



Effective Qualification: Prioritizing Automotive Prospects with Lead Scoring

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Identifying willing and able buyers is a fundamental objective for automakers (i.e., OEMs) and the retail networks associated with selling new and used vehicles. In the spirit of communicating with “the right buyer at the right time,” the evolving use of customer relationship management (CRM) systems offers a holistic approach to engaging with desired customers. One emerging dynamic that is related to this approach is managing leads which become visible to the enterprise. And of keen interest to many CRM managers: managing leads generated via the Internet.

TRADE-OFFS

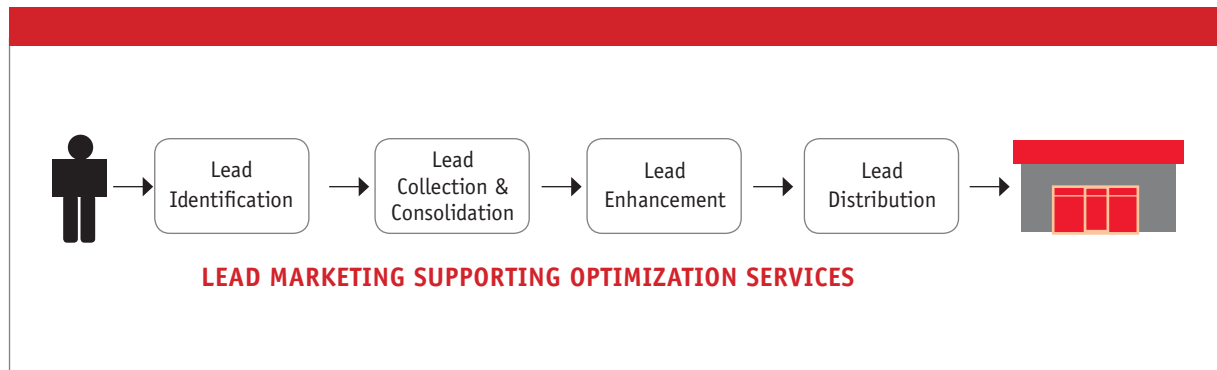
Internet leads have become a major source of automotive sales. Evidenced by the growing shift of advertising budgets to non-traditional channels, automotive marketing managers continually seek efficient use of media and communication outlets that align with the online shopping patterns of car and truck buyers. In the U.S., people shop and gather vehicle information online more so than ever before. Yet a significant challenge of engaging (i.e., selling to) with those in the virtual world rests in the *qualification* process used to judge Internet leads. As is the case in any sales opera-

tion, qualifying a customer is critical in order to optimize available resources.

Consider the classic issue of whether an identified lead is ready to buy now or whether they are casually shopping, since they only request a product brochure. This presents operational challenges to dealership staff. If the lead is only gathering product information, sales associates need to evaluate their time spent cultivating this prospect. Do they simply “keep in touch” or should they work more aggressively to discover the buyers’ needs since the buyer appears to be in an information-gathering mode? Scenarios like this quickly highlight time management issues in a retail environment with uncertain outcomes.

Ultimately, the goal of lead management is to increase the rate of converting leads into actual buyers. Figure 1 depicts a process for how lead management systems are essentially designed, starting with the lead identification and ending with their distribution to an entity managed by the OEM or a dealer group. With hopes of converting leads quickly, qualification strategies usually come into play during the lead enhancement process prior to their distribution.

Figure 1. TYPICAL LEAD MANAGEMENT SYSTEM





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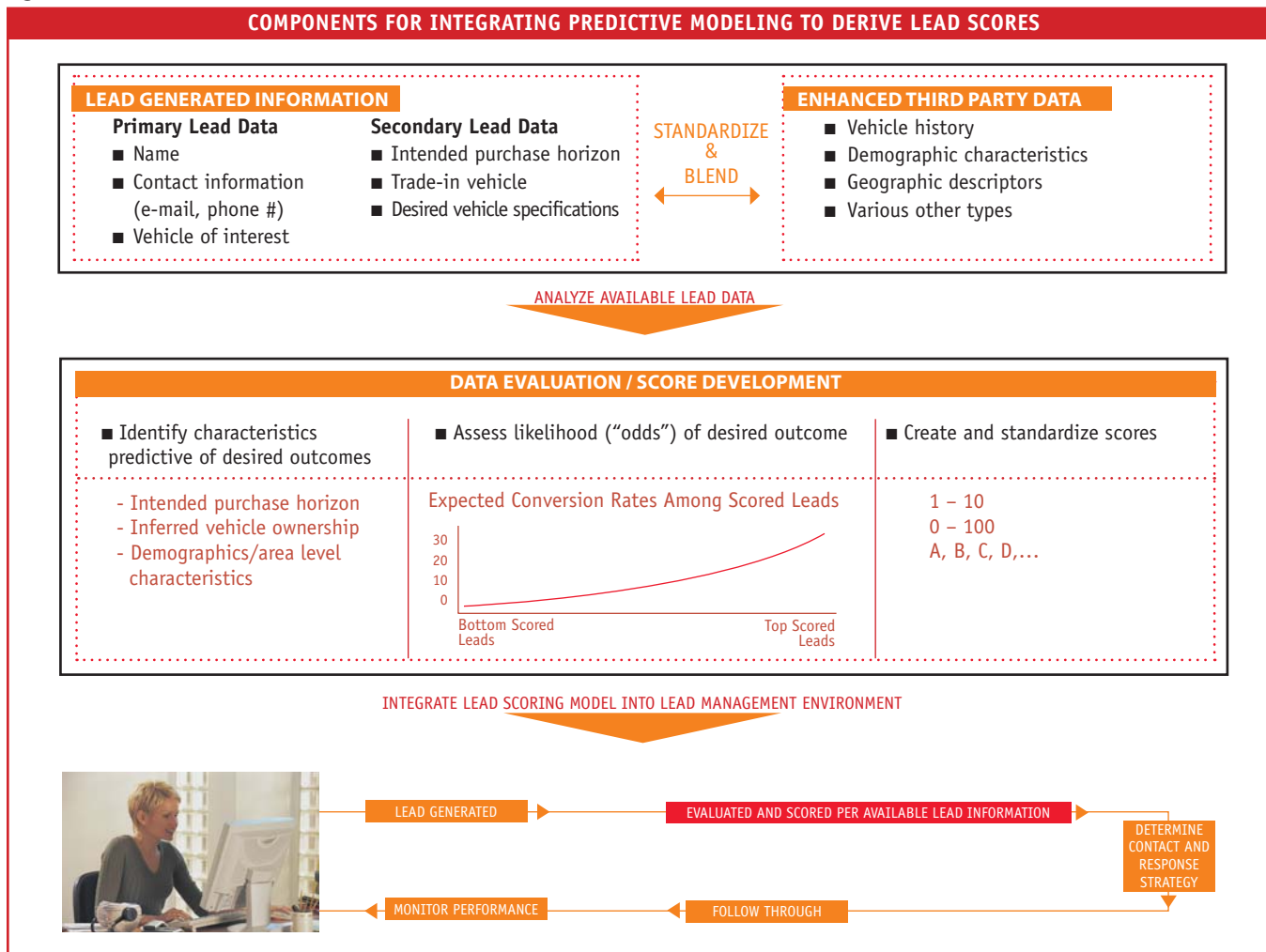
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LEAD SCORING BASED ON PREDICTIVE ANALYTICS

In the qualification process, making the most of the captured lead is essential. Preceding follow-up activity with a lead, the strongest effort to apply toward these hopeful customers is **lead scoring**. Lead scoring specifically addresses processes and rules used to prioritize captured leads based on criteria relevant to an OEM or retail body. This process maximizes the use of available data for a given set of leads providing an ideal scenario to apply analytically-driven decision making tools. Based on predictive analytics which use sophisticated techniques to assign scores, marketing managers can

quickly discern the potential value of a captured lead. This component is critical to entities seeking to introduce further efficiency into their overall CRM strategy. Having used a collection of data mining and analytical modeling techniques, Polk employs modeling to develop meaningful scores which allow prioritization to occur. *Figure 2* highlights components which allow lead data to be integrated with other information in order to provide criteria that can be used to effectively handle any given lead inside a lead management system. This also highlights examples of data elements which may be available and predictive of vehicle buying behavior.

Figure 2.





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LEAD SCORING PLANNING CONSIDERATIONS

In the context of enriching lead management, lead scoring requires thought around several planning issues. In Polk's experience from working with both OEMs and dealerships, there are four strategic factors which managers should address in order to set proper expectations with their stakeholders. These considerations range from understanding what is expected of a scored lead to reiterating solid follow-up processes among sales staff that work with prioritized leads.

■ Planning Point #1:

Agree on clear outcomes desired of secured leads

While the over-arching goal is to eventually sell a new or used vehicle to the lead, specific behavioral outcomes should be determined. The investment in developing predictive models based on analytical approaches should underscore what the organization wants a lead "to do" if it is being qualified. For entities offering multiple automotive brands, a multi-franchise perspective may emphasize scores which help prioritize leads based on being ready to buy *any* type of vehicle. From an OEM perspective with a more singular focus on their portfolio, leads scored based on their propensity to buy only their brand may be more desirable. Furthermore, Polk has supported objectives focused on the need for scoring leads based on their likelihood to be loyal to a brand as well as determining likelihoods to only buy used vs. new vehicles. Scoring schemes need to be relevant to the behavioral outcomes expected of the potential customer based on processes and goals used in the sales process.

■ Planning Point #2:

Critically evaluate viable data assets which may contribute to a relevant score

Just as important as knowing what is desired of a lead, is the need to understand what characteristics can be used to evaluate leads. For many, this raises the classic issue of having too much data while not knowing what to do with it. Not having substantial data on a lead beyond basic contact information may be just as challenging to formulate useful insights. In Polk's

experience, one of the greatest pitfalls business planners encounter when attempting to create "scores" is not knowing how much their lead data varies across multiple sources. Data breadth and variability require detailed attention in the planning phases before predictive modeling efforts can begin, since these factors impact how future lead cases can be dealt with as they enter the lead management system.

Given this, particular attention should be made on having:

- Clean data – Is the information on a lead uniform and reliable?
- Robust data – What is the coverage of specific characteristics linked to a lead? Are certain fields from a website (used to engage a lead) mandatory or optional?
- The opportunity to append third-party information – Can additional data be matched and appended to leads in order to broaden their profile?

A common scenario that needs attention is dealing with leads that are brought together from multiple sources. This is a real issue in lead generation since OEMs and retailers buy leads from varying third party sources, yet a centralized view of these leads is needed to properly score and respond to them. In observed cases from past initiatives led by Polk, certain leads, for example, had preferred vehicle colors identified in their record while other leads contained no such information. In tests conducted during the modeling phase, simply having the presence of a lead's preferred vehicle color was highly predictive for buying a new vehicle. Yet the broader lead population moving forward would not have this attribute. To accommodate this common scenario, Polk developed multiple and alternative scoring conditions based on available or missing lead data so priority scores were not handicapped when the broader lead population was examined.

Challenges in the availability of robust and reliable lead data are heavily tied to the willingness of consumers to provide their information when engaging with automotive businesses online. Unfortunately, what an OEM or retailer seeks versus what a consumer is willing to give (initially) do not always align. Based on inter-



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views and research with automotive dealers in March 2007 the findings showed a strong mindset – one that implied that more information is better. The following quote captures the spirit of this view:

"I've noticed that prospects that are willing to give more information about themselves and what they want are more likely to actually buy something."

In contradiction to this objective, online shoppers are typically unwilling to provide more information than what is necessary. Further research, conducted in May 2007, with consumers who were known to have submitted themselves as an Internet lead conveyed this challenge. When asked what they assume happens to their contact information once it is submitted to a website, many of the interviewed consumers shared a cynical view:

"I'm sure they sell our names and emails to other companies so it all becomes spam."

For those developing a lead scoring component, knowing what data will be available in the future to support ongoing lead qualification and scoring is key. This cannot be overlooked, regardless if the lead data are sourced from internal or external parties.

■ Planning Point #3:

Determine if a learning environment exists

Investing in the process to score leads is meaningless if expectations and tools to learn from their performance do not exist. For CRM managers, evaluating the success of any type of acquired prospect is an obvious next step in order to justify further investments to secure these hopeful customers. Considering how "off-line" direct marketing is viewed, a basic operating philosophy is to "design-execute-learn." The same holds true in a lead management framework. This implies performance metrics and benchmarks should be established, and at minimum, financial break-even points need to be defined based on lead-to-sales conversion rates.

Figures 3 and 4 illustrate past results of lead scoring models developed by Polk. In these cases, results helped set expectations for sales conversion rates among leads in the above average groups (e.g., deciles 6 – 10 or demi-deciles 10-20 for Figures 3 and 4, respectively). Given this information, marketing managers were able to establish benchmarks to compare to actual program results. Without an appetite or process for monitoring and measuring, the perceived value of lead scoring is compromised.

Figure 3. EXPECTED CONVERSION RATES FOR BUYING A SINGLE BRAND

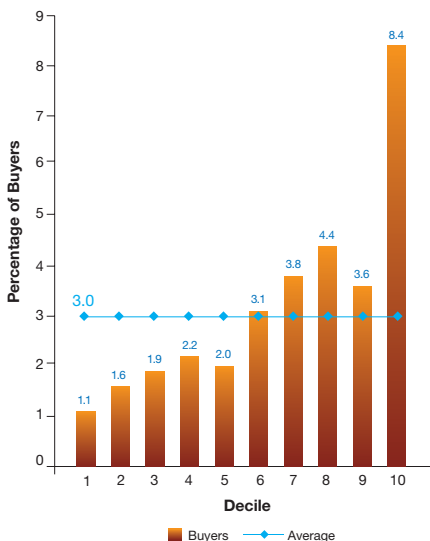
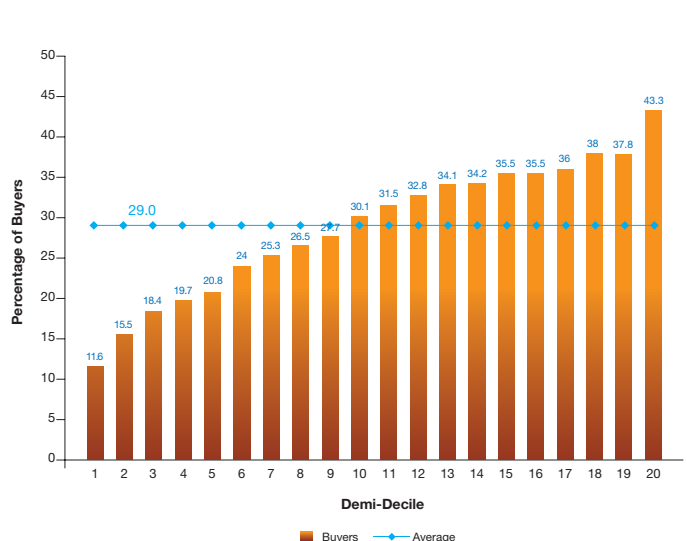


Figure 4. EXPECTED CONVERSION RATES FOR BUYING MULTIPLE BRANDS





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“If I have to wait another day or so to talk with the right person who has the information I want, then just let me know. I’d prefer to wait for the right information than getting the wrong facts faster.”

■ Planning Point #4:

Determine appropriate follow-up strategies

While the quality of the lead is crucial for assessing expected conversion rates, the latency between lead generation and follow-up is a key factor for capturing the lead’s purchase before they go elsewhere. Since lead scoring differentiates one lead from the other, this segmenting effect can quickly impact contact and treatment strategies. Individuals still seek quick answers from entities they reach out to online. However, the nature and quality of engaging with leads cannot be dismissed just because qualifying or predictive scores may be in place.

With lead scoring, tactical plans can be made where responses can be configured based on the assumed likelihood of a lead to behave as desired (e.g., highly likely to buy, very unlikely to be brand loyal, etc.). For example, assessed leads entered into a CRM system can help drive decisions on these questions:

- How should auto-replies be written to low probability leads?
- Should certain leads be contacted immediately even though other leads entered the contact management system more recently?
- When do Internet Sales Managers personally call a lead?
- What information is prepared in advance on behalf of a lead if they plan to come into the showroom for an appointment while knowing they are not highly loyal to the shopped brand?
- When should incentives be offered to a lead?
- How deep should sales associates go into a lead list to hit their sales targets for the month?

Much of the above speaks not only to timing, but to the quality of the engagement with a lead during the follow-up phase in the sales cycle.

In the same consumer research noted earlier, participants conveyed that they appreciate a prompt (same day) response from dealership sales staff. Yet they are not interested in sacrificing the quality of the information they receive just to get a rapid response. Several participants in the study expressed this opinion:

“If I have to wait another day or so to talk with the right person who has the information I want, then just let me know. I’d prefer to wait for the right information than getting the wrong facts faster.”

Lead scoring is not a substitute for a high quality sales strategy, part of which is executed with solid “customer service” skills. Appropriate follow-through after the high priority leads are identified is still required to close a sale. The presence of any type of score, even based on analytically-driven methods, should not replace other proven efforts for converting leads into buyers. Scoring schemes can make any given contact and communication effort more effective, but relevant responses and feedback messages will carry just as much importance, if not more, in converting a lead to a buyer.

Closing Thoughts

Lead scoring is a critical part of the process in managing Internet sales leads. The potential to leverage scored prospects provides a means to realize objective segmentation based on proprietary and commercially available data. With segmentation unique communication and treatment, options can be developed with the goal of converting leads to buyers. However, the benefits of providing distinct prioritization of Internet leads can only be realized if proper planning and assessment occur within an organization. Too much is at stake when CRM systems are deployed while trying to manage a growing base of shoppers whom are routed through numerous web-based channels.

Please direct your questions and/or comments to:

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