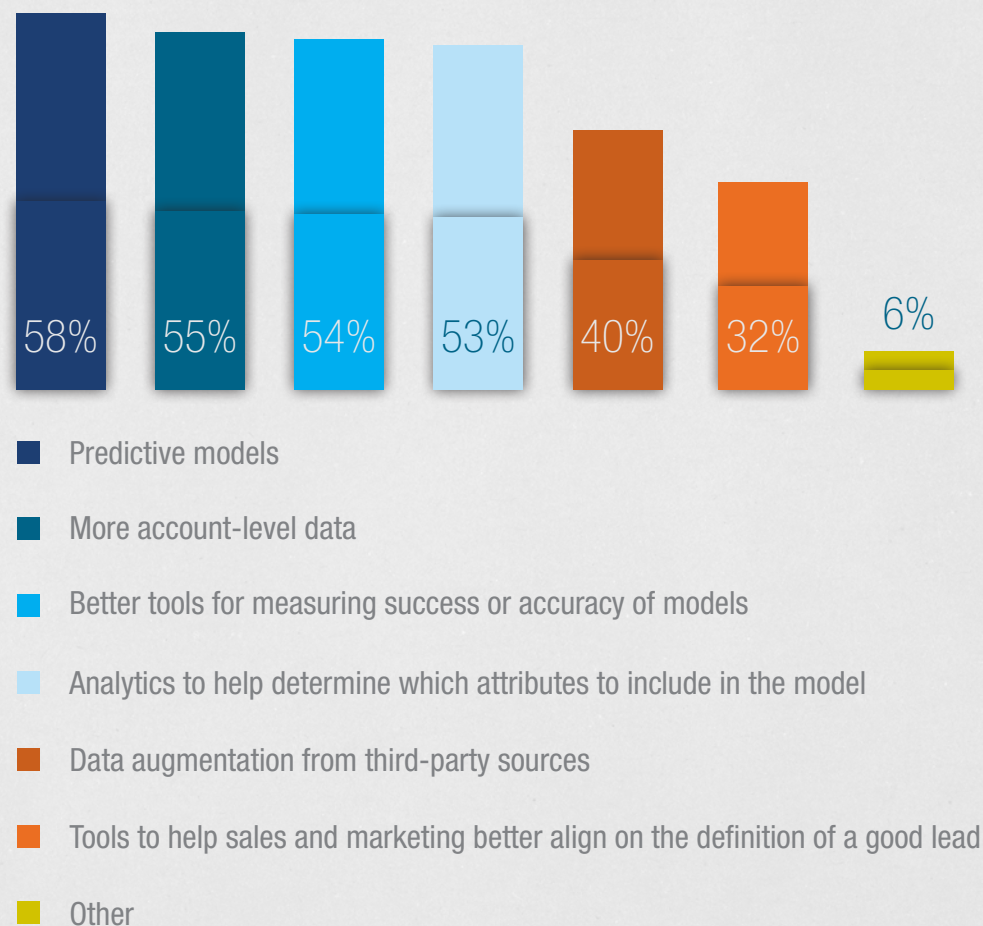
— **David Raab,
Raab Associates**

Another potential area of improvement that predictive analytics promises to bring to lead scoring is around pre-normalized, pre-cleansed data, as many scoring programs are currently hindered by out of date, or incomplete contact information on prospects.

When asked for their "wish lists" to make lead scoring more effective in the future, predictive modeling came out on top as the most sought after capability.

WHAT CAPABILITIES WOULD YOU LIKE TO ADD TO YOUR LEAD SCORING PROGRAMS IN THE FUTURE TO MAKE THEM MORE EFFECTIVE ? (CHECK ALL THAT APPLY)

58%	55%	54%	53%	40%	32%	6%

- Predictive models
- More account-level data
- Better tools for measuring success or accuracy of models
- Analytics to help determine which attributes to include in the model
- Data augmentation from third-party sources
- Tools to help sales and marketing better align on the definition of a good lead
- Other

To build a successful lead scoring model, marketers have to carefully consider which attributes to include in their model. More than half (53 percent) of survey participants want future lead scoring programs to incorporate analytics that can help them determine which attributes to include in their model.

Any lead scoring system is only as good as the data. In fact, when asked about the capabilities that they would want to add to lead scoring to make it more effective in the future, 56 percent said they wanted more account-level data to improve the accuracy of their lead scoring programs.

It is critical to know if your lead scoring model is performing well, and 54 percent of respondents want better tools for measuring the success or accuracy of their models.

Raab said the next phase of lead scoring will incorporate deeper insights and close the loop to find out which attributes are important to put into a lead scoring model, as marketers still need tools to help identify the right attributes, and measure and course-correct their existing models.

"The biggest issue with measuring results is that it's often hard to connect leads with final sales," Raab said. "Very often the sale is made to an account that's separate from the lead, because that account already existed before the lead was created, or because the sale was made to someone other than the initial lead," he added. "You need accurate connections to identify which leads your model should have identified as future buyers. Once you have that information, it's pretty simple to create reports that show the relative importance of different attributes, especially where traditional regression models are concerned."

QUALIFIED

LIKELY BUYERS

CONCLUSION: LEAD SCORING ADDS BIGGER IMPACT WITH PREDICTIVE MODELING

While marketing automation has come a long way and has gained a lot of traction in helping companies prioritize their leads, the *Benchmarking Marketing Automation*: *The Shift Toward Next Generation Lead Scoring & Segmentation* study shows it is still a challenge for most organizations to populate their systems with high-quality data and insights to support effective lead scoring.

Some of the other issues preventing marketers from implementing lead scoring, include a lack of tools and knowledge to implement programs, along with an ongoing divide between sales and marketing on what exactly constitutes a good lead.

Current lead scoring initiatives provide a good framework, but progressive marketers clearly want to move forward with systems that provide them with the predictive attributes they need to more precisely identify the leads most likely to make a purchase. Based on the current challenges and wish lists of marketers, the next generation of prospect prioritization is pointing to predictive lead scoring being the more effective model.

It is no longer acceptable to build a model, wait for results and fine-tune the model, only to repeat the process. Marketers need to have an effective and agile model right out of the gate, which is the promise of predictive modeling.

Marketers have seen that they can automate and build models in marketing automation systems and use the tools to automate the process of prioritizing the leads ready for sales follow-up. However, clearly there is a need to test the attributes built into those models and an opportunity for scoring programs to be more effective in predicting likely buyers.

Forward-thinking marketers are recognizing the potential for lead scoring programs to support new initiatives around segmentation and lead nurturing, as well as a growing need for predictive lead scoring methods that ensure that truly qualified and likely buyers are identified and engaged by sales.

Improvements in the process, data and sources will usher in the next generation of lead scoring.
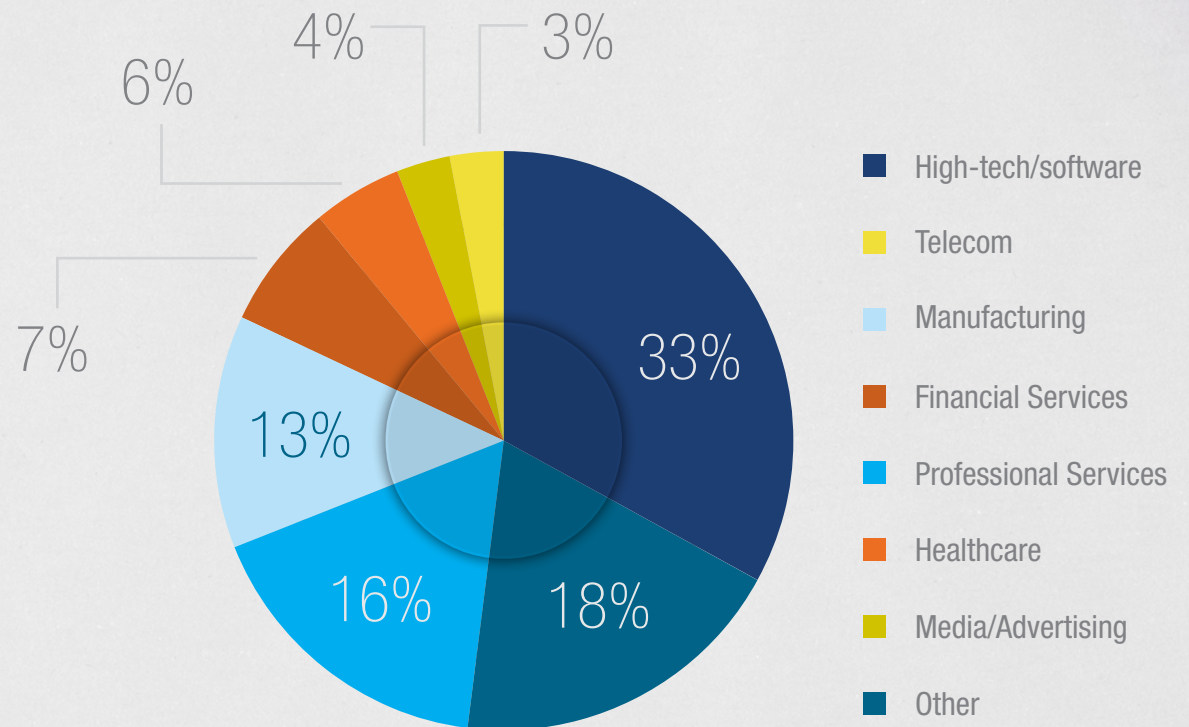
ABOUT THE SURVEY

There were 254 respondents to the *Benchmarking Marketing Automation*: *The Shift Toward Next Generation Lead Scoring & Segmentation* study, which was commissioned by Lattice Engines and conducted in August 2013.

One third of the respondents were from the high-tech/software industry. Professional services (17 percent), manufacturing (13 percent) and financial services (7 percent) were also among the top industries.

In terms of annual revenue, 28 percent of the respondents reported annual revenues of $250 million and above. The majority of the respondents fell into the category of $50 million and below, with 23 percent reporting revenues of $10 to $50 million, and 21 percent with revenues of $1 million to $10 million.

IN WHAT INDUSTRY DO YOU PRIMARILY OPERATE?

- High-tech/software
- Telecom
- Manufacturing
- Financial Services
- Professional Services
- Healthcare
- Media/Advertising
- Other

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ABOUT LATTICE

Lattice delivers data-driven business applications that help companies of all sizes market and sell more intelligently. Inspired by today's consumer applications, Lattice brings every relevant buying signal into the world's most comprehensive, cloud-based applications. With Lattice, companies stop guessing and start relying on modern data science that anyone can use to find, prioritize and close their next customer.

Its rapidly growing customer base, including Dell, SunTrust and VMware, rely on Lattice's open and secure applications to generate 75 percent more pipeline, triple conversion rates, and double win rates. Lattice is privately held and backed by NEA and Sequoia Capital with headquarters in San Mateo, CA. Learn more at **www.lattice-engines.com** and follow @Lattice_Engines.

ABOUT DECISION TREE LABS

Decision Tree Labs is a custom research firm based in Hasbrouck Heights, NJ, focusing on helping companies identify opportunities and gather feedback and insights from specialized markets. The firm's research provides data points to help executives make intelligent business decisions and support business cases.