

# Contact data management: the wise investor

An Experian QAS white paper

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# 1. Executive summary

With the recent events that have shaken the global economy, businesses of all shapes and sizes have been forced to re-evaluate their strategies. Customer management is now a major focus for many as they try to hold on to their valuable customers and encourage them to spend.

It is predicted that technology which enables organisations to understand their customers and target them more effectively will continue to attract investment. Data quality initiatives are at the centre of this as they govern the collection, management and maintenance of customer contact information. And accurate customer information is crucial for businesses looking to improve retention strategies.

Organisations now recognise the importance of data quality and the value that it can bring. At the summit 'MDM by the Numbers: Exploring the Key Trends Shaping the Market' (Nov 2008), IT analyst Gartner indicated that sales of database management software jumped by over 24% during last year. The trend is also reinforced by this latest research report from Experian QAS, which indicates that organisations are continuing to fund database management and data quality initiatives. In fact, two out of three plan to invest the same or more in data quality initiatives in the next six months.

Investment in data management, however, must happen before the data becomes critical for decision making. Only half of organisations said that they have good levels of trust their data in terms of it being clean, accurate and

up to date. Three main reasons for low levels of trust were insufficient internal resource, lack of budget and lack of data strategy.

As more internal scrutiny is placed on an organisation, gaps in knowledge and data accuracy become glaringly obvious. More worryingly, if inaccurate data is used to inform customer strategy then there is a risk that the wrong decisions could be made. Take simple steps to improve data quality and the benefits will long outlive the recession.

Having accurate customer information is not the only solution for surviving in tough market conditions. However, it's not a bad place to start. A clear data strategy will ensure that effort is concentrated in the areas that will make the biggest impact on business performance. Combine this with measurements to track ROI and data can become a real business asset.

**Stuart Johnston**  
**UK Managing Director**  
**Experian QAS**



# 2. Introduction

## 1.1 Research overview

In December 2008, Experian QAS undertook a piece of global research to look at current approaches to contact data management. The findings from the research have been divided into two reports. This first report 'Contact data management: the wise investor' explores planned investment in data quality. It also includes insight and advice on how to secure budget, prioritise projects, keep selected projects on the agenda and measure return on investment.

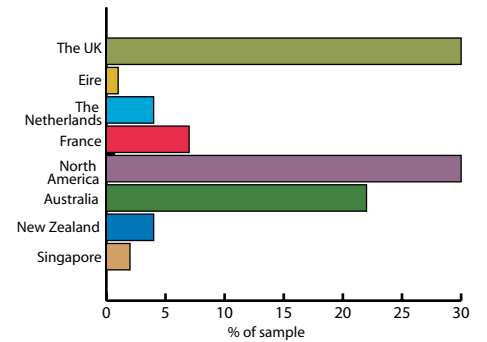
The second report 'Contact Data Management: the heart of customer retention', will be released in the Spring and will review new technology, advise on how to make the most of your data assets, and look at how you can use information to deliver insight.

## 1.2 Research methodology

2020 respondents from across the world took part in the research, produced by Dynamic Markets for Experian QAS. All main industry sectors were included in the sample.

Respondents include CEOs, MDs, directors, managers, and admin staff connected to data management, across a variety of functions.

Countries represented by the sample



# 3. Key findings

## 3.1 Spend, spend, spend

Almost three out of four businesses interviewed as part of the research plan to invest the same or more in data quality initiatives in the next six months.

20 per cent of those interviewed said they didn't know how much they were going to invest. This is not that surprising as during uncertain times people can be more ambiguous in their predictions.

Spend does not differ dramatically according to geographic location, with North America and Europe showing similar patterns of investment. Australia and New Zealand were slightly bolder, with 32 per cent and 47 per cent respectively planning to invest more over the next six months.

## 3.2 Low levels of trust

Perhaps one of the main reasons for the continued investment is that employees still don't completely trust their data.

Only half of respondents have a good level of trust their contact data in terms of it being clean, accurate and up to date. Sales professionals are the most confident, where 7 per cent say they trust it 100 per cent, but the least trusting are those involved in CRM, marketing and data management.

In a downturn, there is much more focus on customer management. This is highlighted by the fact that only 11 per cent of organisations claimed that their main focus now is customer acquisition. And it does make sense to focus on retention. We all know it's cheaper to cross sell and up sell to existing customers than to acquire new ones.

Organisations that can't trust their data should be worried. Without accurate customer information, effective retention strategies are

difficult. If you don't have customer contact data right at the outset, then it's almost impossible to identify who the good customers are.

Shockingly, one in four organisations are not able to list who the top users of their products and services are. And at present, only 45 per cent of organisations use analysis of their best customers to influence marketing strategy and drive new business.

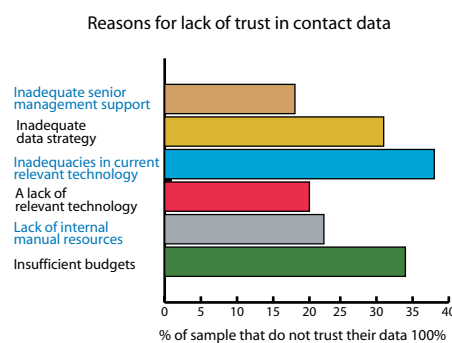
However, the challenge doesn't end there. Problem areas such as duplicates can distort reporting and make a customer appear to be of more or less value to the business. It is crucial that you have clean, up to date and consolidated records for your customers before you start profiling the data.

## 3.3 Spend without strategy

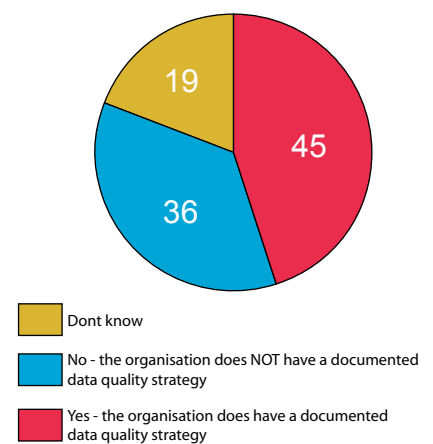
The three main reasons for the lack of trust were; insufficient internal resource, lack of data strategy and lack of budget.

Budget and resource are difficult to acquire when there is no over-arching strategy in place. 55 per cent of organisations either said they didn't have a data strategy or were unaware of one.

When you then analyse the number of businesses planning to continue or raise their investment in data quality this year, the percentage that don't have an adequate strategy to govern their spending is lower. Here, only 27 per cent admit they don't have an adequate data strategy. Still high but evidence that strategy and investment go hand in hand.



Existence of a documented data quality strategy



**'...only 45 per cent of organisations use analysis of their best customers to influence marketing strategy and drive new business.'**

# 4. Making the most of your investment

## 4.1 Prioritising projects

*“Focus on projects that will have the biggest impact on business performance...”*

*Stuart Johnston, UK Managing Director of Experian QAS*



### **Tie projects in to the corporate agenda**

Projects that are tied into business initiatives such as customer retention will remain on the agenda. These include single customer view initiatives, where the outcome will be improved customer intelligence and communications and, in turn, increased brand perception and revenue. You should aim to deliver ROI within the first year of investment.

### **Consider compliance**

Projects connected to compliance should also be a focus. In financial services, for example, we are seeing new initiatives arise to enable compliance with the Treating Customers Fairly (TCF) regulations. Regulators and the media are also coming down hard on organisations that fail to comply with data protection and privacy laws.

### **Consolidation will deliver economies of scale**

In the case of merger and acquisition activity, organisations are looking to database management tools to deliver quick cost savings. We are seeing the centralisation of certain activities such as data management, which is understandable as it delivers economies of scale. However, don't trade cost for risk. Make sure you have a strong data governance programme in place to protect your customer information.

### **Strategy and measurement is crucial**

Regardless of the scale of the project, the most important thing is to have a clear view of your overall spend and strategy. Small, siloed projects are appropriate when it comes to fixing immediate issues. However, an organisation-wide view of your data quality issues will help you prioritise projects more effectively and avoid duplicating work.

For the one in two businesses that don't have a data quality strategy, it's important to get one in place as soon as possible.

### **Don't know where to start with your data quality strategy?**

Click here to find out about QAS CDM360, a data governance audit that explores how well developed your contact data management (CDM) systems, processes and culture are.

The service delivers your level on a maturity model for industry benchmark purposes, as well as practical recommendations for improvements through best practice.

## 4.2 Demonstrating ROI

Even small sums of investment require a strong business case in the current economic climate.

It is not just a case of presenting a good idea that has support from a number of different departments. You need to clearly define what is being spent, how spend will be measured and, crucially, what value is being brought back to the business.

The key is to get OBSESSED with your data. Here are some considerations:

<b>Objectives</b>	Define clear and tangible objectives (does your objective support the overall business objectives?).
<b>Benchmark</b>	Measure your organisation's current situation. Benchmark performance against competitors / industry standards where possible.
<b>Set targets</b>	Decide target metrics (include numerical metrics such as X% improvement in data quality, X% increase in response rates, X% uplift in customer satisfaction, X % increase in sales margin). Involve key stakeholders, such as the Board, when setting targets.
<b>Explain</b>	Communicate your vision, objectives, targets and timelines to all stakeholders.
<b>Start</b>	Initiate project / pilot project.
<b>Stop</b>	Complete the project / testing period.
<b>Evaluate</b>	Measure uplift in performance.
<b>Debrief</b>	Communicate the results back to key stakeholders.

# 5. Calculating ROI in practice

## 5.1 Building a business case – better campaign response rates

A large mail order company was receiving 36,000 returned catalogues each year, which obviously had an impact on the ROI of its marketing campaigns. It recognised that data quality was central to the success of its mail order business but in the past had relied heavily on third party bureaux to clean and maintain its 700,000 record customer database.

Working alongside Experian QAS and another technology partner, the company built a business case to bring all data cleaning and suppression in house. Prior to the start of the project, a cost justification process was initiated. Sample data was tested and a presentation was given to the Board and senior management to highlight the options.

Once the green light was given from the Board the work began. Following the cleaning and suppression exercise, 3,800 records were found on the Mortality file and 8,300 matched against Mortascreen. It was calculated that removing these contacts would save the company around £60,000 a year in wasted mailings. It would also prevent damage to its brand reputation as continually mailing the deceased can be upsetting for their grieving family.

Following the data clean, it used a promotional code to track the success of a direct mail campaign to customers whose change of address it had highlighted using the NCOA suppression file. It found 24,969 records on the NCOA register and was able to correct these addresses and send out new catalogues. In a couple of months, this resulted in new orders generating in excess of £71,000 of revenue.

Its original customer database, which was around 90 per cent accurate, was now 99 per cent accurate. Previously, response rates to marketing campaigns were around 2 per cent but since bringing cleaning and suppression in-house, this figure rose to 5 per cent. Having clear measurements throughout meant the project team could communicate the scale of their success back to the business.

## 5.2 Building a business case - improving operational efficiency

One of the UK's largest high street insurers was looking to improve the efficiency of its branch and call centre staff. The company generates over a million policies each year. The customer's address details have a significant impact on the calculation of an insurance premium. If this is incorrectly inputted then the premium value returned can be too high or low, which could either scare away potential customers or invalidate the actual policy due to location being incorrect.

The company decided to implement a data capture solution that could be used to improve the speed and accuracy of data entry within its branches and call centre. By taking less time to capture the name and address details this allows for more time to be dedicated to extracting other essential data from the customer or prospect or allow a call centre to deal with the same number of calls with fewer operators.

A significant cost/benefit analysis was undertaken before the company purchased any software. It measured exactly how long each business process took and branch capacity was carefully modelled. This analysis was completed by a 'Time and Motions' team that monitored each process down to a second.

It estimated that the use of Experian QAS address capture software saves 55 seconds per quote that is generated. If the call centre was running at full capacity, then this frees up operators to focus on sales and gives them the opportunity to generate up to £2m in additional new business. They handle tens of thousands of calls per day and send out 2.5m new quotes each year. This was a clear demonstration of ROI.

## 6. Reading the boss' mind

*"Want to pitch for more budget? Learn how to read your boss' mind..."*  
Jonathan Hulford-Funnell, Global  
Managing Director for Experian QAS



Pitching to the board for investment is not an easy task, regardless of where you are based geographically. We don't expect you to be mind readers but we do expect you to consider what's on our minds.

When pitching for budget you must ensure that your project ties in with wider business objectives. At the moment, for example, three topics that are hot on many boardroom agendas are how to strip out cost, how to protect revenue / make customers 'sticky' and how to improve efficiencies. Data plays a key role in all three.

Position data quality as a solid foundation for improving business performance. This will help you secure budget and Board level support which is crucial in ensuring continued momentum.

Be careful how you use the term innovation. Some senior managers are wary of it as it suggests an element of risk but when harnessed correctly it can deliver great results. You should ensure that the proper checks and balances are put in place to justify the expenditure you need to achieve your objectives.

A presentation to the Board, senior management can be useful to highlight the options available to improve the business processes and manage control. If appropriate, the system benefits outlined should be tested were possible by data samples provided by the IT department and fully costed to justify the expenditure.

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**'When pitching for budget you must ensure that your project ties in with wider business objectives.'**

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# 7. Conclusion

There are many reasons why investment in data is continuing despite the recession. Consumer spending has tightened and organisations are struggling to retain their existing customers. In order to do so they must understand who their customers are, how to communicate with them and how to measure the success of their communications. All this activity relies on good customer insight and intelligence – and ultimately data.

The business landscape is also changing. Recent high profile mergers and acquisitions create overlap of customer data that must be consolidated and migrated. As such, Master Data Management and Single Customer View projects are making their way up the agenda.

Organisations of all sizes are looking for ways to improve their operational efficiency and strip out costs. Tough decisions need to be made but they must be informed by accurate business intelligence and data you can trust.

With data forming a critical part of so many customer activities, building a

business case for investment in data should be a given. However, like any initiative, investment must be made in the right place and clear metrics must be set out to demonstrate to the business what will be delivered. For further advice on how to make the most of your data quality budget, watch out for the second report in the series, 'Contact Data Management: the heart of customer retention'.

## Coming soon...

One in four organisations still don't know who their best customers are! Due to be released in the Spring, the second report 'Contact Data Management: the heart of customer retention' will include advice on how to:

- Make the most of your data assets
- Devise a route to understand, attract and retain customers
- Use data profiling to define your customers
- Choose technology that will deliver quick ROI

Register your interest here



Experian QAS  
George West House  
2-3 Clapham Common North Side  
London  
SW4 0QL

T 0800 197 7950  
info@qas.com

[www.qas.co.uk](http://www.qas.co.uk)

