



## **WHITE PAPER**

# ***THE VALUE OF AN ACCURATE DATABASE***

### **I. INTRODUCTION:**

There is no question that all companies are concerned about accurate and timely information/data today. Whether it is on the current customer base or prospects, all of the recent trends and developments in B2B marketing and sales are based on the information and data available.

Unfortunately, the information required to create this database is often old, inaccurate, in too many different files/silos, held in the head of the salespeople, or not yet developed and recorded. This situation is further complicated by no one in the marketing or sales group assuming overall responsibility for the database.

Therefore, the database responsibility usually falls to the “keeper of the data” or the MIS group who, as we know, are neither marketers nor salespeople. And since they feel closer to the accounting group, the database is thus typically defined as the “transaction” file of purchases. In a number of companies, this information may be accurate but nowhere on the file is the name of the key contact or decision-makers. If there are names, they are frequently those of the accounts payable staff. Recently, a distributor of electronic components on the East Coast sent a first class mailing of 50,000 expensive catalogues to their customer list and to their surprise 35% were returned. The list used was the accounting file, which had not been updated for over five years. Since this was the first year it was designated first class all undeliverable pieces were returned. Not only had many companies moved but also, many were addressed with names of people who were no longer with the company.

From another perspective, it is widely accepted in the direct marketing industry that for B2B, 50-60% or more of the success of a direct marketing campaign is dependent on “the list”. Yet many companies spend more time and money on the creative process, which is only a 10-20% leverage on results than they do insuring that the mailing list is accurate.

There are a number of other reasons why an accurate database should be a top priority of companies today and I’m sure that you could add several more to what has been mentioned. The purpose of this white paper is to guide you through this critical area and provide some practical suggestions to help you create and update an accurate database.



## **II. THE TYPICAL STATE OF A COMPANY'S DATABASE:**

In most cases, a company's database is not really a database at all but a series of silos of information contained in different files and managed by separate groups.

Here's a summary of what we typically find:

- **Accounting files:**

A record of the transactions and all associated details. Customer name and address are present (could be the shipping address) and then other non-marketing entries are likely to occur here. Some of these are the name and even an alternate address of an accounts payable person, the credit rating or history of payment, returns/credits, notations relating to invoices, shipments, special terms, etc. In addition, some of the transaction details such as item or SKU number can be exhaustive.

There is no question that this file is important as it defines the sales relationship with current customers. But in no way is it a customer database that can be used for marketing communications. Two things must be addressed here. First, to establish which information and fields should be extracted for the marketing database. Secondly, to determine the frequency of download to refresh the marketing database.

If the product detail is too dense then it should be modified to summarize the transactions consistent with what marketing needs to view the customer profile. As an example, specific item/SKU's can be eliminated and the similar products rolled up to categories.

- **Customer information in the hands of sales:**

Today, most sales people have some form of sales force automation (SFA) software on their laptop or desktop computer. These packages are great for the sales people as they record and automate information and reporting requirements and follow up reminders regarding customers and prospects. If the sales person is committed to keeping his or her own information current, then accuracy can be assumed.

On the other hand, many of the company's contacts in these files have not been contacted for long time periods. The information may not be complete and current and thus known by the sales people and subsequently on their SFA system. In addition to the typical problem of the records not being updated regularly is the neglect of sales people to record key information in a timely manner, if at all.



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Believe it or not, in some instances we have found that sales people avoid entering information as they feel this is their proprietary information and want to keep it in their personal database as a way of creating job security and or perceived value to the company. While this may seem far-fetched, in this era of Internet and direct selling, this attitude has become even more prevalent. All of these issues must be aggressively addressed as sales staff information is a critical component of a marketing database.

- **Distributor's customer information:**

If you think obtaining information from the sales staff is difficult, it doesn't hold a candle to receiving customer and prospect information from your distributors and channel partners. Here, there is a real sense of fear that this information may somehow be used against them or fall into the "wrong hands".

The new word "disintermediation" has crept into the marketing lexicon today. Simply defined, it is the elimination of the middleman, distributor or channel partner. Thus, the desire of these channel partners to share customer and prospect information meets with increasing resistance today than it did just a few years ago.

- **Inquiries from media advertising, trade shows, direct mail, etc.:**

Much time and money is spent to obtain inquiries from prospective customers. When the response/inquiry is received, it is placed on a lead list. The information is sent and/or the inquiry is passed on to the sales force directly. A lead qualification step may be taken before the sales force receives the opportunity. In almost all cases, no feedback or closed loop system is in place and soon the list ages, loses its integrity or becomes obsolete.

The inquiry lists are usually in data silos and are seldom matched against customer lists or leads from past programs. An overall picture of the nature of the prospects past behaviors is not obtained. In essence, every inquiry generates a separate and distinct set of activities that are disconnected from all other information that may be present within the company.

Studies have shown that the best list for response is, of course, the house or customer list. These same studies point out that the second best list is the "lead" list obtained from prior marketing efforts. These are followed in decreasing response behavior by "response" and "compiled" lists. Most marketers don't realize this and continue to go outside to rent or buy more lists when they already have, sitting on their files, a great list for continued direct marketing campaigns. Another important reason to keep the database accurate.



- **Purchased or rented lists:**

Many companies have obtained lists of prospective customers from trade magazines, list firms such as D&B, InfoUSA, iMarket and other sources. While the list business usually rents these names for one time use some of these lists are purchased for unlimited use. Most often, they again sit in separate files until they are used for a marketing program again or never merged into any company wide database.

In summary, there are at least four to six sources of information on the prospective and current customers that are not merged or integrated into a company wide database. Therefore much of the power and value of information potentially available is not realized and utilized.

### **III. BRINGING THE INFORMATION TOGETHER:**

Now that I've made the case to bring some or all of the available data together, two questions quickly surface. What data should we record on the marketing database and how do we do it?

The issue of what information to put on the database has been the root cause of more project disasters than you care to know here. This is what typically happens. A multifunctional team is put together and then everyone begins to list all the pertinent information and data that they want to have on the database. At times this list can take up many sheets of paper.

Here is a real world example of how wild this process can become. A number of years ago a client formed such a team. A key member of this multifunctional team was, of course, a regional salesperson. In his selling environment, this company sold products through 104 building product distributors – a critical member of the channel. Obviously, the name of the president of the distributor was important but what followed was, let us say, questionable. The name of the president's wife was inputted along and her birthday! That these two questionable fields did; in fact, end up on their database is an error in judgement and a recipe for problems. Now came the tough part -- how to obtain the data and keep it accurate. The birthday might not change, but the wife's name sure might. It would take only one misuse of this information to create an embarrassing situation and an angry customer. This notation might be appropriate for the salesman's records but it did not belong in the larger marketing database.

- **Needs vs. wants:**

The "data" team needs to be kept small at first and someone or everyone on the team must pledge to be a tough "database cop" at the door of the database. Only information that is pertinent should be allowed to "enter". Many "wants" exist and someday they could be added but the team's job is to get this database running quickly and producing results.



Don't try to build the ultimate database – just get the most important data on it and start using it! I have seen many database initiatives start with the enthusiasm and support of management and then be killed as a result of budget and time overruns. But the worst part is that in this building period, nothing can be produced from the database. Early results are key to long term success of maintaining support and funding for the marketing database.

#### **IV. SEGMENTATION LEADS THE WAY:**

To help establish what data are needed a process of segmentation should be the first action of the team. This can be a long complex process and is, in fact, a topic of many articles and other white papers. In essence, here are several categories of segmentation that will “tease” out the data required to support the marketing and sales efforts and also provide a scheme for database segmentation.

- **Customer:**  
The first and most obvious source of information. It always includes some form of sales history and even profit margin indicator. It can also include length of relationship, location type code (corporate office, plant, research center, etc.). This is not where the names of decision-makers, influencers and users come into play. This is a segmentation process whereby you can divide the customer base into logical groupings based on characteristics of the company.
- **Demographic:**  
Data that fall into this category is SIC Code (soon to be translated to North American Industrial Classification System or NAICS), size of the firm by revenue or number of employees, year founded, fiscal year and geographic description.
- **Relational demographic:**  
This is a new term that is defined as some fact that is in “relation” to the selling of your product or service. Typical of *relational demographic* data are equipment in use, square footage of plant, computer system, etc. For each company this information will be different and often it will come from the sales staff. Here is what to ask them: If you wanted to know one or two pieces of information about a prospective customer before walking in the door, what would it be? If sales feels that this information is key to their success, then marketing should find it of value as well.
- **Behavioral:**  
People do things. Such as respond to advertising, visit trade show booths, call customer service numbers, etc. All of these behaviors indicate something about the customer or prospect. By capturing this information on the database



and subsequently using it in future communications, it will result in a much more impactful dialogue with the customer.

There are other forms of segmentation, such as need based and firmographics. But to speed the database to operation use the four I have identified. If you are wondering why I haven't included names of decision-makers or influencers, well, they are not part of the segmentation approach. They are a needed input on customer and prospect files that will be handled by tapping various sources including the sales people and outside lists.

## **V. EXTERNAL DATA SOURCES:**

Now that you have audited the internal data available and identified the data needed based on a market segmentation effort there is one more thing to do before building the database. That is to understand what external data sources exist. In general there are three types of firms that can provide rich sources of information.

- **Compiled data firms:**

There are five major companies that supply business compiled data. In alphabetical order they are:

1. BIG: a division of Trans Union
2. Dun and Bradstreet
3. Experian
4. Harris Infosource
5. Info USA

These data sources, while having some major differences, all compile information on businesses. They are strong in demographic information but weak in contact names. All will assist you in choosing the select data that you need and, of course, they will sell and/or rent it to you.

- **Response list firms:**

There are many firms that gather names of individuals and the companies that have "responded" to some form of communication. Prominent in this arena are the publishers of trade magazines, sponsors of trade shows, sellers of business products and services, seminar companies and even some industry associations. To find these companies contact a list broker, your direct marketing agency or the SRDS of Mailing Lists (Standard Rate and Data Service). Several of the better known sources of response information and names are:

1. Cahners Business Lists
2. Penton Publishing



- **Co-op business lists:**

A recent development in the business information arena is the development of several companies who bring together both demographic and response lists, and create a combination or co-op list. The two best known are:

1. Acxiom
2. iMarket

It is not the intent of this white paper to detail all the list sources. The references to all the mentioned list companies are at the end of this paper. Call each and discuss your specific situation and needs, and see which one fits best.

## **VI: WHO BUILDS THE DATABASE?:**

Now that you have audited your internal data sources, established a segmentation scheme and selected the outside data you would like to obtain, the issue arises as to how to actually build the database. Quickly a debate may be initiated: perform this function internally, or use an outside computer service bureau? Maybe, just maybe, you are one of the very few companies that have the computer talent and time necessary to complete such a task. Most likely (99%) you do not, despite what your computer group would like to think. My strong suggestion is that you find a company that has had experience with merging business data and begin to build your database.

You can house your database at the service bureau, electronically link with them, or bring it in-house when the database is merged. There are many reasons why I strongly recommend this course of action. Consumer matching software will not work and thus the algorithms for business matching have to be specially written. These service bureaus have done this before and there is no reason to reinvent the wheel.

## **VII: DATA DECAY:**

All data decays and becomes inaccurate over time. You may think that you have brought together the best customer and prospect information at your company. Well, it is probably filled with people who are not at the company, have changed jobs or locations within the company, entire companies that have moved, companies that have started new businesses and thus changed SIC Code, etc.

A random sample of the database will demonstrate this fact to you. Pull 100 customer and prospect records (50 of each would make sense) and have a telemarketing group call these companies to determine the accuracy rate of the your database. Be prepared to be disappointed, as the data accuracy of the first build of your database will be well below your expectations.



When it comes to information on individuals, the decay rate of name, title/function, company name, address and phone number is 62% over a 12-month period. Approximately one-half or 31% changed companies and are no longer there, and the other 31% changed jobs and/or locations within the same company.

The data decay rates for other elements are less, but still a notable problem. Note the company I reference at the beginning with a 35% return rate. Their customer and prospect list had never been “cleaned” and that contributed to the problem. Here’s the hard fact. You must establish a regular system of data hygiene and updating or the database will slowly become useless.

### **VIII: DATA HYGENE:**

There are many approaches to data hygiene and I will mention the most common. If you want to choose one method over another – don’t. They should all be used. If you think up some new ones, use them as well.

- **NCOA:**  
This stands for National Change of Address and is the US Postal Systems definition of their change of address process. You fill out cards when you move personally. Businesses do the same thing when they move. You can access this by having you database sent to one of the approved NCOA vendors and have the changes made to your database. Your outside service bureau (assuming you took my advice) may well do this or they surely know who can perform this task. It is relatively inexpensive and should be done at least once a year.
- **Return mail:**  
Anytime mail comes back to you, it should be used to correct the database or launch a telemarketing call to establish why the mail was returned. Of course, 3<sup>rd</sup> class mail is not returned and if you frequently mail 3<sup>rd</sup> class then consider sending out several 1<sup>st</sup> class mailings to get the return mail and make the corrections. Be aware, if the company is still at the same address but not the addressee, the mail may not be returned and no changes will be caught.
- **Accounting files:**  
Even though you first used the accounting files to build the database, new addresses and customers are continuously created in accounting. In addition, new sales information is always being recorded in the accounting files. Therefore, you need to establish a routine at least every month to acquire this information from accounting and update the marketing database.



- **Sales Force information:**

One big mistake is to make the responsibility to update the database the salesman's job. First of all, their time is too valuable and expensive to be spent as database police. Secondly, they won't do it! Yes, that's true for most sales people and particularly true for the best ones. On the other hand, if they use a SFA software tool then an automatic upload of changes can be made into the database every time they log in. You also may want to engage them in special requests and be sure to provide a benefit to them as to why they should do this task for the marketing department.

- **Outbound telemarketing:**

Here is one of the best and most powerful techniques to update and even enhance the database. First, a call by a well-trained telemarketer can confirm the basic demographic information and determine if the individuals on the database are still with the company and in the same position. The big benefit here is that no database will have all the fields filled out and here's a golden chance to complete the information.

You may be tempted to assign this task to some internal people but not succumb to this temptation unless this is a group of outbound telemarketers who don't have anything more valuable to do at the time. There are capable telemarketing firms who can do this job better and at lower cost than any internal group because this is what they do for a living – and they're good at it!

- **Customer Service group:**

Here's a group that's underutilized in updating the database. If you have a customer service group who frequently interacts with customers on order placement, shipping or other such functions then you have the "Colombo" opportunity.

We all loved Peter Falk in *Colombo*. Remember when he seemed to have asked all the questions of the suspect and was walking away toward his beaten-up car? He then would turn around and ask just one more question – and, of course, it was the "killer" question. Well, your customer service group has the same opportunity when they have properly handled all questions or problems of the customer. They can say, "Can I ask you just one more question?" The response at this point will be "sure". That's when they could ask for a key piece of information.

This key piece of information could either be one of the data fields that is not filled out/completed or has not been updated recently. This process does require that they are working from or can quickly switch screens to the marketing database. In addition, they need to know which data question to



ask. The software or their training could point to this data field. If the customer is friendly and cooperative, then several data questions could be asked.

If you also have a technical service group, they may represent another chance to update the database, but be careful. This group may not be suitable or feel it their job to ask “data” questions. You will have to make this decision.

- **E-mail:**  
Finally, we have a new media to use for all kinds of functions and communications – surprise; it’s the Internet. But, here’s a new idea. If you have a relationship, customer or prospect, with the individuals on the marketing database and their e-mail address, consider this idea. Periodically, launch an e-mail to them with an attachment that has all their individual information along with company data. Ask for a self-correction reply. People have a hard time seeing information on themselves and not correcting it. Not only will response rates be high but also the cost will be very low.

Several warnings should be mentioned. First, be sure that the relationship, no matter how defined, is fairly recent to insure that the request will be met with some awareness of your company and the relationship. Secondly, inform the individuals just why you are requesting the update and how the information will be used. A statement of a privacy policy is appropriate here. Third, don’t spoil your welcome and don’t do this often. The cooperation rate will drop dramatically.

## **IX. THE PAY OFF!:**

As in most business endeavors, there needs to some form of pay-off or return. There are three in assessing the *Value of An Accurate Database*.

- **Cost Reduction:**  
Just think back to the company that mailed 50,000 catalogues at \$2.50 each and had 35% returned. A mailing list that’s out-of-date has many undeliverable and uninterested people on it. Just the cost effectiveness of the yearly mailings alone can justify the time and money spent to keep the database accurate. Of course, this is more than the postage cost and includes the cost of the mailing package.
- **Relationship:**  
Both the marketing and sales groups are attempting to develop “relationships” with prospects and customers. We do this in different ways and at high cost. It only takes one or two mistakes where this individual we work so hard at



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developing this relationship with realizes that we don't even know who he or she is.

A personal story here may make the point. I have belonged to the Direct Marketing Association for almost 20 years, speak at their conferences, hold two-day seminars for them and sit on one of their Special Interest Councils. Yet, on one of their databases, I am listed as Jonn M. Coe. This is an obvious input error and in spite of my letter to the President of the DMA, it remains on their database. I can't help feel a sense of being disenfranchised every time I receive a mailing with my name spelled incorrectly and I have a very long and deep relationship with this organization.

In addition to the personal side of the marketing equation, there is an even more important aspect to building a relationship with you prospects and customers. It's the relevancy of the message you send. If everyone is on a list with no discriminating data then you have no choice but to send the same message to everyone. With an accurate database you can segment it and direct different messages with high relevancy. This will cause those customers and prospects to feel that they are known and valued.

- **Revenue increase:**

The most powerful reason to have an accurate database is the improved ability to increase revenues. This comes in several forms.

First, the question of who to send what offer and message to can be answered by the database. If you send the right offer and message to the right people something very strange happens – they respond and buy! This can be for new products/services introductions, up or cross-selling current customers and many other revenue producing type programs.

Further, by careful targeting and the subsequent reduction in the number of mailings sent, you can effectively spend more money on each mailing. Breaking through the clutter with impact will insure a higher response and conversion rate as well.

Your face-to-face sales and outbound telemarketing groups will also benefit from the accuracy of the database as they access it to plan their sales contacts and calls. New names gathered by the hygiene process will translate to new contacts and possibly sales opportunities.

In addition, just think of the competitive advantages that an accurate database will produce. If your competitor is not keeping up with the changes and you are, the accumulation of the more accurate and relevant communications and actions will cause the customers and prospects that you are a better company to do business with that the inaccurate competitor.



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## **X. SUMMARY:**

Well, there you have it. The “why and how” to keep your database accurate. In addition, there is a big movement today to the strategy of Customer Relationship Management or CRM. To execute this new strategy, an accurate database is a mandate. If your company hasn’t already moved in this direction, it will! So get ahead of the curve and establish the best customer and prospect database possible. It will pay you and your company many dividends.