

The Big Payback on Quality Data

Five tenets companies embrace to realise ROI



Today, companies are bombarded with an exploding volume of data in corporate applications and through social media. Not surprisingly, data inaccuracy is at an all time high.

At a time when companies are scrutinising the ROI of every expenditure, why invest in data quality? Simply put, accurate and complete data throughout the organisation provides a gold-mine of intelligence that can be used to strengthen competitive position.

According to The Gartner Group¹, poor data quality drains a company on average \$8.2 million annually in squandered resources and expenses for operational inefficiencies, missed sales and unrealised new opportunities. In addition a Forrester research study² reveals that only 12% percent of companies actually use data-driven intelligence to guide key business functions and corporate strategy. That means that 88% are putting up with the waste, inefficiencies and lost opportunities that dirty data creates.

Companies that commit to data quality use their knowledge of customers, prospects and vendors to achieve top-line and bottom-line results.

COMPANIES THAT REALISE THE ROI OF QUALITY DATA EMBRACE FIVE KEY TENETS

1. DATA QUALITY IS A BUSINESS ISSUE, NOT AN IT ISSUE

Companies that are leaders in data quality place the responsibility of data-quality sponsorship with a C-level executive. The senior champion, along with a cross-functional group of line and IT experts, creates the most effective team to sell, frame and drive a data-quality initiative. Nearly half the firms in Forrester's research enlist C-level executives to champion the initiative. Customer-facing line functions guarantee that data and process decisions support business delivery. Finally, IT plays a consultative role in recommending options to help the implementation team meet its data quality goals. Broad representation ensures that improvements address the biggest ROI opportunities across the organisation, including credit management, vendor management, sales, marketing and business development.

BUSINESS IMPACT

Consider the ROI impact of these operational efficiencies, if you:

- Improve cash flow by reducing DSO to 2-3 days
- Shorten sales cycle time from 120 days to 108 days
- Increase customer retention by 4-5%
- Reduce error/defect rate by 3-5%
- Reduce time reps spend on comp adjustments by 3-5%
- Reduce vendor costs by 10-20%

“Service reps and sales people on the front line were fearful about not being able to be customer-responsive...but that was quickly offset by the improved data quality and the overall elimination of time-consuming, non-value-added activity that incorrect data causes.”

Ritch Cushway, Global Customer Financial Services Manager, Dow Corning

2. AN EXPLICIT DATA GOVERNANCE STRATEGY IS THE LINCHPIN TO ESTABLISHING AND MAINTAINING DATA QUALITY – MOST CRITICALLY AT THE POINT OF ENTRY

When data is dirty, there is typically an underlying business process issue to address. To build a clear understanding of the current state, leading organisations perform a company-wide audit of data assets, requirements and processes that support business delivery.

Even when the processes above are done right, it still comes down to the ability to improve the data you have today. Data-quality initiatives require a third-party referential data set – a single standard of verified information – to consolidate the many sources of customer and prospect information. The benefit of this process is the elimination of duplicates via correlating each record with a global-unique identifier. This persistent key also links corporate-family hierarchies and makes it possible to append additional demographic, contact and predictive information.

Companies should select a data provider that can offer multiple options for the initial integration and ongoing data maintenance in addition to the ability to support global data needs. Application programming interface (API) and other web-based solutions are appropriate for companies that require real-time access to intelligence. Flat file delivery suffices for companies that require periodic updates.

Once the provider is selected and the data is made available, shape a data governance strategy that places huge importance on the point of record creation. When data is dirty at the point of entry, downstream systems are polluted. Many leading firms restrict the ability to create new records to a small set of highly-trained, customer-facing data stewards. These stewards span marketing, sales, service, finance, and product, customer and vendor management. These stewards assume ongoing responsibility for the integrity of the data and enforce the rules that drive the quality of customer intelligence. Many initiatives encounter initial resistance to strict data-governance policies, which typically diminishes as data quality yields improvements across the organisation.

THE COST OF POOR DATA QUALITY

It is far more cost-efficient to prevent data issues than to resolve them. If a company has 500,000 records and 30% are inaccurate, then it would need to spend \$15 million to correct the issues versus \$150,000 to prevent them.

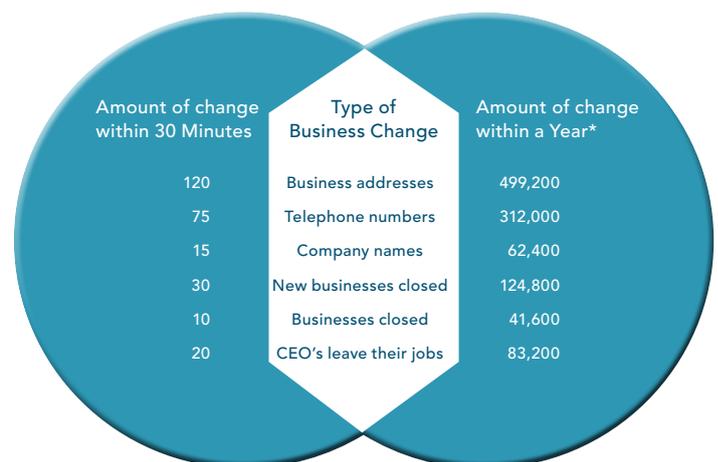
PREVENTION
\$1X per Record
RESOLUTION
\$10X per Record
CORRECTION
\$100X per Record

“Companies need a third-party data-quality reference...to start with and build upon. It gives organisations a place to begin. But keeping data clean is an ongoing pressure. If your data is stale and your data cleansing approach is stale, your business decisions will be stale.”

Ray Wang, Principal Analyst and CEO, Constellation Research

THE 360-DEGREE VIEW CHALLENGE – HARNESSING THE EXPONENTIAL EXPLOSION OF DATA

The sheer volume of data entering corporations in more ways and faster is overwhelming. The accelerating pace of data degradation exacerbates data-quality issues. According to the Sales & Marketing Institute and D&B data, up to 96% of email addresses and contact data within customer files and CRM systems are at least partially inaccurate. CRM degradation is approaching two percent per month. This means any activity that hinges on accurate data is compromised, causing waste and depressing results. The following chart illustrates the challenge of maintaining data accuracy due to the dizzying rate of change. Settle for nothing less than a 360-degree view of any company.



BUSINESS IMPACT

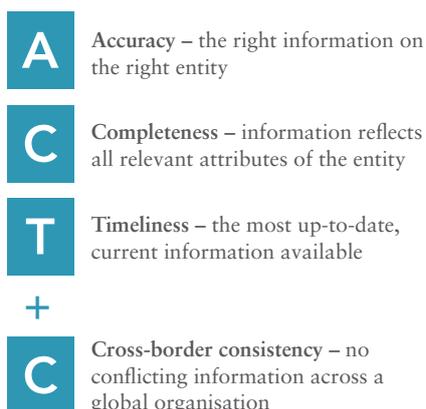
Consider the ROI impact of these operational efficiencies, if you:

- Reduce data latency by 10-12 business days to 1
- Reduce duplicates in your database by 10% - 20%

3. SETTLE FOR NOTHING LESS THAN A 360-DEGREE VIEW OF ANY COMPANY

A single-company view forms the foundation to support all activities and processes across an account lifecycle. For most companies, customer and supplier data resides in silos – obscuring a clear view of current reality and future potential, and thwarting operational efficiency. To achieve this single view, every source of data – from both internal and external sources – must be collected, cleansed, validated, merged, enriched and linked into one complete and accurate view.

ACT+C – The standard of data quality



Superior data quality yields a thorough understanding of customers and how to best serve them. In today’s global economy, data quality should factor in the accuracy, completeness, timeliness and cross-border consistency of a customer record. Consider the outcomes of leveraging customer intelligence:

- **Integrated account information maximises revenue from existing customers and uncovers new prospect opportunities:** Quality data can improve the ability to set priorities for sales and marketing. The complexities of multiple customer offices, branches, divisions, subsidiaries and contacts around the globe are eliminated when a global-unique identifier consolidates them into one unified view. Armed with a holistic picture of each account and its buying trends, companies can identify cross-sell and up-sell opportunities that maximise revenue. And, with an accurate footprint of ideal customers coupled with industry intelligence, companies can mine data to find prospects with a similar profile and a greater propensity to become customers.

- **Thorough account intelligence provides a roadmap of how to best serve customers:** With any sizeable customer, true insight into the relationship is typically elusive. How many ways can American Telephone and Telegraph be captured into corporate systems, and how many subsidiaries with other names belong to the same corporate family? How big is the account in total? What are they buying? What is their risk profile?

Again, a global unique identifier ties together all company-related activities and insights for efficient and effective account management. Gone are the days of the manual rollup. A formerly labour and cost-intensive process is replaced with a 360-degree understanding of every customer. With a true picture of actual revenue across all related entities, customer service can match appropriate service levels to the total size of the account. And, with real-time, ‘rolled up’ account risk information, finance can protect cash flow by setting credit limits based on a company’s ability to pay on time.

- **Insight on key suppliers prevents product/service delivery disruption and reduces spend:** Quality data mitigates risk and maximises opportunity not only with customers, but also with vendors and suppliers. It identifies the suppliers most likely to disrupt the supply chain and those most likely to deliver. It gives companies the opportunity to consolidate vendor relationships to realise purchasing economies. Quality vendor intelligence not only comes from the procurement department, but also needs to be selection criteria for a company’s data provider.
- **Customer intelligence drives business strategy – and competitive advantage:** Companies that value quality data as a corporate asset use it as a strategic tool to create competitive advantage. A 360-degree understanding of a business provides fact-based direction on profitable new strategies. Investing in quality data unleashes the necessary insights to a promising future. Not investing in it stacks the deck in favour of competition that does.

BUSINESS IMPACT

Consider the ROI impact of these operational efficiencies, if you:

- Improve cash flow by reducing DSO to 2-3 days
- Increase up sell/cross sell opportunities by 2-3%
- Reduce vendor costs by 10-20%

“Data quality is something that we have struggled with for several years. Because data lived in disparate systems across the organisation, we could not get a true picture of our customer. We could not link the many locations and relationships of a single legal entity, limiting our ability to truly understand our customer and to identify cross-sell and up-sell opportunities. The way we housed and maintained enterprise information made it impossible to get one holistic view of what we were selling and how we were servicing customer accounts. Our industry classifications changed year-to-year, making market analysis impossible. Finally, we couldn’t automate comprehensive financial analysis. It was a highly manual process that required bringing together information from different business silos within the organisation, so it was difficult to understand P&L.”

Laura Avent, Manager of Customer Master Data Governance, Lexmark

4. IN TODAY’S DATA-DRIVEN WORLD, SALES & MARKETING SUCCESS AND QUALITY DATA ARE INEXTRICABLY LINKED

Not only have quality data and marketing automation raised customers’ expectations for relevant and timely information, but they have also redefined the way marketing and sales can work together to increase revenue and reduce costs. Data-driven marketers play a more strategic role in maximising the ROI of marketing spend – profiling customers and then targeting, nurturing and handing “buy-ready” leads to the right sales person. They systematically shepherd the leads through the process and hand them off to sales at a point that makes the most of their costly customer-face time. Now armed with a 360-degree view of a customer across divisions, geographies and corporate-family-tree relationships, sales can more effectively manage their accounts to realise their full potential for up-sell and cross-sell and coordinate appropriate service levels. Customer intelligence is indispensable to marketing and sales’ success in this data-rich marketplace.

BUSINESS IMPACT

Consider the ROI impact of these operational efficiencies, if you:

- Improve deliverability/connectivity by 4-5%
- Increase response rate by 1-2%
- Increase win rate by 2-5%

“Marketing is all about personalisation. With the precision that you need to bring to marketing today, you can’t get away with anything less than the purest and the best data. Quality data also links all of a customer’s digital and physical multi-channel activities together.”

Sue Turnbull Worldwide Marketing Operations, Ricoh Production Print Solutions

5. DATA QUALITY ROI IS A LEAP OF FAITH THAT DELIVERS MEASURABLE RESULTS

Many aspects of data-quality ROI are intuitively obvious -- accurately profiling customers to find more like them, reducing the cost of marketing campaigns by precise targeting, nurturing prospects with relevant and timely information and offers, improving the hand-off of qualified leads to sales, reducing staff time in manual consolidation of account activity across corporate family and internal systems...the list is virtually endless. And, the current state of data quality, priorities and business impacts vary from company to company. Consequently, it is impossible to construct one universal formula for measuring the ROI of a data-quality initiative. It's all about choosing the metrics that matter most to an individual business – the ones that senior management agrees offer the biggest potential for improvements. Outline key performance indicators (KPIs) to link data quality to ROI. KPIs that focus on business processes with the greatest impact on improving customer experience and loyalty offer the greatest opportunity to decrease costs, increase revenue and drive profitability. In the end, it's the combination of the intangible and tangible measures that paint the complete ROI picture.

One CIO explained managing customer data quality this way: “When I eat I don’t measure the ROI for food. I simply need to eat or I will starve. The same goes for managing customer data quality—we simply need it. If we don’t manage our customer information well, we are starving our company of potential dollars. For some things I don’t need an ROI calculation. The benefits are obvious.”³

An ROI framework includes both top-line and bottom-line opportunities. Some dimensions are harder to measure but are important drivers of investing in data quality, including:

- A data-driven comprehensive understanding of current reality and future potential of all customers, geographies and industries to drive revenue growth
- Faster, more informed decision-making
- Streamlined, value-added processes
- Improved financial insight and profitability

Other dimensions are easier to quantify. The following template provides several common ways to measure the impact of reducing operational inefficiencies with quality data. The guidelines below help you frame your own customised business case. Select the dimensions that make sense to your business and tailor the metrics accordingly.

It is virtually impossible to overestimate the value of quality data. Without data accuracy, completeness and integration across applications, companies cannot mine customer intelligence to understand and serve customers optimally. Overcoming the inherent challenges -- legacy system silos, the exploding volume and types of information sources and harnessing rapidly-developing technologies that support customised information delivery – will surely result in a solid return on investment.

DATA QUALITY SCORECARD

BUSINESS IMPACT	Improvement Dimensions	Benchmarks	Company Benchmark	Annualised Overall Business Impact
	Reduce data latency	5-10 days		
	Reduce duplication	10-20%		
	Improve deliverability	4-5%		
	Improve response rate	1-2%		
	Shorten sales cycle	10-12 days		
	Reduce error/defect rate	3-5%		
	Increase pipeline close rate	2-5%		
	Increase up-sell/cross-sell	2-3%		
	Increase customer retention	4-5%		
	Reduce DSO	2-3 days		
	Reduce comp adjustments	3-5%		
	Reduce vendor costs	10-20%		

“Within IT, data quality has also helped us to manage our vendor relationships more efficiently and cost-effectively. We performed a spend analysis on how much it costs to manage supplier relationships and found that it costs us, on average, \$100 to maintain a vendor record. D&B’s data helped us analyse our most profitable vendor relationships and reduce the number of our suppliers globally, reducing our vendor management costs by 75%.”

Ray Wang, Principal Analyst and CEO, Constellation Research

1 Gartner Group

2 Assessing Your Customer Intelligence Quotient, Forrester, <http://www.forrester.com/Assessing+Your+Customer+Intelligence+Quotient/fulltext/-/E-RES53622?docid=53622>

3 Ziff Davis Media Custom Publishing, Data Management Dynamics: THE ROI from Data Quality



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