

Accelerating Demand Generation with Codynamic Lead Scoring™

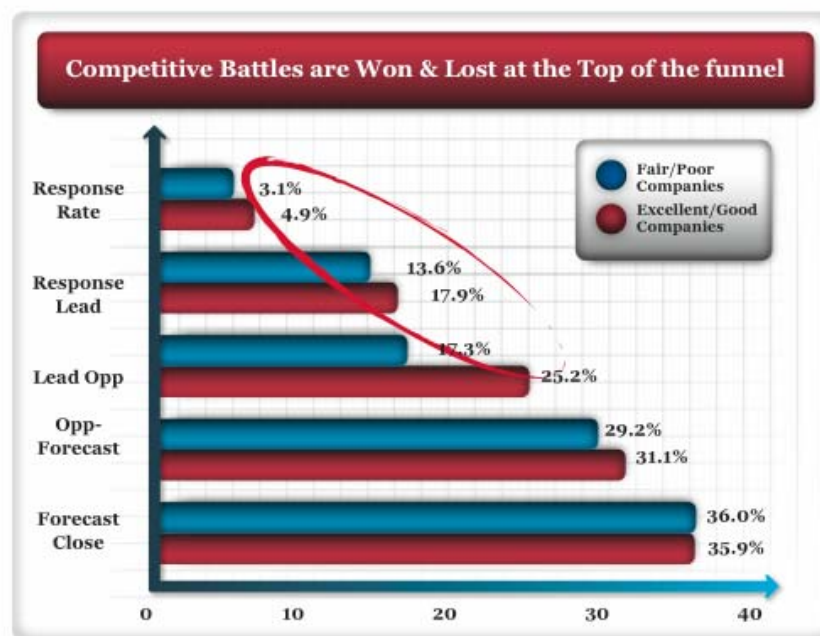
**How to apply breakthrough strategies in lead scoring methodology
and automation to increase top-of-funnel conversion rates.**

Executive Summary

"Ask the engineers at General Electric how to manufacture jet engines, and you'll get a set of documents detailing a painstaking process followed by everyone with razor-like precision. Ask the software designers at Microsoft how they built Windows, and you'll get a hard-and-fast list of code provided in stepwise fashion. But ask these same companies the process they use to sell their jet engines, software or services, and you'll likely get as many different answers as people you ask."

– Tony Jaros, Sirius Decisions

A recent paper by sales and marketing research firm Sirius Decisions (*Demand Creation Facts & Figures 2005*) concluded that "The battle between competitors is being won and lost at the top of the funnel." This refers, of course, to the traditional sales funnel; where prospects are pulled in at the top and, after a series of steps, deals are closed at the bottom.



The study highlighted average conversion rates at key points within the funnel, comparing successful companies with those that were struggling.

The results were remarkable.

While the conversion rates near the bottom of the funnel were statistically similar, those near the top — in the demand generation section — varied by a wide margin.

Clearly, there is an opportunity to realize significant gains in the selling process by optimizing what happens at the top end of the funnel — particularly the way leads are handled before they get passed onto sales.

How can marketing seize this opportunity? One way is to improve and automate what many companies already do manually: lead scoring. At Eloqua, we use a proprietary methodology called Co-dynamic Lead Scoring™ to accomplish this.

By implementing Co-dynamic Lead Scoring™, which utilizes the latest automation technologies and best practices, we have confirmed that companies dramatically increase their performance in the following areas:

1. **Conversion rates in all areas of the sales funnel, in particular prospect inquiry-to-qualified lead conversion**
2. **Efficiency of conversion – less time, resources and waste required to generate conversions**
3. **Effectiveness of the marketing-sales working relationship by aligning their “common currency”– lead throughput**

In this paper, we are going to further clarify Co-dynamic Lead Scoring™ and the benefits, review the latest techniques and thinking in this science, and map out the specific steps marketers need to take to implement a successful Co-dynamic Lead Scoring™ system.

What is lead scoring?

Lead scoring is a method of quantifying the value of leads, or *prospect assets* based on their expected value (EV):

$$EV = S \times P$$

Where: **S = opportunity size and P = probability of purchase**

Against these prospect assets, firms apply *conversion assets*, or resources used to convert prospect assets from lower expected value to higher expected value – in other words, by moving them down the sales funnel. The conversion process achieves maximum efficiency when the value of prospect and conversion assets are aligned, minimizing the waste associated with overinvestment, and also minimizing the waste associated with lost opportunities.

Better tactical decisions on individual opportunities can drive significant performance increases in both marketing and sales departments.

Take the following four prospects, for example. They may have come in through PR, advertising, trade shows, mail, the Web or previous sales contacts.

All of these prospects are in the target market. Therefore, all are sent to sales for follow-up.

If we know little about the interests and intentions of these prospects then all four would need to be passed onto sales (either in-house or outsourced) for qualification — regardless of their quality. Sales receives both good and bad leads. Even if a simple, manually-driven lead scoring process were in place to sift through the prospects and classify the leads, the most that marketing could use would be basic data such as industry, job title, and information voluntarily provided by the prospect (via a Web form, for example.)

Imagine, however, that we have a highly automated infrastructure in place that can monitor prospect activity and generate deep metrics based on a multitude of prospect behaviours, including web site visits, email opens, live chats, web page hits, and more. With comprehensive, timely information like this we can draw more accurate conclusions.



Plans to use the solution



Plans to do something to solve the problem



Aware of the problem



In the target market

This advanced data gives marketing the opportunity to make smarter decisions. Prospects can be organized into buckets based on predetermined lead scoring criteria that is meaningful to both marketing and sales. These buckets can then be tactically prioritized as to what specific action to take and when to take it.



Route to sales for priority follow-up



Route to sales for non-priority follow-up



Route to lead-nurturing program



Need more information

Of course, as an idea or practice, lead scoring is nothing new. Many marketing departments score leads to some extent, either manually or by using telemarketing to call back and pre-qualify prospects. The problem, however, is that these methods are time-consuming and costly.

The solution?

Advanced automation technology and methodologies available today takes lead scoring to the next level, the comprehensive and dynamic level. Eloqua's Co-dynamic Lead Scoring™ is a departure from a largely subjective process and an administrative burden, to an analytical, scientific approach that can be easily and cost-effectively managed.

What are the benefits?

A Co-dynamic Lead Scoring™ system makes the top end of the sales funnel more efficient by enabling marketing to organize, prioritize and, if required, nurture leads before they get passed onto sales. It is comprehensive in that it includes both explicit data – what prospects tell the organization in media such as forms – and implicit data – what may be gleaned from their behavior, such as web and promotion response activity. It is dynamic in that the scores are not fixed, but rather may increase or decrease over time. This results in a number of significant business-building benefits.

Once marketers can pinpoint the stages of a lead's development, they can score leads according to those actions and responses that indicate their "sales-readiness." Lead scoring is a highly effective way to keep expensive sales teams focused on the best leads while increasing their win rates and opportunity value.

Marketing by the numbers. Postini, a provider of on-demand communications security solutions, automates their lead scoring based on prospect behavior. By aligning their calling against these 'interest scores', Postini's Mid-Market sales team has doubled its productivity. A telesales rep working off a list of leads ranked by their positive responses to campaigns can uncover twice as many revenue opportunities as from straight cold calling. Similarly, in a study of 10 B2B organizations using lead scoring systems, Eloqua found that, on average, **deal close rates increased by 30%, company revenue increased by 18% and the revenue per deal increased by 17%.**

Metrics	Before Lead Scoring	After Lead Scoring	% Change
Opportunity Close Rate	31%	41%	30%
Revenue Per Company	\$16,842,950	\$19,843,545	18%
Revenue Per Deal	\$39,149	\$45,863	17%

1. A dramatic increase in prospect-to-lead and lead-to-qualified-lead conversion rates

Today, even with all of the advancements in marketing and sales technology tools, one of the best ways to evaluate a prospect's lead score is to connect with that person on the phone. However this is resource intensive and costly. What a Co-dynamic Lead Scoring™ system can do is make telesales significantly more efficient and productive.

One of the challenges of telesales in most organizations is that there just is not enough time or resources to attempt to reach every prospect in a timely manner. So if an unidentified "hot" prospect happens to be at the bottom of the pile, that opportunity may be lost by the time he or she is called.

An advanced lead scoring system solves this problem. It defines for marketing:

- **Who should be called immediately?**
- **Who should be called as soon as possible?**
- **Who should be placed into a lead-nurturing program, or re-marketed to at a later time.**

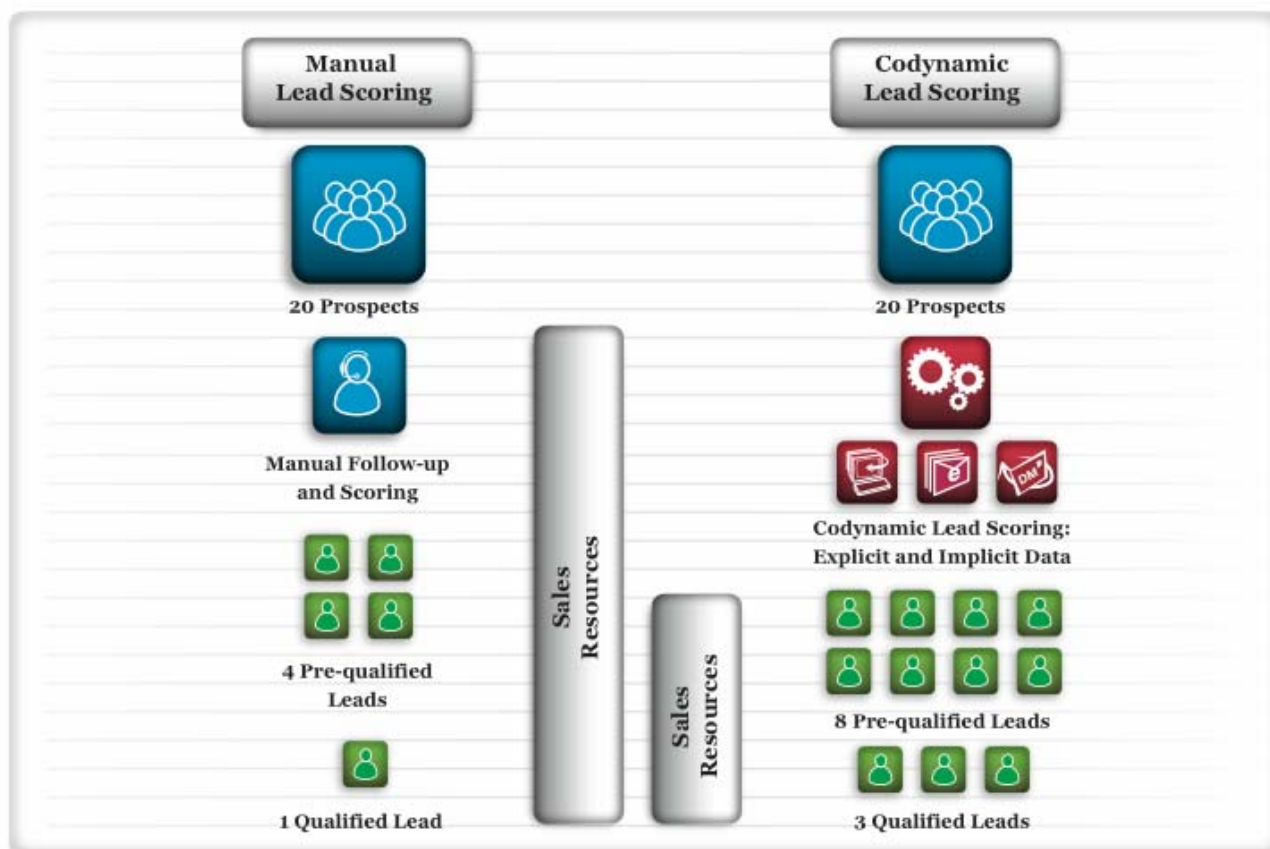
Higher scoring prospects are more receptive to learning more about a product or service that they have already expressed an interest in. So, by focusing only on higher scoring leads, telesales is able to get more people on the phone — increasing the "reach rate."

In the past, keeping track of a complex set of prospect behaviors and other data within a lead-scoring system was prohibitively expensive. Today, advanced technologies and methodologies are available that virtually eliminate the traditional time-constraints and drain on resources associated with identifying, scoring, routing, and monitoring leads.

In addition, more leads can be converted into qualified leads because the aggregate lead quality on the call list is dramatically higher.

For example, if an inside salesperson calls twenty leads that are either not scored, scored subjectively, or scored using just basic criteria, then she may reach only four and identify only one as a hot opportunity.

By contrast, with an advanced lead scoring system in place, that same telesales rep may reach eight prospects and qualify three as hot opportunities. A 300% increase.



There is another spin off benefit to lead scoring that is difficult to measure: The group efficacy of the inside sales team to reach more people and identify more opportunity increases. This gain in confidence improves overall performance which often pushes conversion rates even higher.

2. An increase of leads into nurturing programs, reducing “revenue leakage”

Studies repeatedly suggest that upwards of 35% of leads, regardless of quality, will be converted into sales at some time, for some company. This is one of the reasons why lead nurturing programs are so important. A lead may not necessarily be “hot” today, but could very well be an opportunity worth pursuing aggressively at some future date.

What an advanced lead scoring system does is allow marketers to more accurately route the right leads into a lead nurturing program so these potential future opportunities do not slip through the cracks. It is not uncommon for originally low scoring leads to evolve into high priority leads in the subsequent weeks or months ahead.

The automation and tracking features of Co-dynamic Lead Scoring™ enables low-scoring leads to be nurtured and monitored, with virtually no administrative burden placed on the marketing department. As a lead's status changes, this change is automatically identified, re-scored and re-routed so that appropriate action can be taken — based on pre-defined rules.

Another benefit of lead scoring is the reduced churn on leads that are not ready to progress through the sales funnel. This helps to ease prospect fatigue and irritation. Complaints of “You’re marketing to me too much!” or worse, diminish.

3. A more efficient allocation of marketing resources

Co-dynamic Lead Scoring™ enables marketers to measure the success of their various programs and campaigns more precisely and in real-time. By assigning lead scores, marketers no longer have to wait until the end of the sales cycle to see what leads actually closed as deals. Using lead scores as an internal metric allows marketers to better manage the effectiveness of the part of the process that they own. Where are the best leads coming from? Which campaigns are yielding only low quality leads? Which programs are worth expanding? Which should be cut back?

An advanced lead scoring system provides a clear, analytical value to a lead that allows marketing to align resources in a way that achieves higher value outcomes. It lets you deploy your most expensive resources — outside salespeople, for example — to working on the most valuable prospects.

Now the marketing department can confidently roll out campaigns and ramp up programs, such as demand generation, confident that an efficient system is in place to handle the volume. They no longer have to worry about clogging the sales funnel with low quality leads because these are efficiently sifted out and routed to nurturing programs.

4. Better marketing and sales communication

One of the things that inhibit most demand generation programs are the communication challenges between Marketing and Sales. What marketing thinks is a hot lead, sales considers a dud. As a result animosity between the two sides can develop, impeding the success of the overall selling process.

An advanced lead scoring system addresses this common dysfunction in two ways:

- **Higher quality leads are sent to sales for follow-up**
- **Both sides have a common definition of what a quality lead is.**

There is no doubt that the most common grievance sales has against marketing is low quality leads being “thrown over the fence.” To a major extent, lead scoring eliminates this because leads are scored precisely using criteria that both sales and marketing agree upon.

Both sides can also be confident that, within a lead scoring system utilizing the latest technologies and methodologies, a score can be changed as new information about the prospect becomes known. Automation does not inhibit human intervention.

Now the sales and marketing teams can work efficiently together with a single selling system. The days of tossing leads over the fence, and seemingly into the abyss, are over.

How should trends be scored?

Traditionally, companies define leads using qualitative and disparate criteria. Ask five people in either the sales or marketing department what a good lead is and five completely different answers is the likely result. Too often lead quality is a judgment call, based on instinct rather than facts.

What an advanced lead scoring system does is apply science to what was once a largely undisciplined and inconsistent process.

Within the best practices of lead scoring, there is no such thing as a vaguely defined “hot” or “cold” lead. All leads are scored using clear, precise criteria.

Here is a typical example using a normalized scale of 0 – 100 points to rate leads:

Score	Rating
70 - 100	Class - A
50 - 70	Class - B
30 - 50	Class - C
< 30	Class - D

Lead Scores

- “A” Lead (70 – 100 points) – Plans to use solution
- “B” Lead (50 – 70 points) – Plans to do something to solve the problem
- “C” Lead (30 – 50 points) – Aware of the problem
- “D” Lead (< 30 points) – In the target market

The criteria used to score leads must, of course, be tailored to the unique needs of the company. However, the above is a good framework to model.

How do we arrive at these specific scores?

The most successful approach is to evaluate lead scoring elements and assign points to each. To do this, we need to consider two basic classes of lead scoring criteria:

- Explicit Scores
- Implicit Scores

Explicit Scores are based on specific information provided by the prospect via a web form, telesales call, or other channel. This data typically includes company and contact profile, job title and function, buying horizon, and whether or not the prospect indicates a need for the product or, at least, the solution it provides.

Another area to watch out for is Specific Need. Ideally, this gives you an indication at what stage in the buying cycle the prospect is engaged. However, if he is already researching solutions, he may already be talking to your competition.

Evaluating Explicit Scores

- **Company and Contact profile** information is key to determining a lead score – add as many of the key profile questions to your web forms as possible.
- **Job Function** is one of the most important contact profile data points, but often very hard to determine from Title alone
- **Buying Horizon** will be the least accurate data point, and you will need to use implicit data to help enhance the understanding of your lead's purchase intent
- **Specific Need** will give you an indication of what stage in the buying cycle the lead is engaged. If they are already researching specific solutions they could have already evaluated other competitors

Data Point	Details	Score
Company Profile Information	Industry Size (Revenue or Employees)	15 Points
Contact Profile Information	Title (Job Function) Completeness	15 Points
Buying Horizon	Can this be explicitly captured from a form or a call?	10 Points
Specific Need	Does this lead have a focus on a particular solution? Are they already in a buying cycle?	10 Points

Implicit Scores are based on observed prospect behavior. This is akin to a retail customer picking up a sweater, holding it up to the mirror, and then looking around for a sale clerk. These are obvious buying signals that need to be acted upon. Implicit scores can often be more accurate than explicit scores.

When evaluating Implicit Scores, you need to consider three types of data: *Recency of Activity*, *Activity Level Over Baseline* (ALOB), and *Website Activity Type*.

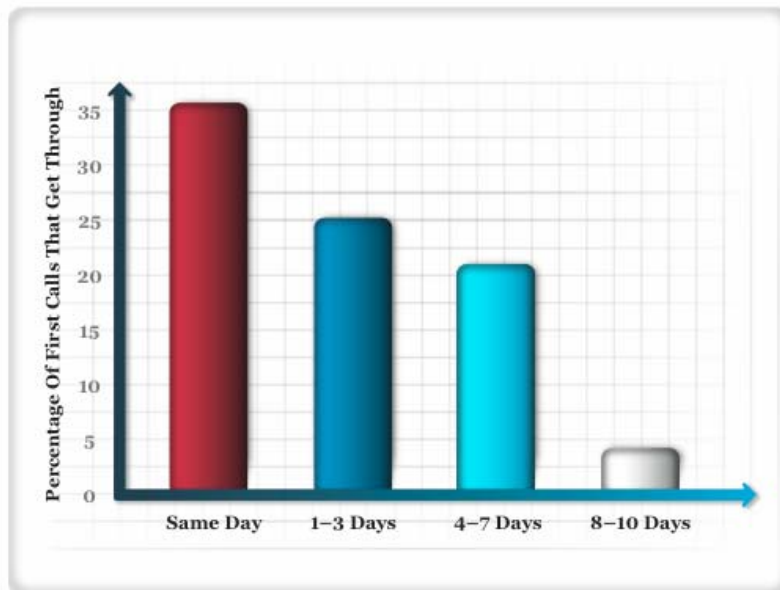
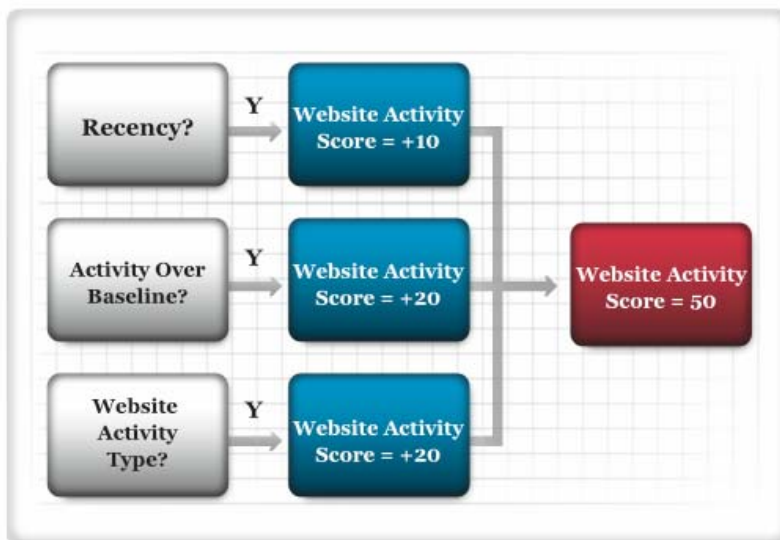
Recency of Activity relates to when an activity was observed. In our retail example, the customer is obviously in a buying mode. However, if a sales clerk does not act soon, the customer may lose interest and walk out of the store.

Similarly, if a website visitor downloads a white paper and views an online demo, then this signals a strong opportunity to engage the prospect in a live conversation. A recent study by KnowledgeStorm revealed that *Recency of Activity* has a dramatic effect on connections (connecting with the prospect on the phone) in the follow-up process.

The next level of demand generation performance requires real-time lead value assessment, capture and routing. These concepts lie at the core of the Co-dynamic Lead Scoring™ approach.

Three key elements in evaluating Web site activity

- Recency
- Activity Level over Baseline
- Website Activity Type



If the lead's web activity has taken place within the last 3 days, you should increase the score.

In any lead scoring process, it is vital that new information about the prospect — website hits, white paper downloads, webinar attendance, live chats — be used to immediately update the status of the lead and, if necessary, re-route it so that the right action can be taken. Old data is like salt that rusts the engine of a lead scoring system.

Perhaps the most valuable prospect behavior that can be monitored using technology, one that is virtually impossible to do on a large scale manually, is Activity Level Over baseline.

Let us say, for example, that a prospect visits your website, reads your ezine, or clicks through to a promotion at a rate of once every other month. This activity would be considered his baseline behavior. Then, during a six week period, he attends a webinar, opens the ezine email, downloads a white paper, and fills out a form to request a brochure. That dramatic shift means something has changed. Is he ready to move forward in the sales process? Routing the lead to sales for priority follow up would answer that question. But if that baseline behavior was never monitored, you would never know. And a hot opportunity would be lost.



Activity Level over Baseline (ALOB)

- **Active Contact:** contacts within the Eloqua system that have shown trackable activity in the past 4 months
- **Inactive Contact:** contacts that have shown NO trackable activity
- **Level Over Baseline** is more important than the absolute comparison of the level of activity
- **A score** would be assigned if an inactive lead suddenly became active.

Website Activity Type is also an important consideration in how you score a lead. The most common mistake in evaluating this kind of activity is over detailing what each web activity is worth in terms of points. The best method is to focus on one or two particular high-value content areas and using real data (perform a quick baseline check on quality leads and what common website activities they performed), determine which specific web events are worth more points than others. Here are some examples:

Website Activity	Details	Score
Document Download	Whitepaper downloads (registered and non-registered) Other marketing collateral	10 Points
Specific Website Pages	Visitor viewing a large number of high-value content areas on your website e.g. flash demo, detailed product page, etc.	10 Points

What lead scoring criteria can be identified and monitored?

In addition to basic criteria gleaned from company profiles and prospect-provided information, the implicit prospect data that is a unique component of Co-dynamic Lead Scoring™™ now makes it possible to monitor in-depth prospect activities that provide a clearer indication of buyer interest, intentions and timing. Marketers reap the advantages of such advanced metrics as:

- Website clickstream activity
- Web and live event attendance
- Direct marketing response
- Personal profile updates
- Email opening and forwarding
- Thought leadership reading
- Personalized URL tracking on mail, fax and email
- Live chats from the website
- Interactions with the contact center

Using the right technology, it is now possible to monitor changes in baseline activity, helping marketing catch that most elusive indicator of buyer readiness: timing.

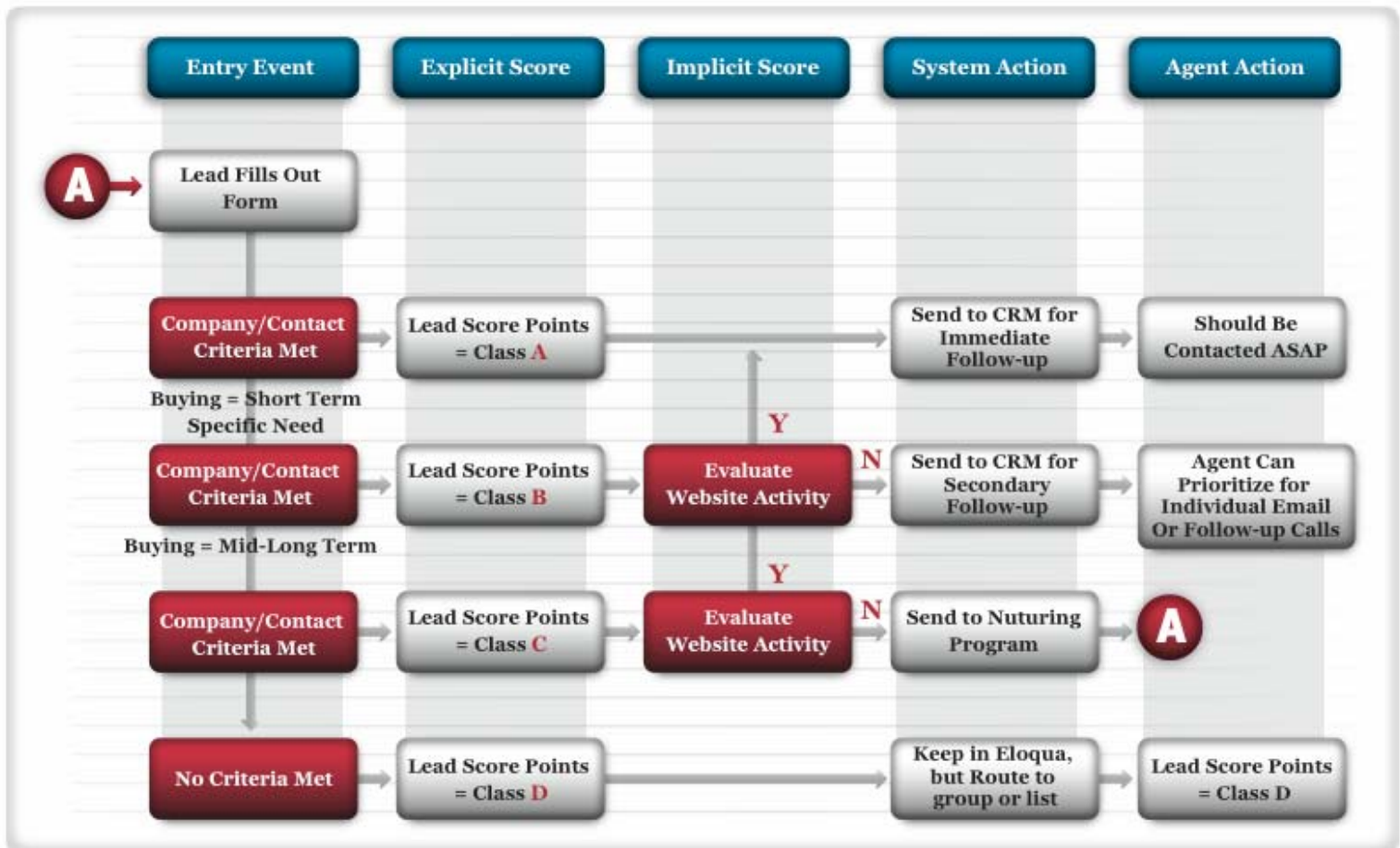
Lead scoring technology allows you to set up the rules and automate a lead scoring system, from assigning the scores to routing the leads. For example, high priority leads can be automatically integrated into Salesforce.com data for immediate follow-up by sales.

What actions should marketing take once a lead is scored?

The main advantage of an advanced lead scoring system is the ability to make better, more tactical decisions regarding prospects.

Based on lead scores, here is a typical routing plan:

- **"A" LEAD:** Send to sales for immediate follow-up
- **"B" LEAD:** Send to sales, but with a lower priority for follow-up, with the ability to redistribute these leads to reps who have more available time for follow-up (they are more junior or have less qualified opportunities at this time)
- **"C" LEAD:** Send to the lead nurturing program and monitor activity
- **"D" LEAD:** Keep on the suspect list, but more information is required



Of course, how leads are handled is dependent on a variety of factors specific to the organization, such as prospect volume, web activity, sales cycle, resources, and current infrastructure.

What are the best practices in planning and implementing a Co-dynamic Lead Scoring™ system?

There are five basic steps to the process:

1. Determine the existing lead scoring process.

- Map out the pre-qualification and qualification criteria for a lead, this will involve both Marketing and Inside Sales.
- Estimate the typical timelines for each stage in the process

2. Determine how the process can be improved.

- Where does Marketing and Inside Sales feel they spend the most time for the least value?
- Where in the process has the most lead wastage occurred? Examining several campaigns from the past that have had good initial response but a low number of closed deals is a good benchmark for lead wastage analysis.

3. Determine what can be automated.

- Form data that has a high degree of accuracy (standard personal and company information) can be scored in a program

4. Determine how implicit activity can be incorporated:

- Website clickstream activity
- Web and live event attendance
- Direct marketing response
- Personal profile updates
- Email opening and forwarding
- Thought leadership reading
- Personalized URL tracking on mail, fax and email
- Live chats from the website
- Interactions with the contact center

5. Determine metrics that can drive optimization.

- "A lead" to qualified opportunities conversion rate
- "C lead" to "A and B lead" conversion rate
- Cost per A lead

6. Monitor for continuous improvement.

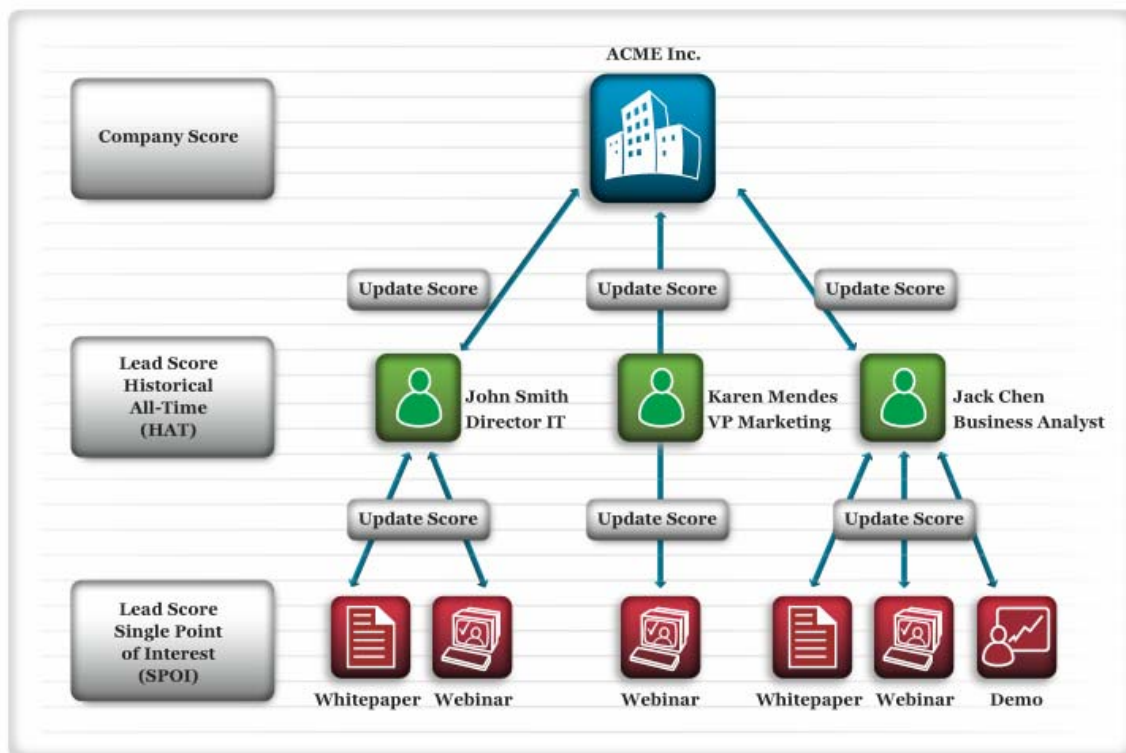
- The best lead scoring systems enable marketing to look back on results and implement tweaks and improvement where necessary.

Based on Eloqua's extensive experience in setting up and optimizing highly-successful Lead Scoring systems, here are the key best practices to consider.

- Integration directly into your contact manager/CRM system for lead handoff is a key component to enabling lead scoring automation.
- Setting business rules with telemarketing or inside sales based on the lead score is important to ensure that high priority leads followed-up on first.
- Continuous re-evaluation of the scoring system (without changing the fundamental rules) is essential. It is important to solicit feedback from the agents on whether the Lead Scores are accurately describing lead quality.
- Regular reporting on lead counts and conversion rates is a requirement for continuous improvement. Lead Scoring should always be an evolving, never a static, program.

What's next for lead scoring methodology?

Like all best practice methodologies, lead scoring will continually advance as more marketers adopt the process and refine the tactics. While many business-to-business companies focus on individuals, their targets are really companies. Lead scoring will evolve to include not only immediate single-point-of-interest (SPOI) scoring, but also historical all-time (HAT) interest, with the Holy Grail of lead scoring becoming a dynamic Company Score which is an aggregate of lead scores from past and present interactions with the contacts at a given company.



Implementing a marketing solution that integrates both explicit and implicit data into your CRM system, and also combines strong automated data quality and processing rules, will allow you to implement a rudimentary company scoring system that groups tracked marketing activities by company and contact:

Account Name: (9 records)						
Email Viewed: Product Update - Power Users - 091905	9/20/2005	Daniela	Szymczak	Corporate Marketing	287-2764	Jill Rowley
Website Visit	9/26/2005	Jared	Willey	eMarketing Manager, Corporate Marketing	287-2520	Mark Organ
Website Visit	9/26/2005	Jared	Willey	eMarketing Manager, Corporate Marketing	287-2520	Mark Organ
Website Visit	9/22/2005	Jared	Willey	eMarketing Manager, Corporate Marketing	287-2520	Mark Organ
Website Visit	9/22/2005	Jared	Willey	eMarketing Manager, Corporate Marketing	287-2520	Mark Organ
Website Visit	9/21/2005	Jared	Willey	eMarketing Manager, Corporate Marketing	287-2520	Mark Organ
Website Visit	9/21/2005	Jared	Willey	eMarketing Manager, Corporate Marketing	287-2520	Mark Organ
Outlook Email Viewed: RE: Korea	9/26/2005	Kristen	Roberts	Business Process Re-engineering	236-8053	Jill Rowley
Email Viewed: MK Dreamforce05 Promo Email 1	9/22/2005	Paola	Dovera	Website Tagging	236-8660	Jill Rowley

This report uncovers the overall company interest for an inside sales agent, helping him or her understand the overall company interest, who is most interested, and target follow-up calls to eventually connect with a decision maker on the phone.

Ready to accelerate demand generation?

As indicated in this paper, an advanced lead scoring system can help your organization realize significant benefits:

- Increased conversion rates at the top of the funnel
- Improved lead nurturing so that future opportunities are not lost
- Enhanced collaboration between marketing and sales
- A more efficient allocation of marketing resources.

In the Sirius Decisions document referred to earlier in this paper, top performing companies studied were shown to have three things in common: effective sales and marketing communication, clear and more sophisticated lead definitions, and the ability to track and manage leads. An advanced lead scoring infrastructure gives your organization the capability of achieving all of these attributes. The result? Optimized marketing performance, and the foundation for a significant competitive advantage.



About Eloqua

Founded in 1999, Eloqua provides software and expertise to B2B marketers to execute, automate and measure highly effective marketing programs. Eloqua's mission is to make our customers the most effective marketers on Earth.

Eloqua Conversion Suite™ is the industry's leading integrated demand generation platform for businesses that expect measurable results from their marketing efforts. An on-demand family of solutions, Eloqua Conversion Suite™ automates and integrates the key sales and marketing functions of e-mail, direct mail, web site analytics, campaign analytics, and sales force automation to improve the quality and quantity of sales leads, eliminate waste and accelerate the entire selling process.

With market-leading technology backed by expert professional services, Eloqua automates best practices in demand generation for B2B marketers who need to produce a continuous flow of qualified leads for their sales force. Eloqua's customers include Sybase, Seagate, Nokia, JBoss, Administaff, Nuance and many other leading B2B marketers. Eloqua Corporation is headquartered in Toronto with offices in London and throughout the United States.

To learn how Eloqua can help you reach new levels of marketing performance, please visit www.eloqua.com or call 866-327-8764.

1. Spencer Stuart, *"CMO Tenure: Slowing Down the Revolving Door"*, white paper, July 2004.
2. Laura Ramos, Forrester Research, *"B2B Marketing Needs a Makeover – Now"*, August 2, 2006.
3. Jim Dicke/Barry Traylor, CSO Insights, *"Optimizing Lead Generation, What's the Payback?"*, June 2006.
4. Laura Ramos, Forrester Research, *"How Mature is B2B Lead Management"*, November 30, 2006.

