

The Guide for Converting Your Aging Data to a Profit Center

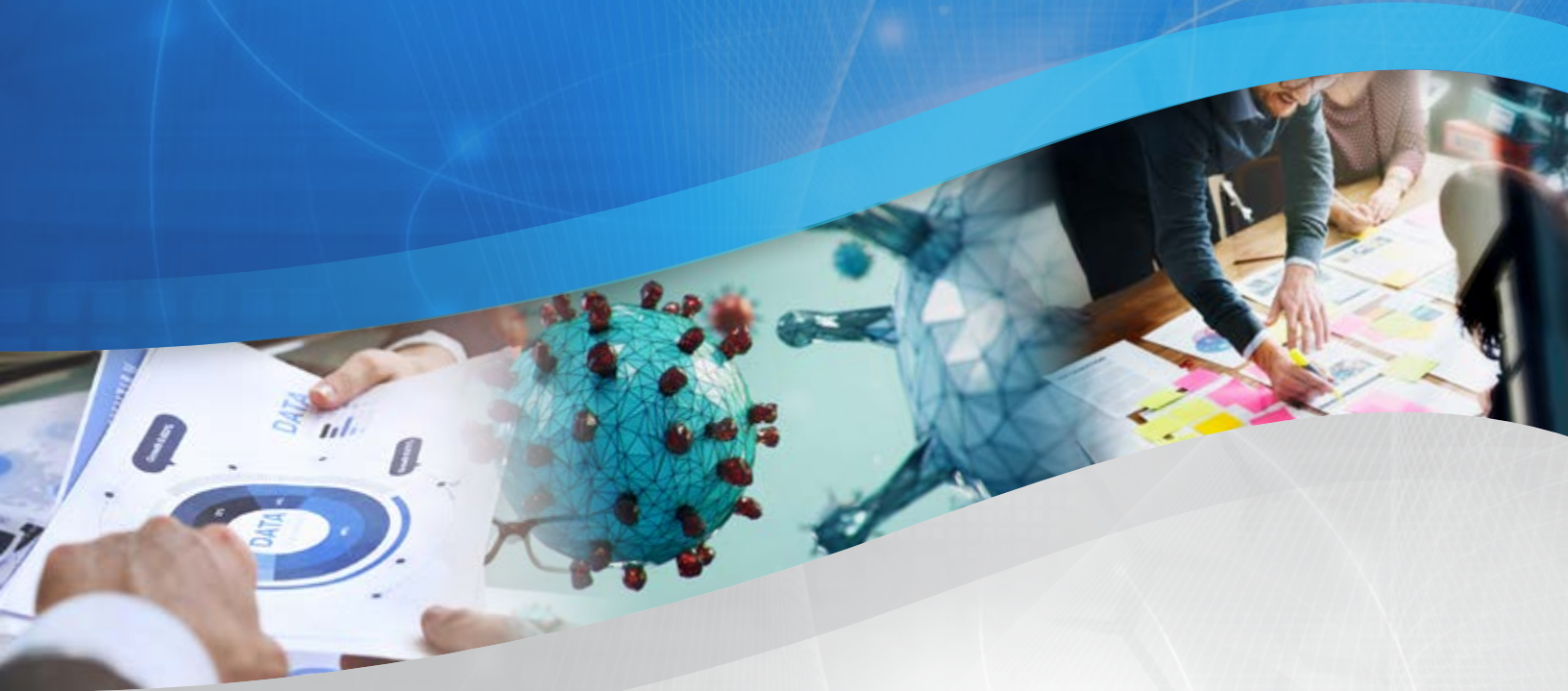


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The Challenge

The business world increasingly runs on data. Understanding customer demographics, personal preferences and buying behaviors all help fuel a superior, customized customer experience. Companies know that to remain competitive, they must utilize data and offer customers a highly cultivated encounter that includes recommendations, convenience and content that is all timely and targeted.

Every year, the urgency around data cleanup and enhancement is highlighted by the gradual decay that naturally occurs as organizations make changes and individuals move on to new positions, leave early to start a new career elsewhere, or are let go. Some experts estimate that the natural annual decay rate is around 10%; some believe it is even higher. Everyone agrees that the exact rate of decay is often based on your target audience, industry and job function. In other words, some industries experience a greater degree of change and attrition. And some job functions come with greater job security, while others experience more excessive change.

In 2020, data decay rules as we know them changed dramatically. COVID-19 is serving as a catalyst for an exponential decline in data quality. From unemployment and job changes, to an upheaval in how and where employees work, no industry sector escaped change. COVID-19 is the reason data errors grow so significantly; in fact since March 2020, errors doubled in some industry segments.

Data Decay in the Era of COVID-19

According to the Wall Street Journal, by May 14, 2020, over 36 million Americans had filed initial unemployment claims. The COVID-19 pandemic is putting a new and unprecedented level of pressure on data cleanup efforts because as work conditions shift for so many, it results in multiplying inaccuracies.

Even for employees that remain in their jobs, the setting of their work may have drastically changed. They may be reachable by cell phone, rather than through a corporate phone system, or they may be making decisions with a smaller budget or a different team of decision-makers. They may also be consuming content differently than they have in the past.

All these factors play into a need for accurate data. As companies push to retain a competitive edge in a struggling economy, the accuracy of their data will play an important role in helping them advance their new business development efforts including lead generation strategies.

The Cost of Bad Data

While there is a significant global toll on the economy resulting from bad data, the numbers may be more staggering when examined at the individual business level:

Inefficiency: This is the impact of a bad or wrong phone number, the wrong email or wrong demographic information. Harvard Business Review estimates that data professionals spend 50% of their time tracking down and correcting data errors.

A Drain on the Budget: Costs are higher to compensate for bad data than it is to maintain a clean database.

Poor Prospect and Customer Relationships: The loss of new sales opportunities, as well as lost opportunities with existing customers, are a side effect of incorrect data. The total revenue of a company may be negatively impacted by as much as 25%.

Low Morale: From database managers to B2B sales reps, it is frustrating for employees to be forced to rely on inaccurate information. Database managers become weary of inaccuracies, while sales teams resent practices that deny them commission opportunities.

A Problem That Only Multiplies: This is just the beginning. Marketing departments make bad decisions based on incomplete or inaccurate data. Customers and leads react negatively to bad data, unsubscribing to emails that do not seem to apply to them or even complaining on social media about a company that seems out of touch with who they are.

The Importance of Investing in Data Accuracy and Marketing in an Economic Downturn

As COVID-19 continues to make an impact on global commerce, many company executives are asking whether it may be a good time to pull back on marketing efforts and conserve resources. Not only are companies asking whether it makes sense to invest in data cleanup, but many are also debating whether to trim broader marketing budgets.

When the economy dips, the gut reaction by most is to cut costs everywhere possible throughout the organization. Marketing departments often see the first and deepest cuts. That, as history tells us, is a futile mistake.

The advice to continue investing in marketing is backed up by decades of research. Brands that continue to advertise during an economic downturn outpace their competitors.

As far back as 1927, an advertising executive named Roland Vaile published a report in the Harvard Business Review that detailed the outcomes for companies who advertised during the 1923 recession, and those who ceased investing in marketing. Those who continued advertising experienced 20% growth, while those who cut back finished the recession 7% behind their pre-recession levels.

Following the 1980s recession, a study by McGraw-Hill found that of 600 businesses examined, those that advertised from 1980 to 1982 were 256% ahead of those that did not. How should companies decide where to invest those precious marketing and advertising dollars? Companies need to evaluate what they are doing and keep investing based on measurable results:

- > Focus on core products and services
- > Tailor messaging for specific audiences
- > Learn more about your customer
- > Balance short-term and long-term needs
- > Do something good to help the local community

At the core of every marketing investment is the data. When resources are scarce, the answer is not to cut marketing investments; the answer is to be sure that the marketing investment is resting on quality data.



“ A man who stops advertising to save money is like a man who stops a clock to save time.”

~ Henry Ford

The Solution: Good Data Practices

Defining Good Data

Businesses often don't realize that they have a data problem or understand the cost and implication of bad data on their files, in part because they don't have a set of metrics for defining the standards that data must meet. In any data cleanup and enhancement efforts, data must be analyzed with metrics that pursue the following qualities:

Accuracy

- > The contact's information is accurate, including their role and title, address, phone, and email.
- > Demographic information on file accurately describes the company and contact.

Quality

- > The contact's demographic information matches the target audience that the sales and marketing teams are prioritizing.

Existence, Completeness and Relevance

- > The data set must contain the information necessary to serve the sales and marketing teams.
- > The data is appropriate to serve business goals.

Consistency and Timeliness

- > When the data is stored across different locations and systems, the records all show the same values.
- > Data is regularly updated to accommodate changing business objectives.

The Clear Benefits to Investing in Data Cleanup

- > Increase gross revenue and profit margins.
- > Increase employee trust and eliminate frustration.
- > Improve strategic and operational decision making.
- > Improve collaboration between departments.
- > Improve operational efficiency.
- > Increase customer satisfaction and trust.
- > Strengthen the brand.

Successful business takes this even further by leveraging data with a strategic perspective. Those who most effectively manage their data generate the greatest revenue with the best ROI from it. They save money by using fewer resources with their sales and marketing efforts, and they experience the highest customer satisfaction level.

This becomes more of a challenge for businesses every year, and particularly in the face of COVID-19. Each year there are new marketing channels, making it possible to establish additional points of contact with customers. Businesses must also deal with fragmentation and collect data from different sources, all with unique data structures.

The amount of new data sources is constantly growing and at a rapid pace. Between 2015 and 2019, the average number of data points grew by 50%, which makes maintaining quality data an increasingly complicated challenge.

A survey we conducted this year revealed an alarming result. Most businesses do not know, nor have they studied, the actual cost of bad data on their business. Moreover, many businesses do not know the growth potential they will experience when they address bad data.

Eight Steps Publishers Take to Achieve Good Data Practices

Adopting good data practices is within reach for businesses that want to achieve these types of cost savings and revenue opportunities. Implementing the following steps can deliver measurable results in a short amount of time and with minimal upfront investment:

1. Acknowledge the scope of the problem, including a cost analysis of bad data's impact on the organization.
2. Invest in the necessary resources to identify the sources and reasons for bad data.
3. Appoint a point person who will be responsible for data quality and accuracy. Consider a person with a background in IT or marketing that has skills and experience in strategic approaches to solving business challenges.
4. Include data quality in strategic priorities for the company.
5. Rank data importance to prioritize update and enhancement projects.
6. Calculate the expected return on investment for improving data quality versus the cost of inaction.
7. Identify the key changes required to drive improvement.
8. Develop an ongoing data quality program.

Revenue Opportunities With Good Data

There are many ways in which publishers create a competitive edge and open new revenue streams with quality data:

Increase Revenue: Reliable data enables the company to improve decision-making, because it is based on up-to-date, accurate information.

Save Money: Companies stop wasting money on campaigns that target the wrong people and companies or people who no longer work at a company or act as an influencer in their industry.

Improve Customer Satisfaction: Companies deliver the right messages at the right time and may even equip them to provide specific customer recommendations in terms of products and services and content.

Save Time: Less time is spent remedying data errors and tracking down the right information.

Improve ROI: Companies receive a greater return on investment (ROI) for their marketing dollars.



Between 2015 and 2019, the average number of data points grew by 50%.

Business Example 1: Good Data Practices

Company A produces products sold nationally and maintains a database with 100,000 contacts. Each year, the company sells to about 7,000 clients, with a gross annual sales totaling around \$25,000,000. Here is how it breaks down:

Average first-time purchase:.....\$1,250
Average number of repeat purchases each year:..... 3
Average total annual purchases:.....\$3,500
Average lifetime value of a client:\$12,000

Company A uses a variety of marketing channels, including printed catalogs, SEO, social media, email campaigns and other digital marketing platforms. They also participate in seven local and national events each year.

Orders are processed online and by an inbound call center, while bigger sales are pursued by an inside sales team with a minimum of \$5,000 per order and a lifetime potential value of \$50,000. This example deals solely with their catalogs sales.

Company A mails seven catalogs per year to 100,000 companies (based on company size, type, and purchasing history). Their main catalog is mailed once per year to all businesses in their database, with “thinner” (lower cost) catalogs designed to target smaller segments of the market mailed six times per year.

On average, Company A invests \$25 per contact, per year producing and mailing catalogs. While the company maintains an ongoing address verification process, they experience 15% data inaccuracy each year. Data inaccuracy includes the wrong person or title, mailing to a person that is no longer there, and mailing to companies that have moved or gone out of business.

Of this inaccurate or bad data, the majority is either the wrong person who is not a decision-maker, or someone who no longer works at the company. Ninety percent of these inaccuracies result in the mailing going to waste, resulting in a 13.5% incompleteness rate for catalog mailings.

Company A's direct loss because of “bad mailing” is 13,500 contacts. Mailing costs \$25 per year, resulting in a \$337,500 loss. At a 7% order rate and \$3,500 average sale lost per bad mailing, the estimated loss of business because of mailing to the wrong person is \$3,307,500.

If Company A invested \$10 per bad record to correct and update just 50% of their inaccuracies (lowering it to 7.5%), they could experience the following savings and new business growth potential:

Cost of Database Update.....\$67,500
(13,500 X 50% X \$10/each)

Savings.....\$167,500
(6,700 less catalogs go to waste X \$25 per catalog)

New sales.....\$1,500,800
(New business opportunities with correct contacts 6,700 X 7% X \$3,200)

Net profit.....**\$1,433,300**
(\$1,500,800 - \$67,500)

The company will experience a net lifetime value of over \$5,000,000.

Business Example 2: Good Data Practices

Company B provides data, marketing, content development and lead generation services. Even before we attempt to calculate the positive impact quality data has on the company, we can measure the immediate impact quality data has on the company's bottom line in the example below:

Contacts managed and segmented into 10 vertical markets:	1,000,000
Number of clients the serviced each year:	500
Gross annual sales:	\$12,000,000
Average one-time purchases:	\$3,000
Average annual purchases per client:.....	\$24,000
Average lifetime value of a client:.....	\$75,000
Estimated annual revenue from database (50% of gross sales) (data sale, survey, industry analysis, lead generation etc.).....	\$6,000,000
The company's present bad data and error rate: (20%).....	200,000
The average value per record in the database: (A total of \$6,000,000/1,000,000 X 80%)	\$7.50
Cost of bad data: (\$6,000,000 X 20%)	\$1,200,000

When Clean Data Is the Norm

If, instead, Company B invested \$3 per error to correct and update just 50% of their bad data (which lowers their error rate to 10%), they can experience considerable savings and increase business growth potential.

Cost to update 50% of their bad records: (200,000 X 50% X \$3/record).....	\$300,000
New revenue from updated records: (100,000 X \$7.50)	\$750,000
Net profit: (\$750,000 - \$300,000).....	\$450,000
Estimated lifetime value of a new updated record (20% annual churn): (\$7.50 X 5)	\$37.50
Estimated lifetime net profit from database update: (100,000 X \$37.50 - \$300,00).....	\$3,450,000

Conclusion

Companies who want to improve their bottom-line profits and overall probability for success must strive for the highest data quality and accuracy possible.

More than ever before, companies will be experiencing a costly challenge resulting from a high percent of bad data in their files. Companies who have processes to deal with natural annual data churns will have to intensify these processes to address the bad data challenge resulting from the COVID-19 impact on the world economy.

Companies who do not have on-going data cleanup and enhancement processes in place must prioritize following the Eight Steps to Achieve Good Data Practices listed above. They may choose to identify internal resources or speed up the process by hiring a third party vendor to help them achieve the results their business demands to survive and flourish. When this goal is achieved, there is no reason companies will not experience an improved ROI.



About Blue Valley Marketing

Blue Valley Marketing is a firm focused on delivering high quality new business development, brand development, and demographic- and interest-based lead generation services. Supporting the companies operating in B2B environments, publishing industry and media companies since 1991, Blue Valley Marketing has accumulated an immeasurable wealth of knowledge and experience in audience development, database enhancements, and most importantly new business development by creating qualified actionable leads, while building rapport with millions of executives in a large number of industries.



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