# HOW TO BUILD YOUR COMPANY'S B2B DATABASE

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## I. WHERE ARE MOST COMPANIES TODAY?

For those business marketers that have attempted to develop their company's database, the experience has typically started with high expectations and enthusiasm that then degenerates to frustration and partial results. Not a pretty picture for those of us who evangelize the strategy of database marketing. Even though these initial efforts are rocky, the need to create a functional database has never been more important to achieve ever increasing marketing and sales objectives. The emphasis on customer relationship management (CRM), targeted marketing and measuring results is increasing. A fully functional marketing and sales database will be a mandatory requirement.

First, let's define "database marketing". When this term was coined approximately 10 years ago it confused quite a few people. Some thought it was a classier way to say "direct marketing" while other thought it was another assignment for the computer group. In fact, database marketing is a strategy on how a company chooses to organize its marketing and even sales effort or attack a market or market segment. The implementation tactics are mostly direct marketing in nature and are composed of direct mail, telephone and now email. The key is that database marketing is two words with quite different definitions. The first, of course, is "database" and this refers to a wide variety of data and information relating to customers and prospects. Today, all the "touches" of CRM are recorded on this type of relational database as the supporting tool that actually allows CRM to work. The "marketing" side of the definition is the communications directed at specific micro segments or individuals in the database. This "data driven communications" is much different that direct marketing where lists were rented and everyone on the list received the same basic message and offer. Today, in combination with printing technology, everyone can receive different messages that are much more relevant to the relationship and/or their interests that result in higher involvement and response rates.

Database marketing is a fast growing strategy for B2B marketers. This white paper will help those who have already started their database and also to provide initial guidance for those who are just beginning to build their company's marketing database.

Based on my experience, here are some of the issues that face most every B2B marketer today:

- The attempt to pull together the current internal data has been all but impossible due to different software systems, formats (e.g. accounting files and lead lists) plus the poor accuracy and incompleteness of the data.

- Resistance from sales to provide the needed data, as either they don't have it on an electronic format (it's in their head and on paper) and/or they don't see the benefit to them in spending time responding to marketing requests for customer and prospect information.

- The team that was pulled together to define what was needed for the database had too many people and functional groups, and overreached in defining what data should be on the database. The result is that it could take months if not years to gather all the data and construct the database.

- The accuracy of the internal data turned out to be extremely poor, as updating the information has never occurred. There is no consistency in the manner data was recorded and many of the records are incomplete.

- The attempts to enhance the internal files with outside business information such as company size or industry type proved to be difficult and resulted in low match rates. (Note: the old SIC code has changed to the NAICS system).

- The software that was purchased or written for the database project doesn't have all the functionality that is needed and additional software or expensive customization is now required.

- The database-building project is taking longer to complete and is way over budget and will not reach the ROI goals that were set to justify the initial budget.

Now that I've got your attention you're probably thinking about another job within the company or even a complete career change. And for those just starting you're probably looking for the nearest exit. Well, it's not going to be easy but what follows are some pragmatic suggestions, procedures and sources of solutions that just may save the day if not your job!

## II. ESTABLISHING WHAT DATA SHOULD BE IN THE DATABASE

When a marketing database is first discussed there are several logical data elements that everyone agrees should be on the database. These are customer information and the sales history. Beyond that the other data elements and the rationale for including them becomes a little less clear and many times relies only on the opinions of those people working on the project. Therefore, many times too little or too much data is included and this becomes clear only when the database evolves into usage.

What is needed at the outset is a **data strategy** that serves as a method to distinguish between what is truly needed and what is desired to be on the database. In addition to customer information, the two key issues for usage are the ability to target and segment the current and potential customers so that relevant communications can be delivered to these prospects and customers. Therefore, what follows is a guideline to use when determining what data to include on the database.

1. **Customer Information**:

   This specific information that is contained on the customer record will be somewhat different for each database but there should be some elements that are consistent. Here are some choices and decisions to make:

   **<u>Address:</u>** This may seem too logical to mention but for larger customers there, in fact, may be several addresses (shipping, accounts payable and the front door). The decision to make is clear, as public information will have the "front door" address as standard. Accounting may have a problem with this choice if the billing address is different.
   Careful consideration on the address field of the company is required. For most databases a designation of the type of site is also important (E.g. headquarters, plant, research laboratory, etc). In addition, a linkage should be established for multiple sites or divisions of the same company.

   **<u>Contacts:</u>** Attached to each company location are the important personnel contacts for the buying process. In fact, many databases are organized so that the contact name is the primary record and rolled up to site location and/or company. What is critical is that titles, while important, can be misleading or do not frequently define what the individual is responsible for at the company in relation to buying your product or service. Thus, record the title for communication purposes but also list the function performed that is defined by the sales or buying process you employee to obtain customers. Sometimes, the persons who are decision-makers vs. influencers are a designation worth including in addition to function.

   There can be much discussion on other information regarding the contacts such as one of the sales staff's favorite -- birthday. This kind of information belongs on the sales person's records and should not be on the marketing database unless it has a projected use in future communications.

**Industry:** For decades the industry definition has been the Standard Industrial Classification or SIC code. In 2000 this officially changes to North American Industrial Classification System or affectionately abbreviated as NAICS. There are several improvements contained in this change and two that are significant. First, is a specific new classification for the high tech companies, and secondly, is the fact that this system will now include Canada and Mexico as well. There is more to this change and you should contact a business list compiler such as Experian or the U.S. Department of Commerce to learn more and determine how best to include the new system in your marketing database.

**Company Size:** Another critical demographic fact is the size of the customer or prospect. Many times the dollar revenue is desired. Yet, this definition can be inaccurate and hard to obtain. There are only 10,000 companies that are public of the 10 million or so companies in the U.S. A better and more easily obtained definition of company size is number of employees who work at the site and/or total company. Both the dollar volume and employee count is, at times, modeled by the business list compilers and is generally accurate enough for database marketing. The reason for using employee size is that this piece of information is easily obtainable by asking people within the company while the actual revenue figure may be closely guarded or unknown to only but a few people. Therefore, you will be able to determine size of customers and prospects more easily by just asking for employee counts.

**Transaction or Sales History:** The two issues that need to be defined in this important area are, what is the level of detail of the sale on the product/service required to be on the database and secondly, how long should the record go back in time? If your company has warehoused the complete sales history of the customers then this decision is a bit easier.

The way to help decide this level of depth is to ask what will be the usage in future marketing and sales programs. In general, the amount of sales history that is actually used is less that originally thought so be conservative when deciding how much to add to the database. Consider summarizing this information and/or deleting details that are not appropriate for database marketing. The good news is that this data does not change or decay over time if the original input is accurate.

**2. Other Standard Demographic Data:**

**<u>Economic Indicators</u>:** At times the area of the country or state has an economic health or growth factor that may be important to target campaigns. This could be extended in the database to a growth indicator of various SIC or NAICS codes. The Department of Commerce and Federal Reserve publishes this type of economic information.

**<u>Credit Rating</u>:** This piece of information is provided by firms that track credit and payment history of the company and can be of importance if you have a product or service that experiences bad or slow payment problems. Service businesses are particularly alert to this as once a service is given then the "value" is reduced and slower payment may result which, of course, strains cash flow.

**<u>Company Age</u>:** The number of years in business may help indicate company stability or even credit worthiness. This may be particularly important if you have determined that life cycle segmentation is important to predict the opportunity for sale. Newer companies also exhibit different behavior than older mature companies.

**Fiscal Year:** If the sale of your product or service has to be budgeted by the potential customer then knowing what fiscal year is in place may be of critical importance as the budgeting cycle will be dependent on the fiscal year. About 80% of public companies are on a calendar fiscal basis. The others start on the other three-quarters. If the business is not a corporation then the fiscal year must start on January 1, as this corporate structure must align with personal tax periods.

3. **Relational Demographic Data.**

This term defines factual information that is relevant and specific to the sales of your product or service. As a way to explain this very important data choice pretend that you are selling plastic raw materials. In this case, the kind of processing equipment (e.g. extrusion, blow molding, etc) would be very important to include on the customer or prospect record. If, on the other, hand you are selling commercial bank loans then a relational demographic piece of date would be if the prospect has filed a UCC, which indicates whether they have pledged assets for collateral on a loan.

One-way to obtain what data elements would be excellent relational demographic fields is to involve the sales staff. Ask them what they would like to know about a company before they walk in the door. It's this key sales information that would alter their sales approach that you want then to capture on the marketing database.

One of the reasons that this data can be of critical importance is that your competitors can also obtain the SIC code and employee size from public databases but chances are that they won't have this type of relational demographic information. Then, this gives you the communication opportunity too not only segment the audience differently but also create messages and offers that are much more relevant. We know from test after test that the more relevant the message, the higher the response rate.

## 4. Outbound Communication Flags

The database should contain enough open fields to record when the targeted individual has been sent a direct mailer, email or telemarketing call. Additional fields should be included to properly record the nature of the message and offer. This will equip you to not only segment based on what the target audience has been sent in prior communications but also be the basis for analysis when a response or sale is the result of a series of communications.

Of course, if the field force is using a Sales Force Automation (SFA) package, they are recording the call dates and other information that is important to their direct sales efforts. Here is where some cooperation between marketing and sales can really pay off. Not only should the people who are called upon be listed but also, a definition of their function and role in the decision process should be recorded to enable future marketing communications.

Further, the firm that is called on should fit into possibly one or two categories. The first, and most common, is the stage of the selling process. Here's an example of this definition:

- Inquiry
- Qualified Lead
- Proposal Sent
- Sample Sent
- Final Negotiations

- First Sale
- Multiple Sales
- Long Term Customer
- Past Customer

The second category would be the stage of the buying process. The difference is that most companies have a predetermined selling cycle that most often does not relate to the customers buying process. This becomes even more apparent when any segmentation is applied to the marketing database. Here's a standard example of the how the buyer might describe their process:

- Need awareness
- Information gathering
- Setting specifications/RFP
- Requesting quotations
- Supplier qualification and interviews
- Trial/sample run
- Supplier selection
- Price/contract negotiations
- Contract signing
- First purchase
- Initial performance evaluation
- Repeat purchases
- Valued long term vendor

The outline of this buying process may be nothing like your situation but, going back to the plastic raw material example, the selling process and the buying process could truly represent the same sale. Notice that there are more steps in the buying process (I've found this to be true in almost all cases) than the sales cycle, and the terminology is quite different. The point is that all buyers will feel more comfortable when the seller mirrors their process and does not try to sell them in a manner that is "out of step" with how they are going to purchase. Marketing and sales communications based on the buying process are far more relevant and powerful than when grounded on the company's sales cycle.

**5. Response Behavior**

One of the most critical database fields is the one which records the appropriate information on responses received from direct marketing or other contact efforts. Outbound communication is great but what's even better is having the targeted individual respond. Not only mail, phone and email responses should be captured but also attendance to trade shows, seminars and conference calls should be captured as well. All the "touches" accumulate to a behavior and it will become increasingly important to record the touches and tie them to the customer's behavior in a manner that provides insight into what programs work most efficiently and effectively.

In addition, the customer or prospect remembers what they have done and, frankly, thinks your company should remember their action as well. They really don't expect it, as most all companies do not have the ability to record and reference prior behavior when talking to customers. Just think of the reaction and delight the individual would have if you used their prior interactions with you in your next marketing communication. Not only would it amaze the customer or prospect but also, it would change the nature of your communication, offer etc. At this point your database is beginning to drive that fabled but almost never achieved one-to-one relationship marketing.

There are many other data options and potentials, and as you proceed down this road they can be added. But, look back at the preceding data elements and visualize the multiple campaigns and messages that could be launched from this data. I think you would agree that this would make your direct marketing programs extremely targeted and productive. In the end, it's the smart usage of the data in database marketing that produces results. This array of data will enable great results!

## III. SOURCES OF DATA

Once the initial selection of the data elements has been determined, then the key subjects of just where this data will come from needs to be fully explored. In fact, if the data cannot be sourced or is too expensive to obtain, you may not want to include it on the database. In business marketing we face a more daunting challenge that those in consumer marketing as the data obtainable on companies and individuals within those companies is far less accurate and changes or decays faster. This is compounded by the fact that the U.S. Post Office does not track individuals who change companies but, of course, does follow us as we move our personal residence via the National Change Of Address (NOCA) system. So, here are the three primary data sources to consider in the pursuit to obtain the most accurate and complete data for the marketing database.

### 1. Internal Sources

Ironically, at times, the most difficult sources of data are, in fact, the internal lists and data that currently exist. Before the advent of database marketing and/or an enterprise wide CRM system, these internal sources resided in different locations and/or software, and also exist there for different reasons. Here's a rundown on the typical situation pre-database marketing or CRM.

**Accounting or Customer Files:**

Most companies think they have an accurate customer file, as the recording of the sales and billing system <u>must be</u> the customer file. While that is true in some respects, what is often found is that the address is for billing purposes only and the name on the record is the person responsible for paying the invoice. This may be an accurate customer record when the customer is very small in size but as the company size increases, the accounting record becomes less representative of the sales or buying process.

Much important information, though, is contained on this file such as the sales records. The issue is that it may not be the correct address for marketing and sales contacts. It is even less likely to have the key decision-makers and influencers on the file. On the other hand, you can't alter this record to eliminate the needed billing information. Therefore, a selective download from this accounting system is required for input into the marketing database.

**Marketing Lists or "Databases"**

Over time the marketing department accumulates various lists that are derived from advertising responses, trade shows and even direct mail efforts. While they may be recorded on the same software (e.g. Access), they have never been merged and de-duped and are treated as separate lists. In addition, purchased lists, such as a business list from Experian, may also be available internally if they were purchased for unlimited usage.

The important perspective here is to realize that these are lists and not databases and need to be merged with customer and other information to form the overall marketing database.

**Sales Staff Contact Information**

Today most sales groups have gone to some form of SFA software (frequently ACT) and the information that is recorded can be worth gold. Unfortunately, the sales people generally don't employ strict data entry rules and there will be much variation in what is contained from sales person to sales person. In addition, not all fields will contain data as the sales person may or may not feel that this field is important to their sales effort. Also, much data will be in the "comments" field and therefore inaccessible. And a final problem is that the field software is usually not robust enough to be used as the marketing database. All these issues need to be dealt with before this key information is uploaded into the database.

**Customer Service Contacts/Records**

Much like the sales staff's usage of SFA, most customer service departments have their own software and data entry approaches. This information can be equally valuable as sales records as it frequently uncovers a variety of issues that can be used in customer retention and upsell efforts.

These four and other internal sources you may have obviously need to be merged into one view of the prospect and customer. It is not the purpose of this white paper to offer methods and recommendations on software and procedures to do this but one word of advice. Do not try to do it internally no matter how good the MIS group feels they are. Business data merging is tough stuff and requires special software algorithms and much experience. Find a capable outside resource to partner with, as this will save you much time and money.

The most important goal for you to keep in mind is that the **faster you can use the database and achieve results** the more the database marketing program will receive support and budget.

## 2. Public or Outside Information Providers

Fortunately in the past several years, business data compilers and owners of response lists have seen the potential in business marketing and we now have a better and more accurate selection of information. There are several types of business information suppliers, and here's the list.

**Business Information Compilers:**
A business information compiler gathers data on the entire market by drawing from a variety of sources. The most common source is the business white and yellow pages. Additionally, credit files along with notices of incorporation are sources of information along with other methods of gathering demographic data.

The key advantage that compilers have in the business market is that the lists have almost, if not all of the companies in the U.S. and even other countries. This **total market coverage** can be critical when your marketing database needs to describe all the potential companies in a given segment (either by geography, SIC code, company size, etc.). Also, typically included are the names of the senior executives for each company. This is typically good enough for companies fewer than 10 employees but of course, as the company increases in size, the "President" may not be the appropriate person for your direct marketing program to target.

There are only a few companies who thoroughly compile business information and they are:

- Experian
- Dun & Bradstreet
- InfoUSA/Database America
- Trans Union/Performance Data

Each has good data and some differences and uniqueness based on their method of compilation and updating.  It's best to talk to all of them and match your needs with the proper business information compiler.

**Response Lists:**

By definition a response list is a recording of people who "do something" or respond.  This could be as minor as sending in the qualification card for a free trade magazine, attending a trade show or in more classic direct marketing fashion buying a product or service.  There are thousands of response lists, and a good list broker or a subscription to the SRDS Mailing List Directory will provide you access to most of these lists.

The key advantage of these lists is that they have the name, title and address information of the individual that has responded.  Frequently, this person is not found on the compiler's list unless they are the President, Owner or Senior Executive at the specific business location.  The weakness is that, usually, no other company information, such as SIC code or employee size exists on these response records.

**Co-Op or Merged Lists:**

A recent trend is that several cooperative lists/databases are beginning to emerge. This trend is a result of marketers wanting to have both the demographic information of the compilers list with the name depth of the response lists.

Very recently, an article in DM News reported that Grainger has brought together several companies who are selling the same industry but do not compete with each other. They are sharing their customer information by using an outside computer service bureau to hold the merged list. This insures integrity and confidentiality of each company contributing their customer records. Obviously, there may be opportunities for you to engage in much the same program. The recommended approach would be to enhance this merged co-op list by using one of the business compilers databases as the platform to overlay all the sales contact information of multiple companies participating in this co-op database.

Another way to think about outside or public information sources is to identify the several lists that target your market and then have them brought together or merged by a computer service bureau experienced in business marketing databases. As mentioned before, this process is not something that should be attempted internally. In most cases, the lists that you select will be a combination of compiled and response lists.

3. **Primary Data Gathering:**

The best source of business information on your targeted list of prospects and customers is, not surprisingly, directly from these companies. In essence, much of your customer and prospect records and lists have been derived directly from some form of contact with the company. The problem is that they have not been gathered with a database or direct marketing in mind. Therefore, what you need to do is to reverse the process and begin to identify and obtain data primarily for the database. The internal sources, such as the sales staff and customer service, should be alerted to the required data and asked to alter their process to help obtain the missing data and information.

While this may be of help, one approach not to overlook is to enlist the aid of the individual and/or the company to provide the information through surveys or some form of direct request. The Internet can even play a new role here. One opportunity is to send an email to those individuals who have a relationship with your firm and show what information you have on them and then ask for updates and corrections. Remember that you should have some form of relationship and express a rationale as to why you are asking for their assistance. People have a hard time not correcting their information that is inaccurate.

There may be other methods that you can develop, and the point is to not just rely on outside data providers but to enlist the aid of the prospect and customer as well.

## IV. UPDATING THE DATABASE

Unfortunately, once all the jobs are done and the database is ready to run like a racecar, it quickly begins to misfire and requires continual tuning much like an old Jaguar. The issues are two fold:

1. What data needs to be updated and how often?
2. What is the method for updating each important element?

The method to answer the first question is to establish the "decay" rate of each of the data elements and combine it with its importance to establish a priority that then will allow you to arrive at the frequency of updating. As an example, based on research our firm has done continually over the last 8 years, 62% of business people have one or more changes in their situation (business card) in the last 12-month period. It splits down the middle as one half or 31% change companies and the other half change jobs or locations within the same company. If accuracy of the contact name is critical to your sales, then this data element needs updating on an ongoing basis. Other data elements, like SIC code, do not change and so long as they are initially correct then the only updating would be the recording to the new NAICS system in the year 2000. This is an area where a business list compiler could also be of value.

As to the updating methods, they are as many as you can think of! There is no magic bullet and all the ones you can employee at reasonable cost should be used. Here are some that you may not have thought about:

- Once a year send your customer data file to the best contact on the database and ask for corrections and additions. This could be hard copy or email or both. You may want to include some form of "thank you" at the time of the request.

- Also include the mailroom of larger companies for it's these people who have to handle mail addressed incorrectly or to people who no longer work at the company. Call and determine the mailroom's supervisor's name and send a small token of appreciation along with the request for updating your list.

- When at trade shows, bring a PC and a copy of the prospect and customer database. When an individual stops by and is willing, have them look at their company's record and make corrections.

- Ask the customer service department to inquire about certain data elements after they have successfully provided the service.

- Run your list through NOCA as companies move just like people.

One warning! Do not send a list of customers and prospects to the sales group and ask for the list to be updated. This will not work and, in fact, is not their job. There is nothing wrong in picking up changes that are recorded as the natural result of their sales effort. Help the sales people and do not burden them with "another stupid request" from the marketing department.

## V. THE VALUE OF THE DATA

Finally, I have a few words about the importance or value of your data. In my experience, companies have little problem spending large sums of money on software and even hardware to house the database. But, in many cases there are reluctant or even unwilling to spend much money on the data. Somehow they expect that in the normal course of business the data will not only flow in but be kept accurate as well. This **never happens** and many times the company's data is so bad the post office can't even deliver the mail. Recently, I worked with a company that sent out a catalogue (at $2.50 each) to their customers and hot prospect list. To everyone's surprise, 35% of them were returned! Obviously, the postage cost was high but what were incalculable were the lost sales opportunities.

To paraphrase a recent political line **"It's the data stupid".** An old direct marketing axiom is that a great program and offer sent to a bad list will not do as well as a bad program and offer sent to a great list. Try this and you'll find it true. Another thing to remember is that most experts agree that 50% or more of the results of a business direct marketing effort are due to the segmentation process and list selection that matches that segment. A much smaller percentage of success is due to the offer, creative and media.

If a sales call now costs, on average, $350 how much would a **lost sales opportunity** cost? Obviously, a powerful leverage to creating sales revenue is due to the completeness and accuracy of the database. So, educate everyone on the value of the data and the need to spend money for obtaining the best information and keeping it updated. If you are successful, not only will your job be easier but also the smart usage of the data will drive the company's revenues to new heights.