THE OPTIMIZER
HANDBOOK:
LEAD SCORING

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Section 1: What is Lead Scoring?

Picture this: you're selling vehicles, and you have a list that features over two hundred different leads, but you're only allowed one day to try and make sales. How would you make the most sales? You'd follow the most promising leads.

That's exactly what lead scoring is – a system designed to rank leads in order to determine which leads are ready to be cashed in. In our car example, an effective lead scoring system would tell you who is ready to buy a car today, as well as who needs more time to make their decision.

Lead scoring helps you increase your efficiency. You keep track of all of your leads, then rank them in order to determine who needs what. This improves performance.

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Lead Scoring Misconceptions

Many people make the mistake of assuming that lead scoring tells them to only pursue the hot leads. It doesn't. The more expensive the item or service, the less likely people are to purchase immediately. If you use lead scoring and only pursue the hottest leads, you're still leaving money on the table.

Lead scoring is also not an entirely mechanical or mathematical process. While it's true that it does involve math and certain mechanisms, selling a product or service is ultimately based on relationships. You'll never remove the human element from the marketing process. Lead scoring incorporates the human element by taking input from the sales team.

Lead scoring won't qualify your leads for you; it's still up to the sales team to identify who to pursue and who to ignore. However, lead scoring will tell you when you should try to make the sale.

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Lead Scoring Usefulness

Every sale and every customer is different from the last one. Some clients may be ready to purchase a service based on a thirty second meeting, others will want to examine all of their options closely before making a decision. Lead scoring is useful for more than just identifying the hot lead; it also shows you how far along in the sales process each person is, including who needs to be fast-tracked. This maximizes your businesses efficiency.

If you were going to make a guess, how many new leads do you think are sales-ready? Going back to our car sales-man example, if a person walks on your lot, how likely do you think it is that they're ready to purchase a car that day?

The answer?

Only 25%. That means three out of four people you meet are not ready to be sold. It doesn't matter what you say or do, they're not going to buy. This knowledge allows you to focus on what's important – building a relationship.

However, what happens when you encounter that person who is ready to buy right away? It doesn't make sense to spend all of your time building a relationship with them when they're prepared to buy. Using lead scoring tech-niques prevents you from making that mistake, saving valuable time.

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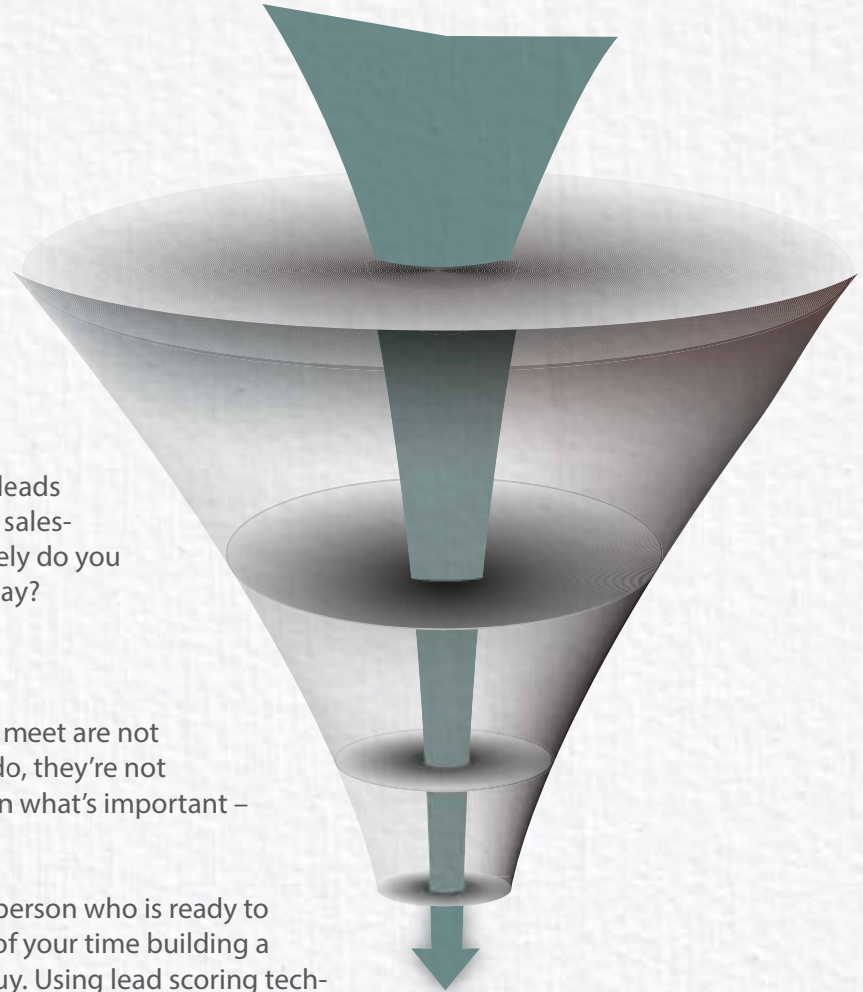
The Benefits of Lead Scoring

By now, it's apparent that lead scoring will show you where you need to focus and save you time. But what other benefits does it offer?

+17% REVENUE PER DEAL

+18% COMPANY REVENUE

+30% DEAL CLOSE RATES
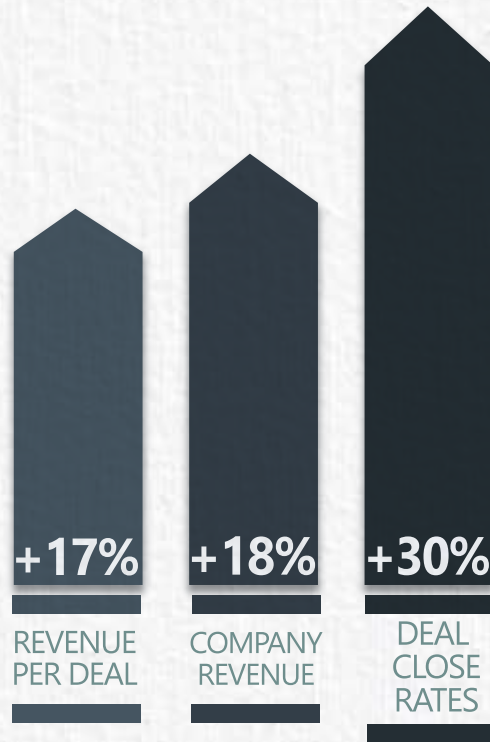
A Study of **10** **B2B** Organizations

Using **Lead Scoring** Systems Found...

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A Union of Marketing and Sales

In order to be successful, you need your marketing department and your sales department to work together efficiently. They need to have the same vocabulary and be contributors to the same process. Creating a lead scoring program gives you that vocabulary – both marketing and sales will have the same definition of a "lead", which means your sales department won't be chasing unqualified prospects.

Lead scoring lays the foundation for both your marketing and your sales department to be more successful.

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Strengthen Revenue Cycle

One of the biggest advantages of using a lead scoring method is that you'll know who is ready to buy and who's going to take more time – and you can know this by taking a couple minutes to glance over a sheet. You don't have to waste time in meetings discussing clients, because you'll already know how to handle each situation. What's more is that everyone else who has access to the information will know how to handle them as well, cutting down on time wasted with extraneous communication.

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Increase Return on Investment

One of the worst things that can happen to you is spending all of your time with one high profile client, only to have them decide to go elsewhere with their services. The loss can be devastating, and in some cases, people may lose their jobs. Lead scoring allows you to track the quality of each lead. You know who is likely to buy, and who isn't. An increase in lead quality correlates directly to an increase in sales productivity.

Instead of spending your time engaged with a cold lead, you can turn your focus to more receptive leads. You'll have a good idea whether you'll be able to close a deal ahead of time, which allows you to plan for the future and stay a step ahead of your competition.

192%

HIGHER AVERAGE
LEAD QUALIFICATION
RATE

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Section 2: The Basics of Lead Scoring

The Two Factors: Implicit and Explicit Scoring

When you're setting up your own lead scoring system, you need to pay attention to two different kinds of feedback: implicit and explicit. Implicit scoring covers all of the intangibles, the things that aren't concrete, such as what pages of your website are being viewed, or how likely the prospect is to meet with a sales rep. Explicit scoring covers tangible information – things that the client tells you or factors you can identify. In order to create a successful lead scoring system, you need to be able to correctly calculate both scores, which is harder than it looks.

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Explicit Lead Scoring

You gather explicit lead scoring data by keeping track of information that's been shared with you by the client, and any hard, observable data – usually collected by an online form. Demographics fall firmly under the "explicit lead scoring" category – age range, gender, location – those are all hard, immutable facts. This information let's you know whether the prospect is at least comparable to your ideal prospect – right off the bat, you know what you're dealing with.

Secondly, you can use their BANT (budget, authority, need, timeline) to determine how likely they are to buy right now. Before we get into BANT, let's break down different types of explicit leads.

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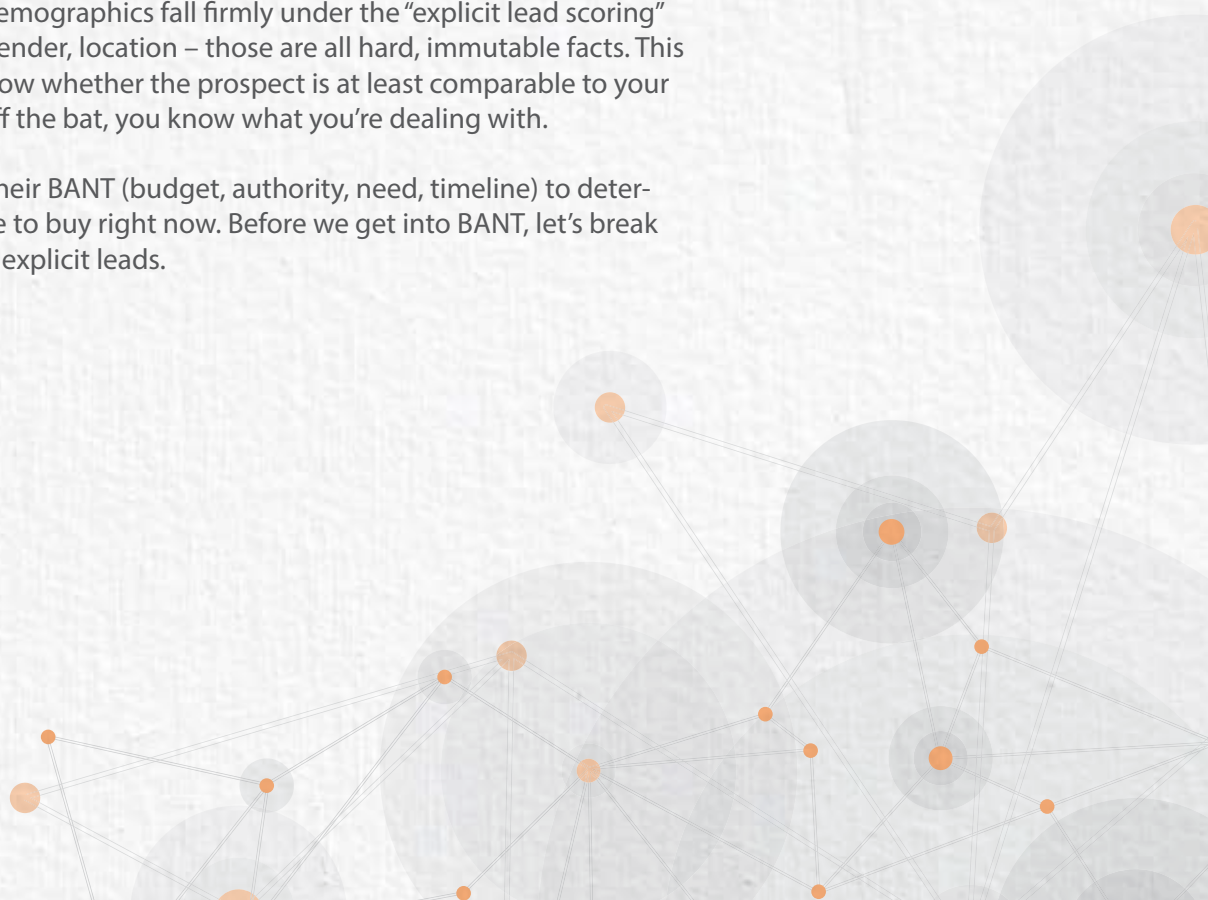
Demographic Lead Scoring

Demographics are almost self-explanatory. Age range, gender, location – all of these fall under demographics. This gives you a very general overview of who you're working with.

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Firmographic Lead Scoring

Firmographic lead scoring is slightly different, though there's a lot of overlap be-
tween it and demographic lead scoring. Firmographic scoring is based on things
related to the prospect's business – what industry are they in? What's their job
title? Company size? How much revenue does the company take in? What does
their expense budget look like?

These two types of lead scores aren't designed to tell you how interested the
prospect is, rather, they're designed as qualifiers to tell you how interested you
should be in the prospect. For example, your service would take their entire
expense budget for the year, odds are you shouldn't get that attached to the
prospect – it's unlikely they'll be able to afford your services.

What's their job title? Company size? How much revenue does the company take in? What does their expense budget look like?

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BANT

BANT stands for Budget, Authority, Need, and Timeline. Together, these four elements can be used to determine whether someone is ready to buy or not. Let's break it down into the individual components.

Budget

While having a lot of prospects is nice, those prospects are only of value if they can afford the service you offer. One prospect who can afford your service is more valuable than ten thousand who can't.

Authority

Is your contact the decision-maker for their department? Can they get the funds to purchase your product or service? Remember, the person who makes the decision needs to have access to the money in order for their decision to matter. The person with the most authority is the person who's signature is required for the purchase to be finalized.

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Need

How much does your prospect need your solution? If you were a plumber, and someone's house was flooding, they desperately need you – which means you have a guaranteed sale. It's not enough to know how badly they need your service, both you and them have to know why they need your service. The more clearly you can articulate why they need your service, the more likely you are to make a sale.

Timeline

How long is it going to take to make a sale? This ties back into why they need your service. Using the plumbing example, they would need your service immediately. Try to figure out whether they're planning to use your service or product immediately, or if you're on next year's budget.

Ultimately, BANT along with demographic and firmographic lead scoring will help you determine when a prospect is ready to buy, but it's not enough by itself. The major limitation is that it relies almost exclusively on information the prospect gives you. If they don't give you the information, you won't be able to score your leads.

That's where implicit lead scoring comes in.

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Implicit Lead Scoring

Implicit scoring relies on your ability to pay attention to your prospect's behavior. The better you are at monitoring them, and the more accurately you're able to determine what their movements mean, the stronger your implicit scoring will be.

Imagine that you own a candy shop and you see a child walk in. They stand in front of the bubblegum for five minutes, focused on one package in particular. They pick it up, look it over, put it down, then pick it up again. The child hasn't said anything to you, but you know exactly what they're interested in and how interested they are. That's what implicit lead scoring is: tracking behaviors to find results.

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Behavioral Scoring

Your goal is to identify whether or not a prospect is ready to buy. You're going to see if they're checking your website, responding to your emails, or clicking on coupons. When they're on your website, are they going to the product page, or are they clicking away after a cursory glance at your home page?

It's not enough to simply identify positive behavior – instead, you need to identify how important these behaviors are. If someone visits your product page they're showing interest; but if someone visits your product page and puts the product on their wish list, they're showing even more interest. When it comes to behavioral scoring, you're looking for buying behavior – a person making the type of moves they'd make if they were ready to buy your product.

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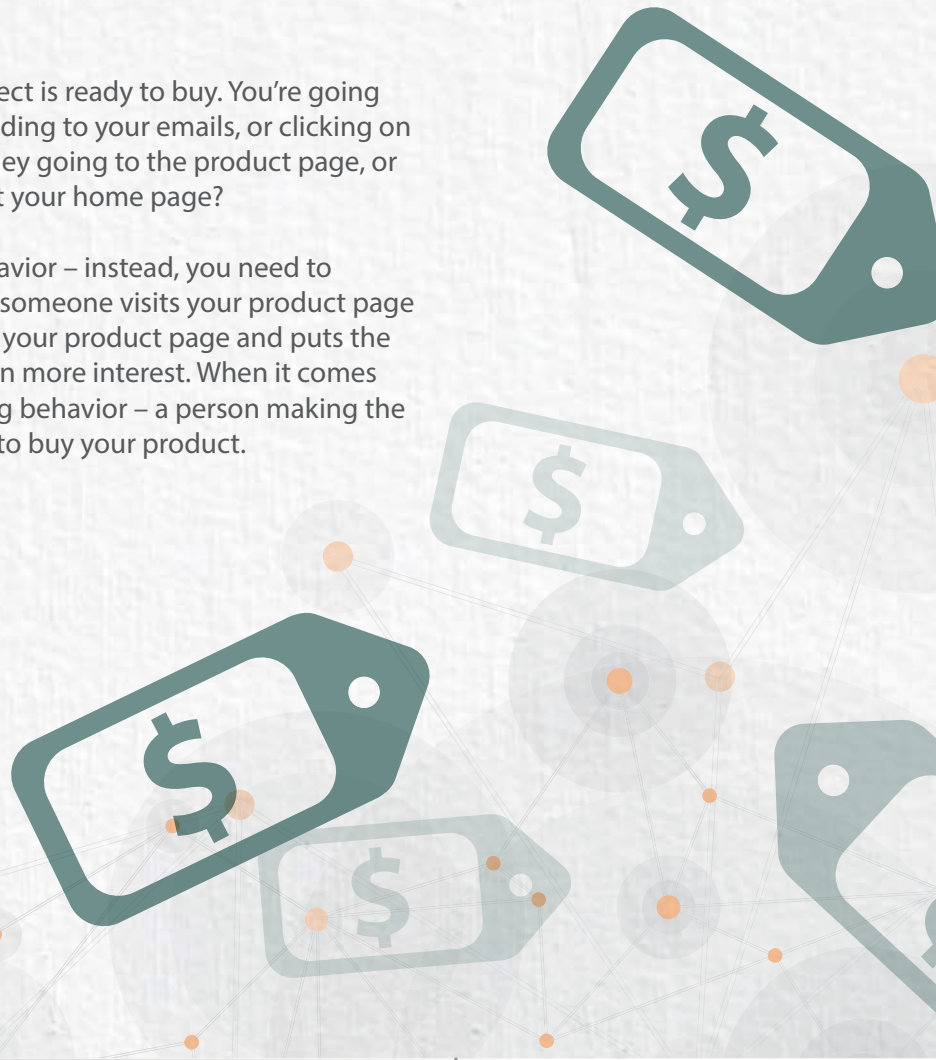
Active and Passive Buying Behavior

When it comes to identifying buying behavior, you need to look at how engaged your prospect is. Once again, we return to the car lot. An active buyer will enter, flag down a salesman, and have a list of cars he wants to see. A passive buyer will walk onto the lot and look around in no particular direction. One is engaged, the other isn't.

Your lead scoring model needs to account for different types of buying behavior, with active behavior rated much higher than passive behavior. The behavior lets you know whether you should be ready to make a hard sell, or if you should play the waiting game and feel the prospect out.

VS **VS** **VS**

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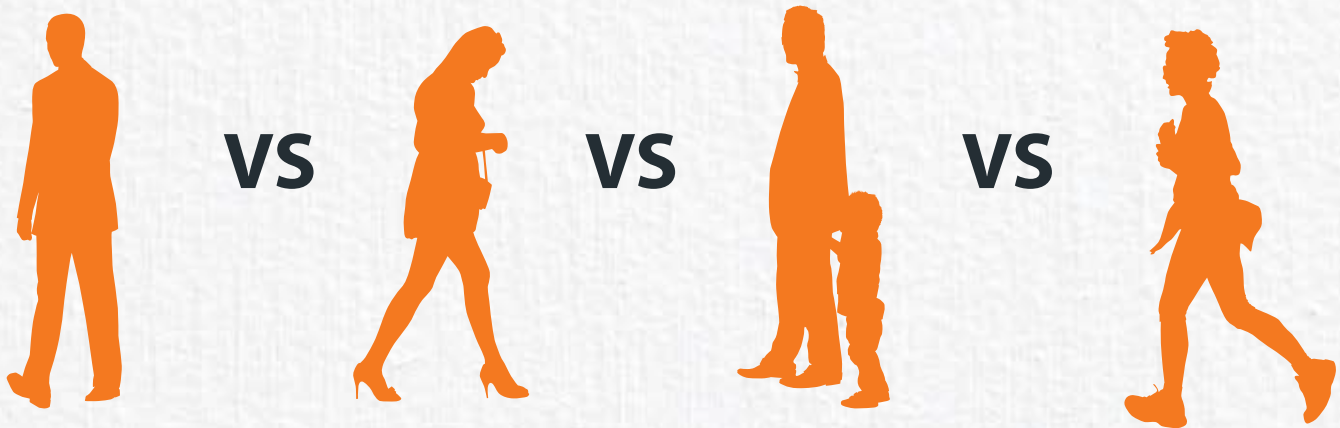
Data Quality

Every salesman knows that not all leads are created equal. You need to have enough data to know which leads to pursue and which are false positives. Just as you'll use various explicit and implicit data to add points to your prospect's score, you'll use other data to take points away. This includes the email address, the first and last name of the client, and whether or not the IP address comes from a corporate domain or an ISP.

This may seem like too much, but imagine you're offering a high end service. Should you pursue an email from "Xyyyy Zjgk" with the address ilikecake@ hotmail.com with the same vigor you would pursue "James Winchester" with the address j.winchester@smithsonandco.com?

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Section 3: How to Get Started

As always, the first step of the journey is the hardest. You need specialized knowledge and insight, as well as the relevant data, both explicit and implicit. Fortunately, once you have your lead scoring system in place, things become substantially easier.

Step One: Collect Information

Get your sales team together to collect all of the relevant data that may be used to indicate whether a prospect is interested, and whether they're ready to be sold to or not. You should check what pages on your website they visited, what the referring sites were, and any campaigns that may have influenced purchase.

Step Two: Test the Data

In order to know whether your data correlates to leads, you need to test it. Check your current leads and check their data in the categories you've collected. Do they look like leads? That is, do they pass the smell test? If not, go back to step one and choose different data inputs.

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Step Three: Your Ideal Prospect

Look at who you've sold to before. What is there demographic and firmographic? What type of behavior did they exhibit? Did they contact you through an order form expressing interest? Use this data to create a profile of your perfect prospect.

Step Four: Establish Scores

Your sales team should go over the data you've collected, checking the profiles and the leads. Once they've done this, they should work with the marketing department to determine exactly what behavior makes someone a lead, and what behavior to ignore. You may want to assign points to each behavior. For instance, checking a product page may only be worth 1 point, while adding a product to a wish list may be worth 3 points.

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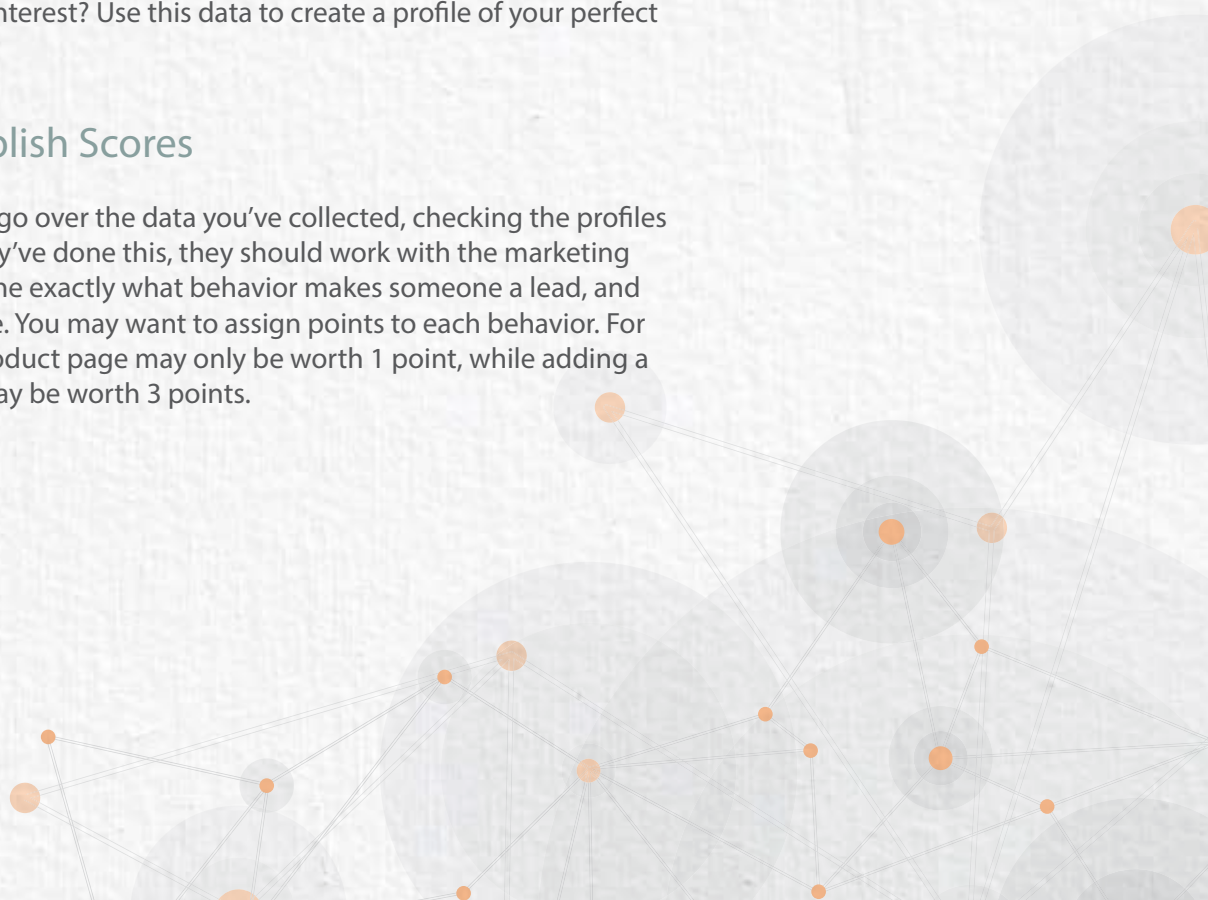
### Step Five: Create a Ranking System

You can assign each lead a letter grade, a numbered score, or a "hot" or "cold" ranking.

Step Six: Select a Threshold

Your threshold is when you will push for the sale. For example, if you're using a letter grade, and you've decided your threshold is "B", that means as soon as a prospect hits the B ranking, you'll try to make a sale.

Step Seven: Assign Your Leads Scores

Go back through all of the data and rank each of your leads according to their scoring criteria you established in step four.

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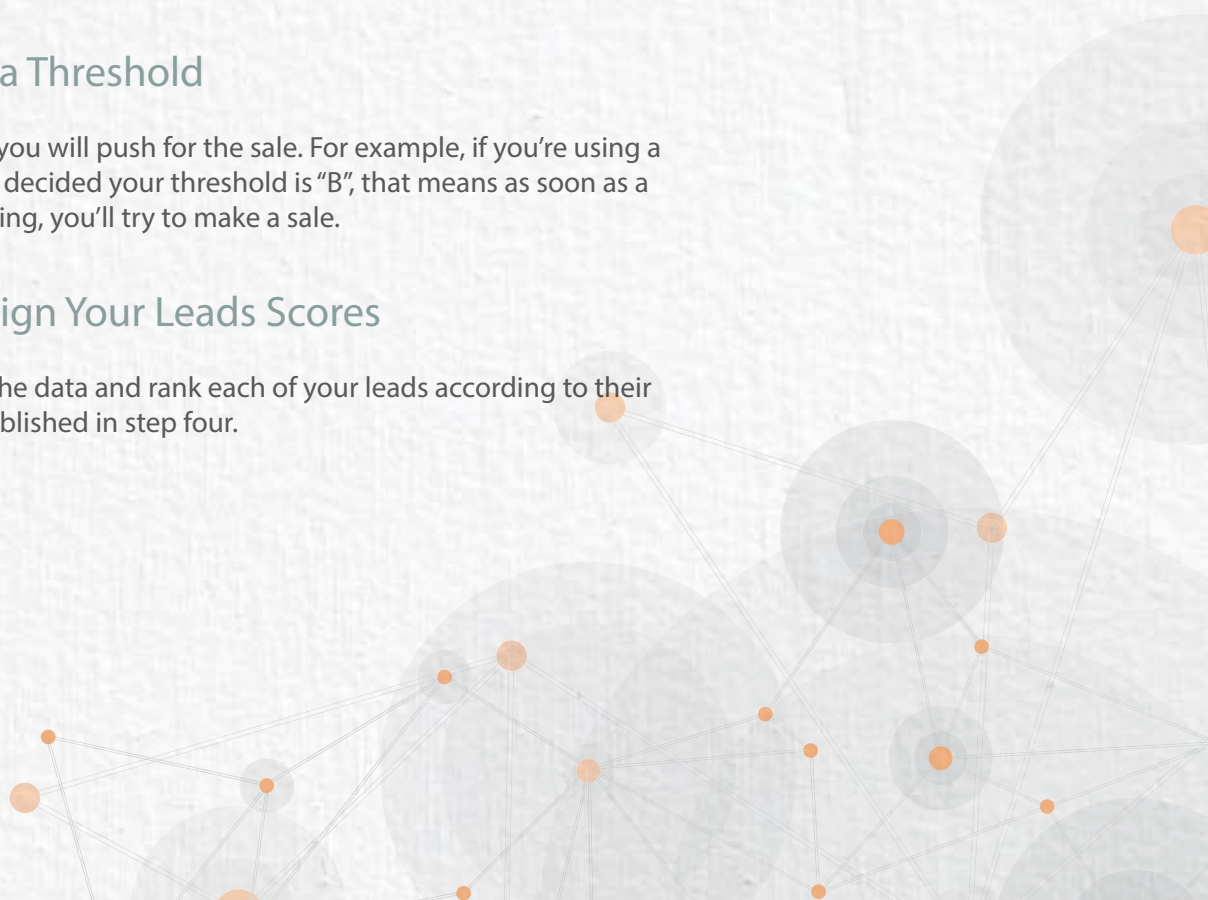
Your Lead Scoring System

It takes a lot of time and effort to put together a lead scoring system, but the results are worth it. Increased productivity, higher efficiency, and more success await those who put in the effort to develop a lead scoring system. In today's competitive environment...

A LEAD SCORING SYSTEM can be the advantage you need ▸ to make the leap to **THE NEXT LEVEL**

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