Purchase Probability Modeling: Lead Classification System for a Cloud-Based Product

Case History

Category: *B2B Software*

Methods: *Purchase Probability Modeling, Predictive Modeling, Business-to-Business (B2B) Research, Sales Lead Classification, International Research*

Summary

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Research Design and Methods

An online survey was fielded in the U.S. and Germany among information technology decision-makers in small and medium companies. Both current users and nonusers of a hosted service were interviewed. Variables likely to be useful as predictors were included in the survey, including number of employees, years in business, industry segment, revenue, and attitudinal elements.

Logistic regression, accompanied by more sophisticated (bootstrapping) modeling techniques, was employed to obtain a stable and effective model. The goal of the modeling process was to identify the predictors (i.e., the variables) that differentiated likely service subscribers from those unlikely to subscribe. The dependent variable was the probability of responding positively to an offer to subscribe. Once it was determined that the final predictor variables were stable across training samples, an additional bootstrapping technique was used to settle on optimum coefficient values for the predictors. The output of the modeling exercise was an equation that yielded the probability of positive response to an offer to subscribe to the hosted service.

Results

An interactive scoring tool was developed that allowed the client's sales force to enter responses for each of the model predictor questions and forecast the likelihood that the prospect would accept an offer of service. The client company subsequently validated the model in a preliminary fashion by surveying a sample of current customers (of other products) and correlating their model-predicted likelihood to subscribe to their actual stated likelihood to subscribe. The resulting correlation was strong enough to warrant implementation of the predictive model across the sales force.

The client subsequently commissioned research to build a predictive model for another country.

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