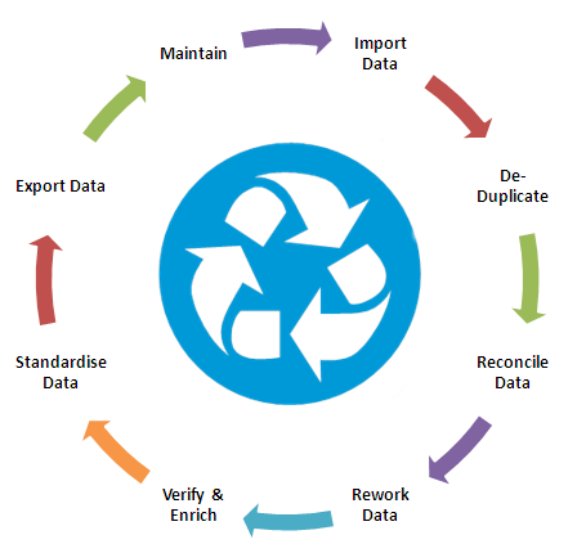
Datamatics White Paper

Quality vs. Quantity: An Email Marketing Perspective



By Satish Mittal
Business Development President
CRM Data Expert

Datamatics Financial Services

July 2014

Datamatics Financial Services

Table of Contents

Overview

Consequences of a Defect

Relevance to Modern Marketing

The Price of Poor Data

Continuous Improvement to CRM Data

Summary

July 2014

This White Paper is for informational purposes only. Reproduction in any manner whatsoever without the prior permission of the publisher, Datamatics Financial Services Limited is strictly forbidden.

The facts of this profile are believed to be correct at the time of publication but cannot be guaranteed. Please note that the findings, conclusions and recommendations that Datamatics Financial Services Limited delivers will be based on information gathered from both primary and secondary sources, whose accuracy we are not always in a position to guarantee. As such Datamatics Financial Services Limited can accept no liability whatever for actions taken based on any information that may subsequently prove to be incorrect.

Section 1

Overview

Many organisations agree that email marketing is the one of the main tools that can aid in reaching out to the prospects.

As a key player in the B2B email marketing segment, Datamatics connects with several marketing professionals and receives their feedback about the data quality and its impact on organisation productivity and customers. Most of them express frustration and dismay over the quality of their prospect and customer contact databases. On an average, 35% of the available data is obsolete, while only 25% of the data turns out to be relevant and is used for marketing purposes. This situation is alarming for sure.

This white paper attempts to outline the costs and consequences of poor CRM data quality and also highlights the possible strategies for overcoming the bad data dilemma.

Section 2

Consequences of a Defect

The cost of rectifying a defect depends on the time taken for identifying the defect in the first place; lesser the time taken, the lower is the cost and vice versa. This universally applies to all the functions of an organisation. A poor quality car part identified during the production stage is finally being repaired / replaced in a garage. This situation could have been avoided if a thorough quality check would have been carried out at the initial stage of production. A similar approach has been advocated in software development and testing. Industry analysts claim that the cost of repairing a defect during the post-production stage is 25 to 100 times more than the cost of capturing it in the initial stage of coding itself.

Continuous improvement of quality at the origin of a process/component has therefore become a core value for survival. The Deming's philosophy offers an apt illustration.

''… by adopting appropriate principles of management, organizations can increase quality and simultaneously reduce costs (by reducing waste, rework, staff attrition and litigation while increasing customer loyalty). The key is to practice continual improvement and think of manufacturing as a system, not as bits and pieces''

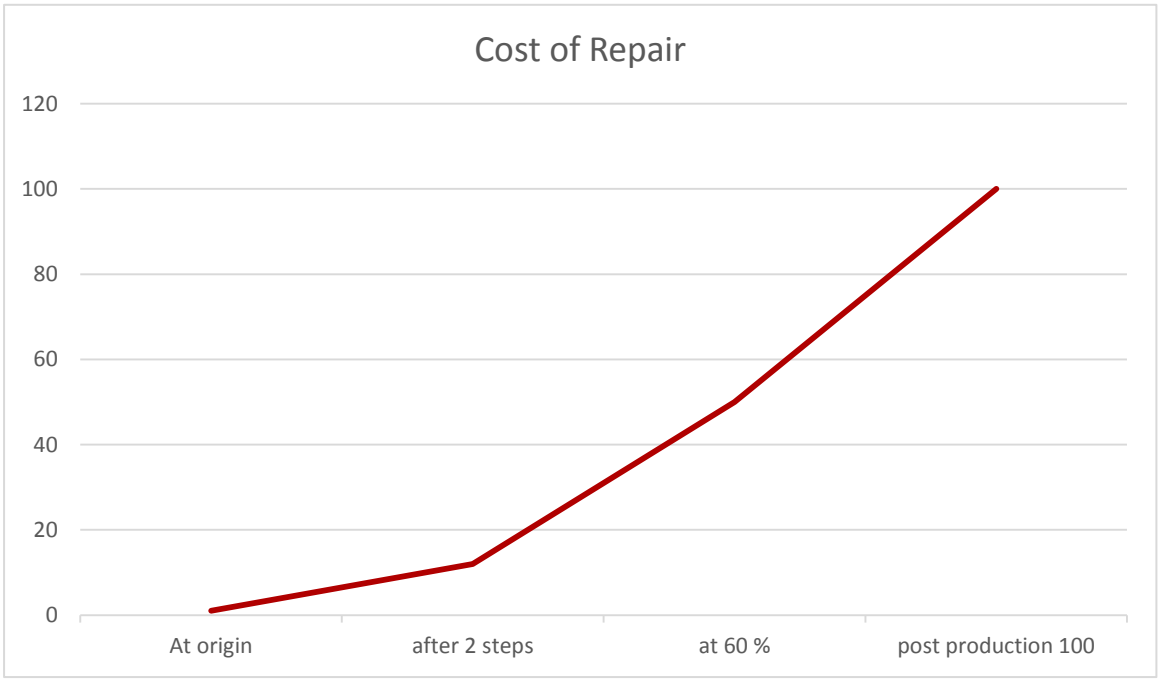


Figure 1: Cost of Repair

Section 3

Relevance to Modern Marketing

Let's try and apply the Deming's philosophy to modern email based marketing strategy and processes.

Evidently, the principles developed by Deming for manufacturing in early 20th century were successfully applied in the software industry and have proved to be correct. The modern, highly automated tool based approach applied to email databases is similar in behaviour to software development and manufacturing processes.

The hierarchal involvement of CRM data usage across the sales/marketing functions in a B2B environment can be broadly illustrated as below:

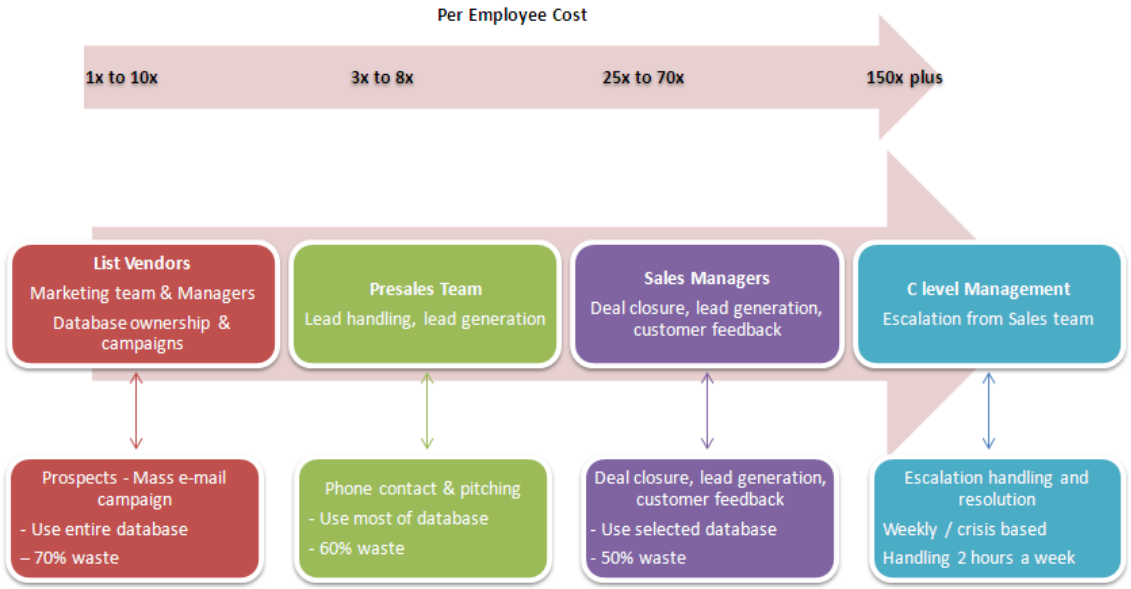


Figure 2:

The process outlined above is almost institutionalised across all organisations and the common feedback that is received from various organizational teams is as follows:

Marketing Team – *I have this large database of half a million contacts that I have just acquired. I am sure we can meet our target.*

Sales Team – *Almost always I find that more than 50% emails bounce and if I call the prospect, I find that either the number is wrong or the person does not work there or is in a different role. I am wasting at least 1 hour on this every day. I wish we had a smaller but accurate database.*

C Level – *Why do I have to get into this escalation of poor quality data and waste time? Why is my team wasting so much time on inaccurate data?*

CIO – *My CRM database is cluttered with useless and obsolete data; if this was not the case, my IT assets could be more productive.*

Section 4

The Price of Poor Data

All defects that are overlooked at the initial stage cause setbacks in the organisation's attempts of maximising the value to its stakeholders. It is possible to quantify the price an organisation pays for poor CRM data.

The following table is an attempt to estimate the direct cost.

Parameters	Data Accuracy 50 %		Data Accuracy 90 %		Price per hour
	Quantity	No of Hours for Attempt	Quantity	No of Hours for Attempt	
No of successful closure desired	1		1		
No of leads required	10	100 hours $10000	8	80 hours $ 8000	10 hours per lead - @ $ 100 per hour
No of qualified prospects to be reached out on phone	100	500 hours $25000	50	250 hours $ 6250	5 hours per prospect – $ 50 per hour
No of prospects required to be reached out on email from database	1000	80 hours $2400	400	32 hours $ 960	5 min (0.08 hours) per prospect – $30 per hour
No of entries in the database	1500	$750 $0.5 per entry	450	$ 450 $ 1 per entry	Accurate data is double the price per entry
C level intervention to handle frustration	30 mins every week	0.5 hours $500	5 mins every week	0.08 hours $ 80	$1000 / hour
Total Cost US$		**681 hours $38650**		**362 Hours $15740**	

While it is possible to estimate this price for direct costs, the price paid in terms of mental frustration, drag on energy and inappropriate customer contact is huge.

Thus poor quality data increases the cost of a successful closure by almost 100%.

Alternatively put, the cost of defective data keeps increasing as the defect keeps creeping in the sales process!

It is important to note that the cost of a correct entry in the database is only $ 300 more for the entire quantity but translates into a much higher cost of several thousand dollars if the entry is incorrect and needs to be rectified at a later stage.

Section 5

Continuous Improvement to CRM Data

As the obsolescence rate is almost 33%, the aspect of 'continuous improvement'' (rather than a one-time exercise) cannot be overemphasised. Deming's principle outlined in the beginning of this document can be reworded for CRM database as below:

''… The key is to practice continual improvement and think of DATABASE as a LIVE, CHANGING system, not as bits and pieces''

Continuous Improvement:

A continuous improvement would involve an ongoing activity – i.e. identify errors, rectify and repeat at a certain frequency. The management and team need to focus on capturing the defect at its origin, as is done in the manufacturing/process world as a matter of routine!

Based on experience with many customer requests for data validation, I propose the following methodology for CRM data management:

-Inventory of existing data verses desired segments and taxonomy (identifying the gaps)

-Rework on gaps and duplication, qualify and purge rejects

- Maintain the data by reworking on gaps /email bounces/new additions on a monthly basis!

This is also illustrated below:

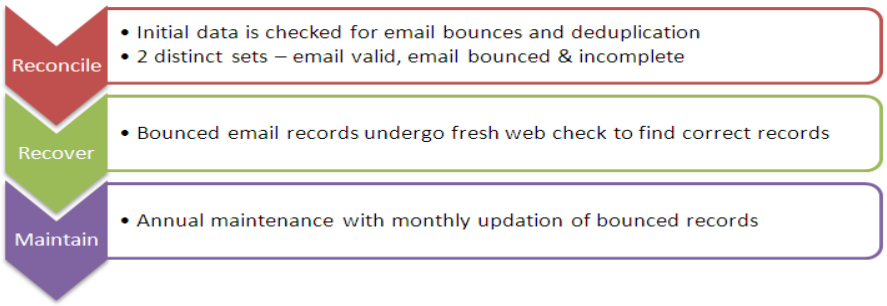


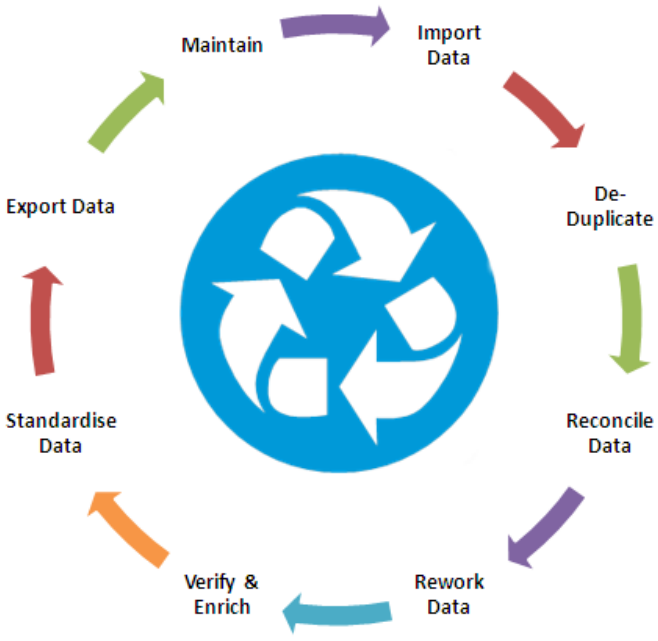
Figure 3: CRM Data Management Methodology

A monthly update of the data can capture the defects at the origin and greatly improve productivity of the Sales & Marketing team. With up-to-date and accurate data, messages can be highly targeted and the teams can leverage their time on data analysis and segmentation rather than data correction. In fact, it is worthwhile to have a dedicated team (often with a vendor) to focus on the monthly updates. The work is largely manual, and IT tools can be of limited help.

Section 6

Summary:

With CRM data becoming the backbone of B2B marketing and sales strategy, Deming's principles of continuous improvement need to be applied to this process. A regular (at least monthly) maintenance of data can improve productivity, reduce chaos and costs. This requires a shift of focus in data management from 'post event correction' to 'prevention'.



About the Author

Satish is a senior professional in Sales and Marketing strategy. He has worked in the Customer Acquisition and Retention segment for last 3 decades across a diverse range of industries and continents. These include GE Capital, Mobil, Pizza Hut, Godrej, PhS UK, Hexaware Technologies & now Datamatics.

An MBA from IIM Ahmedabad, he also holds a degree in Engineering from National Institute of Technology, Bhopal.

About Datamatics Financial Services

Datamatics Financial Services is a leading provider of B2B data services to clients globally. Headquartered in Mumbai, India, our 100+ strong team provides highly accurate, researched, custom built data to enable marketers to reach out to the target audience and accelerate lead generation.

Datamatics was established in 1975 and has delivered more than 1 million records to marketers in June 2013 – June 2014 period alone! Datamatics Financial Service lines also include Finance and Accounting BPO, Investor Services and Transaction Processing.

Datamatics Financial Services Limited

Plot No B-5, Part B Cross Lane,
MIDC, Andheri (East),
Mumbai 400 093, Maharashtra, India
Telephone: +91 22 6671 2001
Website: www.datamaticsbpo.com