



IS BAD DATA DRIVING YOU CRAZY?

WHITE PAPER: The true cost of bad data and what to do about it

Marketers are under increasing pressure to show ROI on campaign expenditure. In a noisy marketing environment, successful campaigns rely on highly targeted messaging and segmented data. Marketing managers often complain about poor quality data in company databases and the impact on campaign response rates. This whitepaper quotes several international surveys quantifying the cost of bad data to business and provides marketers with strategies to get the problem fixed.

THE SECRET LIFE OF DATA

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25% of a database becomes out of date after just one year. ²”

Data is typically collected from a range of sources including web and phone enquiries, loyalty programs, orders, tradeshow, POS, and newsletter sign-up. With so many enquiries and transactions now online, your customers and prospects will do a better job of entering and maintaining their contact details – right?

Wrong! Quality and completeness of newly acquired data varies greatly, depending on the source and motivation of the people entering the data.

A study by The Data Warehousing Institute indicates that 25% of data quality issues are due to poor data entry by customers¹. Even when your online form has ‘required’ fields, customers take short-cuts, entering initials and abbreviations – which are then hard to detect as duplicates or incomplete by data cleansing software. Duplicate records can be a major issue affecting data quality. Customers often fill-in the same forms on different occasions, using different spellings of their name or company. Sales people entering data, have their own abbreviations or ideas on spelling and very quickly you have situations where one person (or company) is in your database multiple times. Adding to these issues is the fact that millions of people change jobs and contact details each year. Typically, 2.1% of contact records in a database deteriorate each month². This means 25% of a database becomes out of date after just one year.

THE TRUE COST OF BAD DATA

'Bad' or 'dirty' data indicates the data is incomplete, incorrect, duplicated or simply out-of-date and no longer valid. Incomplete, incorrect or invalid data means your communications won't reach all your customers. Duplicate data leads to the same communications being sent to contacts multiple times. Will they get frustrated and unsubscribe from your emails or worse, not buy from you again?

Bad data will waste your marketing budget. According to a Net Prospex survey, 64% of companies interviewed think they are using unreliable contact data for marketing campaigns¹. It is not uncommon for companies to have 25% or more of their databases out-of-date, stopping marketing messages from reaching their destination. That means higher costs for printing, mailing and emailing, than would otherwise be needed. A survey by QAS Experian confirms that 93% of the participating companies had been negatively impacted, mostly through wasted marketing budget. On average 12% of the department budget was wasted, from data accuracy issues such as wrong contact details and duplicates⁴.

Most companies are aware unreliable data lurks in their databases, but don't know to what extent or how much it is costing them. The true cost of poor data quality to a business will be in lower awareness levels across target audiences, fewer leads and ultimately, fewer sales. Eliminating budget wastage and improving campaign results requires a data hygiene strategy to be developed and regular data cleansing to be conducted. To start with, completing a data audit is useful for identifying data quality issues and setting benchmarks prior to major data cleansing work being undertaken.

Ensuring responsibility for data hygiene is clearly defined, within the organisation, is critical. As is allocating sufficient budget to develop and implement an on-going data maintenance strategy. Without a data maintenance strategy, poor data quality is inevitable and has the potential to limit business growth.



WHAT DO CEOs REALLY WANT?



66% of companies have "acting on data to improve marketing performance" as a priority goal². ”

Greater use of digital marketing and technology helping marketers execute and track campaigns, means measurement of response rates is so much easier. Marketing managers are increasingly being asked to show ROI on marketing budgets. The benefit of high quality marketing data to reduce budget wastage and increase campaign results should not be underestimated. Over time there has been increased expectation by CEOs and company boards for marketing departments to be more accountable for revenue generation.

In most B2B companies and industries where marketing has a focus on lead generation, CRM systems play an important role. Prospects and leads resulting from marketing activities need to be loaded into CRM systems for qualification and follow-up by sales. Conversion rates from prospect to marketing qualified lead, lead to opportunity and then opportunity to sale are calculated. This enables performance measurement of marketing and sales departments, in terms of contribution to revenue. Working out campaign success goes beyond response numbers to measuring actual influence on sales revenue. Putting clean data into the CRM becomes critical for accurate reporting and ease of following up on leads. From 2012 interviews with CEOs in North America, Europe, Asia and Australia; The Fournaise Marketing Group discovered that 71% of CEOs were dissatisfied with marketing in creating demand⁵. The perception being there is not enough focus on good data as the most important element for successful campaigns.

THE REWARDS OF GOOD DATA

Customers are the foundation of a business. Quality contact data, by contrast, are critical assets to marketers for segmentation strategy, lead follow-up and accurate reporting of campaign results. Eloqua's 2011 Marketing Automation Benchmark report shows that consistent database maintenance creates seven times more inquiries and four times more leads⁶. A small change in your data quality strategy could make a substantial difference.

It is more cost effective to perform cleansing at the beginning of the data collection chain. A report written by SiriusDecisions, 'The Impact of Bad Data on Demand Generation' stated early-stage data strategies can lead to approximately 25% jump in conversion rates between prospects and qualified leads⁷.

The same report benchmarks companies and found for a prospect database of 100,000 names and a campaign response rate of 2%, a company with strong data management generates nearly 70% more revenue than those with average levels of data management⁷.



BEST PRACTICE

If your customer data is important to your business, on-going data maintenance is essential. There are several considerations to minimise bad data going into your customer database. Are leads being loaded into a CRM system for sales follow-up? Ideally, the data should be cleaned before it is loaded. Does the company have data entry standards? Are your online forms well designed to minimise confusion when customers fill in their details? With a small amount of effort up front, data quality can be significantly improved. As they say 'rubbish in means rubbish out'.

There are also several ways to keep contact data up-to-date. If you communicate regularly with your prospects and customers using mail or email, it is important to process the returns and email bounces to update your database. The data should be periodically cleaned to find and remove duplicates, format and standardise data and append missing information. If the ability to segment your customer lists for targeted campaigns is important, then you may need to augment contact data with additional information. For example, adding a position category or industry classification is useful to many B2B marketers.

Steps to Improving Data Quality

CLEAN

- Remove invalid contacts i.e. employees
- Find and remove duplicates
- Correct spelling and formatting

01

02

- Standardise to database / CRM requirements
- Format addresses to meet postal standards
- Translate key data into required language

FORMAT

VALIDATE

- Confirm and update details i.e. company, position & location
- Archive contacts who have left company

03

04

- Look-up or search for missing data
- Ensure all required fields are complete

APPEND

AUGMENT

- Interpret data and categorise contacts and companies for future segmentation i.e. industry, job category

05

06

- Load contacts into database / CRM

LOAD

Undertaking data cleaning tasks can be time consuming and tedious when done in-house. There are specialist service providers that can help with purpose built systems for data matching and appending as well as the people resources to perform the tasks efficiently. This leaves the marketer free to concentrate on marketing strategies and campaign execution.

Sources

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Questions ?

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