

CLIENT	G2 Data Dynamics
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A bigger picture

Intelligent customer insight is vital for the success of any business. While many companies think they know who their customers are and what motivates them, the reality is quite different, argues Emily Cubitt

In order to gain a better understanding of customers and what makes them tick, many firms are turning to third party data owners who have an aggregated view of the market. The hope is that they may be able to add insight to their existing data and really get under the skin of their customer base.

After all, if you don't know what your customers are likely to want, how are you going to be able to retain them? But what value can third party data owners add to your customer insight processes and how should you go about selecting a partner for this kind of work?

CACI director Jonathan Burston argues that third party suppliers have a wealth of data to enable companies to develop a single customer view of their database and will also be able to incorporate attitudinal demographics into the data.

"We have the experience of using data to help clients achieve their business goals. In addition, we will have worked with similar clients in their sector and will be able to bring previous learnings to the table," he says. "This will enable clients to maximise their use of budget and communicate to the right people with the right message through the right channel so they are not wasting money."

Many firms still don't appreciate the importance of data and how they can leverage it to really make a difference to their bottom line. In this respect, working with a third party will certainly enable them to make better use of their existing data, as well as adding any additional insights.

"Regardless of the data they have, third party suppliers will be able to add value to it," says Simeon Lando, marketing leader, sales and marketing solutions, D&B UK and Ireland. "We have the ability to benchmark data against a global database. Clients need to recognise who their best customers are and where the opportunities lie, as well as understanding how they are linked to other organisations."

The more data a company can obtain about customers, the



better their subsequent marketing activity will be, both in terms of maximising return on investment and building stronger relationships with customers and prospects.

As a starting point, companies may well be able to determine the name, gender, age and location of their customers. But, as Elizabeth Sayer, general manager of EDM Media UK, notes, a third party will be able to provide vital intelligence such as how many other databases they appear on, whether they are also a customer of your competitors, what their average spend is, whether they are loyal customers or one-off buyers and their lifetime value.

In addition, while many companies may believe they know their own customers better than anyone else, Sayer doubts this is always the case. She states: "I question whether clients really do know their customers better than anybody. Quite often, they really have no idea who their customers are – it's a very common problem. Mostly it's hidden behind embarrassment and not wanting to face the truth – that their database hasn't been updated, cleaned or enhanced since the data was first collected."

This is a widespread problem as for many businesses the prospect of cleaning their data and getting to the point where they can use it to provide real customer insight can seem daunting. Daryn Mason, director of solution consulting, Oracle CRM Products Group, EMEA, explains why. "There are many challenges involved, including overcoming the volume of data that needs to be managed, data decay – which averages at 2 per cent a month, accuracy and duplication of data, consistency, completeness of data and the cost of keeping the data up to date."

While some firms are reluctant to hire a third party outfit because of the potentially large upfront costs, Mason believes

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that depending on the scale of the task, it may in fact be less costly to use a third party supplier than do it yourself. An external supplier may also bring additional benefits to the data that a company may not have considered otherwise.

Burston elaborates: “We will check whether there are holes in the data, where there are things the client can build on, and whether there are datasets in the business that are not being brought together. In other words, we can ensure the data is being utilised to its full potential.”

Unlocking the value of their database will see firms stay ahead of the competition. In order to do this, they need to “develop proprietary information about customers beyond common industry wisdom, linking relevant customer data with information about channels, segments, products and events,” says SAP’s head of CRM UK, Kris McKenzie.

He argues that, while organisations capture a lot of data, they often simply don’t know what to do with it. “They may have complete records of customer interaction histories. But the data often resides in isolated systems owned by a single department or division and is neither linked together, nor shared across the enterprise.”

Value needs to be added for the data to be used effectively. And there is little doubt that third party suppliers have the experience of enriching client data and using it to drive acquisition strategies. G2 Data Dynamics analytical team

leader Mark Luxton explains how his firm did exactly this for a gym client. “The client had name, address and gym visit data, but didn’t understand who was visiting the gym.”

He adds: “We looked at the different profiles of both long-term and short-term members as we needed to understand what the differences between them were and how shorter term members could be retained for longer, or how the company could focus on targeting those who would become long-term members in the first place.”

This added insight requires statistical modelling skills that may not be available in-house. While hiring a specialist may be costly, businesses should reap the rewards in the long term. Luxton adds: “If you buy a kitchen and fit it yourself, it will be a lengthy process and you will need to learn a lot of skills along the way. And the end result will probably not be as good as if it had been done by an expert, which is why companies should seek to use third party data suppliers.”

Sayer adds: “You can gain huge advantages by working with third party data owners through their knowledge and experience of what’s happening in the market.” She points out that specialists are likely to have a broader understanding of the market, legislation and codes of practice, as well as learnings from previous successes and failures.

Because of the volume of third party operators on the market, choosing the right one can be a minefield. It is vital for

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clients to assess their individual needs and source a supplier who fits their criteria. There is no point hiring a company that specialises in B2B if the majority of your customers operate in the B2C arena, for instance.

Mason comments: "You should also consider the geographical area a company focuses on, be it the US, European or UK market. And if you're looking for a B2B specialist, find out what industries they tend to cover."

Burston advises clients to consider four main areas when picking a supplier, starting with experience. "Ask them to show you case studies and a history of working with clients operating in your area before. Size and scale is also important – you need an outfit that will allow you to go on a journey and develop. The right approach is vital so they understand your budget at that time and where you may want to go in the future when things change. And, finally, trust. You must be able to build a long-term relationship with each other and get to know each other inside out."

Meanwhile Lando adds that it is important to select a supplier with excellent international as well as domestic coverage. "You also need to ensure they have high quality checking processes in place throughout the organisation so you are confident the information you receive is consistent in format and standard so you can leverage the benefit you get from it," he comments.

Luxton meanwhile notes that clients must have confidence in the analytical skills of their supplier, "as you want to get the most from your marketing spend, especially in the current climate". Figuring out which supplier really does offer these services and will therefore be able to help you gain a competitive advantage can be a complex task.

Therefore Mason suggests sampling in order to find out. He states: "Don't opt for a big bang approach. Go for a test project on a segment of your database and then go back for more if this proves successful."

For internal staff, it is hard to see the wood for the trees when examining their own data. Hiring a third party supplier can help leverage and enhance the information they already hold. There is a certain level of cost involved. But as better customer insight will enable firms to use their data properly and focus their future spend, it will be money well spent.

However, as Mason warns, if you do embark on such a project you must "act on the information you receive at a customer-by-customer level and execute these learnings across different channels to make the most of the intellectual property you have acquired".

Better customer insight will help businesses work out what the potential of their customers might be and how to anticipate their needs. Ultimately, that will improve the bottom line of the business.