

MEETING THE CHALLENGE OF DATA MANAGEMENT

International Research White Paper November 2006



Independent research by Dynamic Markets
Commissioned by QAS


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Foreword

Background

Meeting the challenge of data management

Companies today have more ways than ever to collect B2B customer and prospect data. The traditional methods, such as face-to-face meetings, exhibitions and bought-in lists are still as relevant as ever. In addition, the new communications channels that have come to the fore over the past five years, primarily email and the Internet, have opened up new opportunities for companies to acquire new customer and prospect details.

But along with the opportunities come the threats, and in pulling this data together from so many disparate sources, the main challenge to businesses is to retain control of the data, and to put in place company-wide procedures to keep data accurate and up-to-date.

To gauge the size of the data challenge, and how well companies are facing up to it, we looked at how companies across the globe capture B2B customer and prospect data; how they clean and suppress it; and at how long it takes them to prepare this data to use in marketing campaigns.

What we found is a broad recognition among database professionals of the challenges they face, and a creditable attempt to keep databases clean. It's not all good news, however. While companies clean their B2B customer and prospect databases, many do not do so often enough. And while a majority of companies take data cleansing seriously, many do not attach the same importance to screening their databases against suppression and preference files.

Inevitably, this has a knock on effect. It results in wasted mailing packs that don't reach the intended recipient. It results in more time than is necessary being spent on preparing data prior to direct mail campaigns. And it results in the less visible damage to the company's brand that comes as a result of poorly-targeted direct mail.

As the number of channels open to communicate with customers and prospects increases, the challenges facing database professionals will also rise. If this survey tells us anything, it is that companies need to think seriously about addressing them at source, before the problems they cause get out of hand.

Harry Meikle
Group Managing Director, QAS

Introduction

Each year, QAS undertakes a major research survey to gain a better insight into an aspect of data management and direct marketing. This research white paper investigates the hidden costs of poor data management. Specifically, it focuses upon the challenges facing database professionals in building and maintaining accurate and up-to-date B2B customer or prospect databases.

This year's research also looked at the amount of B2B direct mail that does not reach its intended recipient, or that is of no interest to the recipient. The findings from this part of the research are covered in a separate White Paper published in September 2006 - available on www.qas.co.uk.

QAS commissioned Dynamic Markets to conduct the research in June 2006. Dynamic Markets completed 800 telephone interviews with two sample groups of respondents. For this white paper, the sample consisted of 400 database professionals with responsibility for maintaining their company's B2B customer and prospect databases.

For the previous White Paper, the sample consisted of 400 business people who open their own mail.

Respondents for the research were drawn equally from eight regions (100 respondents per region), namely: AsiaPac, Benelux, France, Germany, Nordics, Spain, the UK and the USA (see Figure 1).

Industry sectors represented by the samples include manufacturing, public sector, retail, wholesale and distribution, financial services, business services, hotels and catering, professional services, utilities and telecoms (see Figure 2).

Companies need to think seriously about data accuracy at source, before the problems they cause get out of hand.



Global summary

The number of channels available to companies to collect B2B customer and prospect details presents both an opportunity and a threat. Companies routinely collect data via the telephone, the Internet, face-to-face meetings and events, and bought-in data. The vast majority, 88%, accept that they face data challenges, relating both to the completeness and the quality of the address data.

Despite recognising the need to do something, however, most companies are not doing enough. Companies do engage in data cleansing and suppression activities, but many do not do so frequently enough. While a small majority (53%) clean their B2B customer and prospect data at least monthly, 38% only suppress their data once a year, and 34% don't bother at all. This is potentially costing these companies huge amounts of money, both in wasted mailings and damage to their reputations.

It also has a knock-on effect when it comes to preparing the data for postal mailings, with 41% of companies taking more than a day to get the data ready.

More than half of companies (54%) don't know how much mail they send out to customers and prospects in a typical year, and even more (76%) are unaware of the cost to their organisation of returned mailing packs.

Despite this, it is unlikely that all these companies are in blissful ignorance about the importance of effective data collection, cleansing and suppression. Although, arguably, better known and understood in a B2C capacity, especially in the area of data suppression, data decay is just as prevalent for B2B. It is more likely that database professionals suffer from not having the right budget, resource or management commitment to do more than they already are. This research should serve as a wake-up call to businesses to put the focus back on data.

Figure 1: Countries represented by the sample

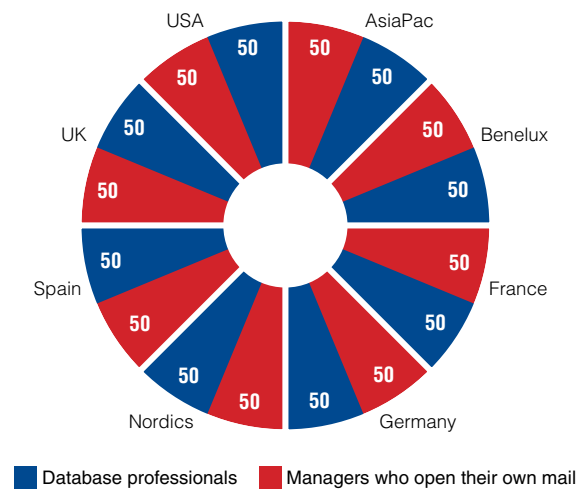
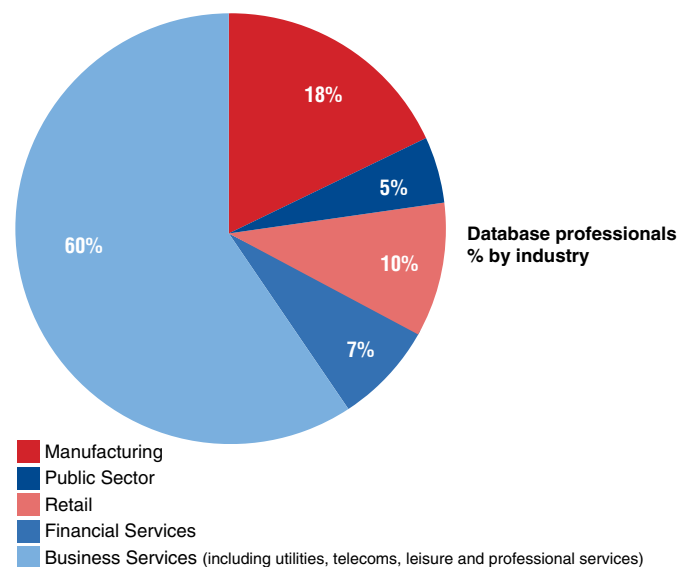


Figure 2: Sectors represented by the sample





Key Findings

Multiple data collection channels present a challenge

Companies capture customer and prospect information to add to their databases via a variety of methods. While 33% of companies surveyed said they only collect this information via a single method; 67% said they use an average of three.

Of these, 38% said they are committed to standard data capture across the various methods. The remaining 62% of companies are not totally committed to standard information capture. Clearly, these companies risk inconsistency and duplication of contacts, and the associated consequences of poor data quality.

Database professionals are aware of the challenge they face

Companies do at least seem to be aware of issues relating to data quality. 88% of database professionals around the world say they have some kind of data challenge that affects their organisation.

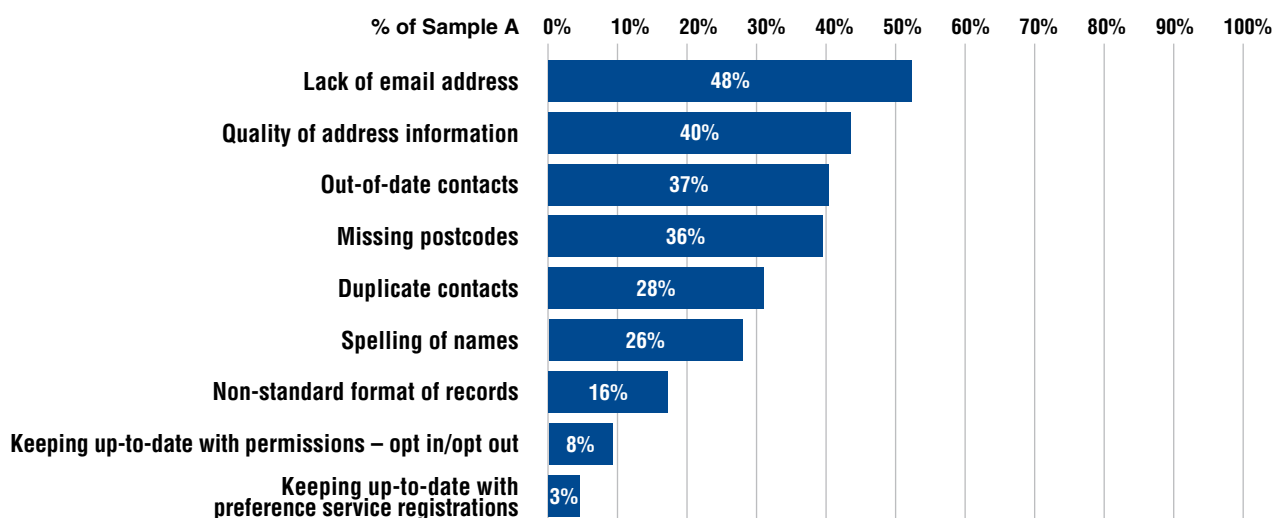
This tallies with research conducted by QAS in July 2005, which found that 88% of organisations had inaccurate or incomplete databases.

The top four data challenges experienced are: lack of email address, quality of address information, out-of-date contacts and missing postcodes. Surprisingly, only 8% of database professionals cited “Keeping up-to-date with permissions – opt in/opt out” as a challenge they face, and only 3% cited “Keeping up-to-date with preference service registrations” (see Figure 3).

Unfortunately, this is not likely to be because companies are on top of suppression, but because they haven't identified a big enough driver to change it. They may even consider it more of a B2C issue than a B2B issue but, alas, it is not. Despite the obvious benefits of less waste and more marketing ROI, this alone may not be enough. Although some legislation exists, very few organisations have been penalised for failing to comply, meaning that data suppression is still a choice and not a mandate.

54% of companies in France say out-of-date contacts present a data quality challenge, compared to the UK (34%), the Nordics (34%), Spain (26%) and Germany (18%).

Figure 3: Data challenges affecting organisations





Database professionals do seek advice on data quality issues

We asked database professionals where they looked for information and advice on data quality.

46% said they used trade publications, a further 24% referred to data quality white papers by vendors and consultants, and 7% went to trade bodies for such guidance. 27% said they didn't look anywhere for such advice, and 10% that they didn't know where to look.

Yet, while most database professionals seek advice on data quality issues, it seems that many are unable to act on it.

Cleaning B2B customer and prospect databases

When it comes to cleaning their B2B customer and prospect databases, a majority of companies attempt to do so on a regular basis. 27% clean their databases on a weekly basis, while 26% clean their database every month.

While these figures are encouraging, however, 27% of companies clean their database annually or less, while 7% admit that they never clean their customer and prospect data (see Figure 4).

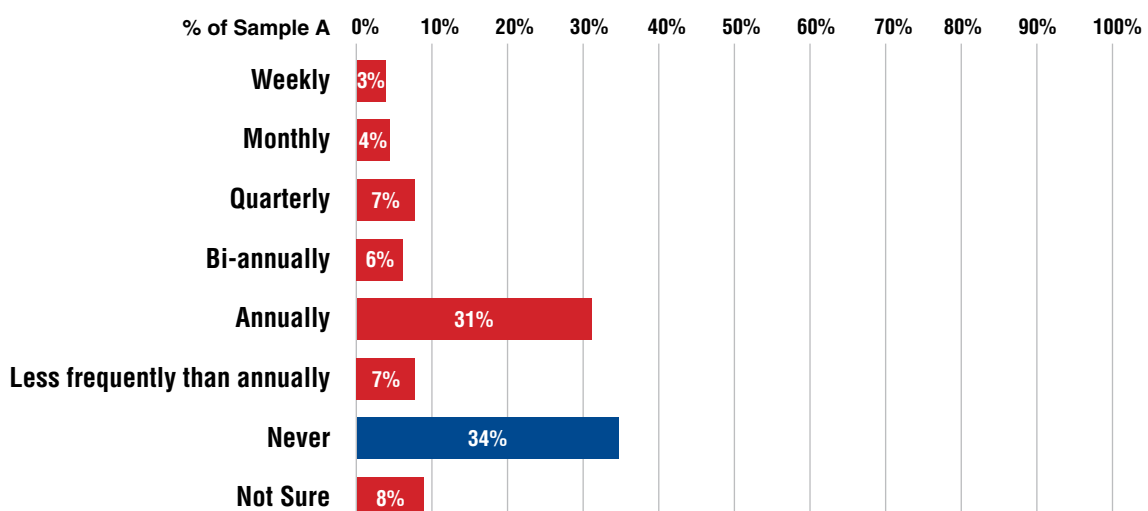
The figures for suppression offer more cause for concern. Companies were asked:

- ▶ How often do you check and suppress your B2B customer and prospect data against suppression files or preference services?

On the face of it, with 58% of companies claiming to check and suppress their databases, the figures look respectable. When it comes to frequency of suppression, however, a less healthy picture emerges.

Only 20% of companies do so more than once a year, with a further 31% suppressing annually. Both these figures are eclipsed by the 34% of companies who say they never run their customer and prospect database against suppression or preference files. A further 9% could not say how often the process takes place.

Figure 4: Frequency of checking data against suppression files or preference services





Key Findings

A majority of companies don't know how much direct mail they send

Among those companies who do not suppress their customer and prospect data, it is inevitable that money is being wasted on mailing packs that do not reach their intended destination. A majority of companies have no visibility of how much money is involved, however, since they don't know how much direct mail they send out each year.

44% of respondents were able to answer a question asking how many items of mail were sent to B2B customers and prospects in a typical year in the form of mailshots. 54% were unable to cite an amount.

Nor do they know how much it is costing them

Perhaps not surprisingly, since many companies do not know how much direct mail they send out in a given year, they are also unaware of the cost to their organisation of returned postal mail.

Only 12% of companies were able to cite an amount, with 13% claiming they do not receive any returned mail, and 76% unable to say how much returned mail costs the organisation.

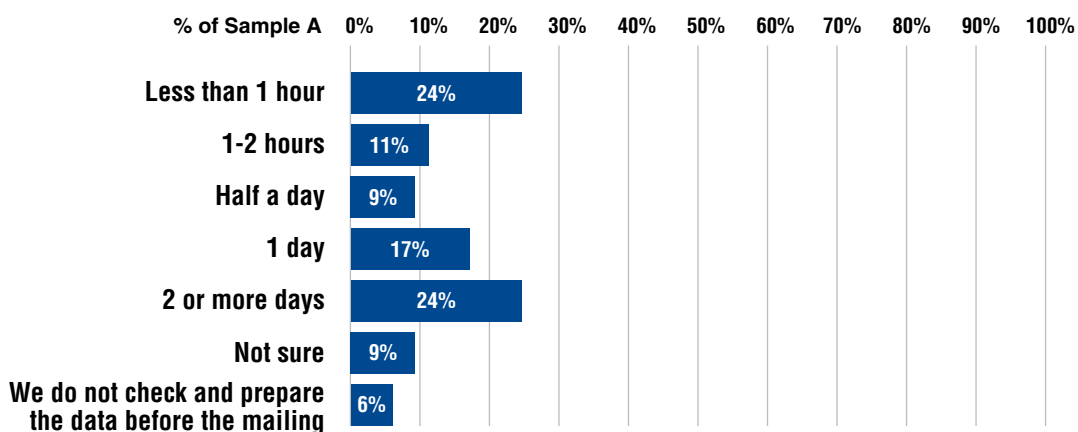
There are other costs too. First, the obvious damage to the company's reputation that arises from poorly-targeted mailings. Secondly, the cost of preparing the data for direct mail campaigns.

The poorer data quality, the longer it takes to prepare for mailing

Almost half (44%) of the companies surveyed take up to half a day to prepare customer and prospect data before a postal mailing can be sent, with 17% taking a day, and 24% taking two or more days. 10% were unable to say how long it took to prepare the data, while 6% said they do not check and prepare data before mailing (see Figure 5).

There is a direct correlation between how long it takes companies to prepare and check their data before a postal mailing, and the data challenges they face. Companies taking over a day to prepare their data cite more issues with quality of address information (44%) and out-of-date contacts (45%) compared to those who can prepare data in two hours or less.

Figure 5: Time taken to prepare data prior to a B2B postal mailing



Conclusion



More companies in Germany (46%) and Spain (40%) say it takes them less than an hour to prepare their data for a postal mailing compared to Asia Pacific (4%), the Nordics (20%), the UK (12%) and USA (8%).

Also, twice as many of the companies who clean their data weekly or monthly (30%) take less than an hour to prepare their data, than those companies (15%) who clean their data bi-annually or less.

There is a direct correlation between how long it takes companies to prepare their data for a mailing and the data challenges they face.

Meeting the challenge of data management

The effects of poor data collection and database management are felt all the way down the line. Clear evidence from this research shows that companies who clean and suppress their data less frequently take longer to prepare their data for direct mail campaigns.

What is surprising is that some companies still choose to ignore the problem, and have no visibility of how much money poor data quality is costing them. The fact that even today, with much more knowledge and awareness around the subject of data management and quality, we still find that 34% of companies globally do not suppress their data and 6% do not review their data prior to mailing campaigns.

Yet we've also learnt that the majority of data professionals seek advice on the subject of data quality. And we can also assume that as managers of data they are aware, to a certain degree, of the errors that creep into B2B customer and prospect databases over time.

Data decay is inevitable in the B2B world. Every day individuals are changing roles within their existing companies or moving to new employers. So the onus is on businesses holding this data to do everything in their power to check that it is accurate and up-to-date. However, it seems many companies do not clean or suppress their data sufficiently to achieve this.

It's time for organisations to stop paying lip service to data quality and start taking it seriously.

Companies can improve the quality of their customer and prospect databases by creating a company-wide process for entering name and address details on the database, irrespective of how it is collected. They can also improve data quality by cleaning and suppressing the data more frequently. If they do, they will see the benefits in reduced time to prepare data and more mailings reaching their intended target.

What's perhaps most surprising about the findings of this research is that they broadly reflect the findings of research carried out by QAS over a year ago.

It's time for organisations to stop paying lip service to data quality and start taking it seriously.