WHITE PAPER

Enhance your customer understanding with integrated real-time business data to accelerate sales

“Whether you want to close deals, find new customers, or even manage regulatory and legal compliance, D&B Direct can provide you with the insights you need to accomplish your goals.”

– Jim Carey, Adjunct Professor, Marketing Measurement and Integrated Marketing Communications Program, Medill School, Northwestern University
Two hundred years ago, Prussian military strategist Carl von Clausewitz wrote about the “fog of war.” He described the physical problem of a battlefield choked by black powder smoke, which led to the strategic problem of having to make high-stakes decisions based on incomplete, incorrect, and poorly communicated battlefield intelligence. Officers could not tell what was really going on, but they had to act immediately.

Sound familiar?

In today’s dynamic marketplace, informed decision-making is critical. Yet decision makers don’t always have the tools to understand the “battlefield intelligence” available within the data they have on their own customers.

Where Are You Now?
The marketplace has never been more challenging. Buyers have more choices and more knowledge to inform their purchasing decisions. And supply chain management and strategic supplier initiatives give your customers even more leverage.

As a result, outside suppliers (that’s you) have to jump through more hoops, while customers’ pencils are sharper and margins are under pressure like never before. Even personal relationships matter less. When customers order online, can you still take them to lunch? If you actually find someone to dine with, will he or she have the authority to make a decision? As hard as you work to build a relationship with this customer, you may find yourself starting from ground zero when that person moves on in six months.

The same pace of change is occurring inside your own organization. As a result of mergers, acquisitions, downsizings, and employee turnover, companies lose institutional memory and knowledge—and no one really knows the lay of the land.

To remain competitive in this ever-changing landscape, your organization has made an immense investment in IT infrastructure and support. Unfortunately, in most cases these systems were designed and implemented piecemeal—rather than in aggregate. Data silos—in finance, sales, customer service, CRM, channel management, online marketing and more—are very common, and can prevent you from sharing valuable insight across the organization.

Sales and marketing professionals thrive on understanding relationships. Yet, instead of getting information about relationships, these departments are overloaded with reports on transactions. Such transactional data reveals who bought what yesterday, but so what? How does this transaction compare to the overall buying trend or to similar customers? To each customer’s potential? What didn’t happen that should have happened? You just don’t know.

Here’s the irony: If you’re only looking at transactional data, you may actually know very little about your best customers.

Under these circumstances, sales and marketing could be in the fog.

Lifting the Fog

There’s no need to struggle blindly, armed only with transactional data, when it’s easy to acquire real-time relational data to support specific business needs. Since information is not the same as understanding, it’s the integration of transactional data with relational data that lifts the fog. While this takes work and resources, the costs are trivial compared to the IT investments your organization has already made—and dwarfed by the potential financial benefits.

If you have a hard time calculating the ROI on lifting the fog, take a look at the cost of ignorance. How often have you said, “If only we had known…”?
Is it wise to assume your competitors will stay ignorant or slow? Probably not. Good judgment is assuming the competition is getting smarter and more agile, and that you must do the same.

While being smart does not guarantee success, being ignorant guarantees failure. By effectively integrating relational data with transactional data, it’s possible to start making smarter decisions in months, not years.

The following eight initiatives provide the foundation for smarter decision making with relational data:

1. Account Integration
2. Market Basket Analysis
3. Revenue Concentration Analysis
4. Account Trend Analysis
5. Account Vitality Analysis
6. Account Potential Analysis
7. Revenue Source Analysis
8. Account Segmentation

These initiatives can run in parallel, leveraging the same data for different purposes. It’s a realistic ambition that, with dedication, you can make smarter decisions in just 12 weeks. Avoid paralysis by analysis. These initiatives will help you target where the money is coming from, changes in key accounts, and/or leading trends—so you can stay focused on how you can act on this knowledge to capture new opportunities.

Think of this as an iterative exercise, almost like software. You want a good working “beta,” then version 1.0 and continuous improvement after that.

**1. Account Integration**

The oldest cliché in computer science is: “Garbage in, garbage out.” Now we deal with a fleet of garbage trucks!

Today, everyone does data entry: the sales team, order entry, customer service, the web team, channel partners, and even customers. There is little, if any, quality control. How many ways can you input “International Business Machines Corporation”? For any sizable customer, there is a high degree of complexity. People, offices, branches, divisions, subsidiaries, and acquisitions … each with its own purchase dynamics, many with different names.

*See Illustration A — Family Tree.*

Of course, the customer expects you to connect the dots. However, without relational data, you can’t. Remember the story of the blind man feeling the tail of the elephant … and thinking it was a snake? You need to understand the “whole elephant.”

To understand the full nature of your relationships, start by integrating D&B’s DUNS (Data Universal Numbering System) linkage.

Here is an example of how to do this:

1. Take your last three years of order entry data. It is often best to start with a slice of this data, for example, a sales region, and scale up once you understand how to do it.
2. Use D&B’s match service to assign DUNS numbers to each location. There will be some unmatched locations, usually due to bad data entry in order entry (OE). Don’t worry. If you match 85 percent of the revenue in the initial phase, you’re doing well.
3. Use the DUNS linkage to connect different parts of the customer account and roll up the data points from warehouse shipping locations all the way to the corporate headquarters.
4. Pay special attention to your strategic accounts. This may require manual data review.
5. Take the revenue and product class data from your OE systems.
6. Calculate revenue and product activity on the most granular basis possible. Look at transaction dates, number of purchases, units, product class, and revenue.

7. Add total revenue on monthly, quarterly, and annual basis.

8. Add product class revenue per location on monthly, quarterly, and annual basis. A separate exercise may be required to translate SKU numbers to product classes.

9. Sometimes the finance team can provide the cost of goods sold (COGs) data. From there, you can calculate gross margin per location.

10. Roll up location revenue, product, and gross margin performance to larger levels of the customer organization and, ultimately, to the enterprise.

11. Finally, integrate the DUNS linkage into your OE system so the relationships will be automatically updated in all future orders. D&B’s SaaS services, like D&B Direct, prevent a lot of the “garbage in” issues at the point of record creation.

With these data enhancements in place, every IBM order, for example—across the enterprise’s subsidiaries, branches, and locations—will be recognized as issuing from the same organization and as part of the same relationship. Now it’s possible to see the whole elephant, and this new knowledge will enable your company to make smarter decisions about how to manage and grow that account.

**Illustration A—Family Tree**
2. Market Basket Analysis

Now that the account is linked, it’s possible to understand the totality of your customer’s product purchases. What are they buying? What should they be buying? Real-time data helps you focus on what your customers should be buying based on what may be happening in a particular industry, etc.

It’s reasonable to assume that similar companies have similar needs, and therefore similar product/service requirements that your organization can provide. With your product/service category data and D&B’s industry data, you can compare these purchase patterns and uncover new sales opportunities.

Here’s a simple example using XYZ Paper Company. One market that XYZ sells to is the legal vertical. If 80 percent of XYZ’s law firm customers buy legal paper, what does that tell you about the other 20 percent? Where is that business going? These customers might not be buying because they don’t need legal paper, your prices are too high, or because the competition serves their needs better. Whatever the reason, you need to know because there may be an opportunity for a quick win.

Often, just as you don’t see their “whole elephant,” your customer doesn’t see yours. For many reasons, including turnover on both sides, a customer may not know your full range of products. (We have all heard, “I didn’t know you did that!”). A market basket analysis can help strengthen your ability to plan winning sales strategies. See Illustration B—Market Segments.

3. Revenue Concentration Analysis

After Account Integration, you can rank order account revenues in a manner that makes sense for your organization, which could be by vertical, territory, product line, etc. This enables an understanding of where revenues are coming from.

<table>
<thead>
<tr>
<th>Account Rank</th>
<th>Market Segment One</th>
<th>Market Segment Two</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of Accounts</td>
<td>Cumulative Last Year Revenue</td>
<td>Revenue Mean</td>
</tr>
<tr>
<td>Top 1%</td>
<td>42</td>
<td>$81M</td>
</tr>
<tr>
<td>Top 5%</td>
<td>207</td>
<td>$140M</td>
</tr>
<tr>
<td>Top 10%</td>
<td>415</td>
<td>$167M</td>
</tr>
<tr>
<td>Top 15%</td>
<td>622</td>
<td>$181M</td>
</tr>
<tr>
<td>Top 20%</td>
<td>830</td>
<td>$189M</td>
</tr>
<tr>
<td>Total</td>
<td>4,148</td>
<td>$203M</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Account Rank</th>
<th>Market Segment Three</th>
<th>Market Segment Four</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of Accounts</td>
<td>Cumulative Last Year Revenue</td>
<td>Revenue Mean</td>
</tr>
<tr>
<td>Top 1%</td>
<td>68</td>
<td>$63M</td>
</tr>
<tr>
<td>Top 5%</td>
<td>341</td>
<td>$114M</td>
</tr>
<tr>
<td>Top 10%</td>
<td>682</td>
<td>$134M</td>
</tr>
<tr>
<td>Top 15%</td>
<td>1,023</td>
<td>$143M</td>
</tr>
<tr>
<td>Top 20%</td>
<td>1,364</td>
<td>$149M</td>
</tr>
<tr>
<td>Total</td>
<td>6,820</td>
<td>$161M</td>
</tr>
</tbody>
</table>

Illustration B—Market Segments
The real-life example below shows account revenues by market segment, providing insight into the accounts driving most of the revenue.

The 685 accounts highlighted were only 2.5 percent of the more than 25,000 accounts. But they drove 56 percent of corporate revenue, an estimated 75 percent of net profit!

That’s right—now you know that 2.5 percent of accounts drive 75 percent of profits. It’s the 80/20 principle… on steroids.

And—with D&B’s data—you would know more about each of these 685 accounts. See Illustration B—Market Segments.

4. Account Trend Analysis

Predicting the weather requires more than looking out the window and noting how the sky looks. In the same way, understanding your market requires more than a monthly sales report. To understand the trend, you must ask and answer the following questions:

1. Is the account growing, shrinking, or staying about the same?
2. What has the trend been over time?
3. How many of your top 685 accounts—the strategic accounts that drive your business—are growing?
4. How many were in the top five percent two years ago, but declined? Who are they?
5. In declining accounts, does D&B data indicate the total business was growing in spite of the customer’s declining revenue with you?
6. How many of your top 685 accounts suffered declines in their revenues last year?
7. How long has each account been a customer? For years? A recent arrival? What was the business event that triggered them to become a client in the first place?
8. How do newer accounts differ from older accounts?
9. Do customers buy year-round, monthly, at the beginning of their fiscal year, or as needed?
10. What is the purchase trend? Does the customer make sporadic “whale” purchases or regular buys of smaller items?
11. What is the average time between purchases?
12. How long has a customer been inactive? What happened? Why was the business lost? Was it in your control?
13. Finally, the Sherlock Holmes question: “What did you expect to happen, but did not?”

Analyzing your integrated account data provides the answers and information necessary to formulate a smart strategy that is in sync with the nuances of a particular account.

5. Account Vitality Analysis

In a healthy relationship, you serve many of your customer’s needs. When the basis of a relationship is too narrow—one buyer, one product, one location, one need—you risk being on the losing end of a strategic supplier initiative. Or worse, you may not even be considered a strategic supplier.

The opportunity to become a strategic supplier—or better yet, “partner,” may be closer than you think. In building on the Market Basket Analysis, you can now understand how broad and deep your account relationships are and how vulnerable you may be to replacement. You can know:

1. What proportion of your customers’ locations are buyers?
2. How many of your product lines are being purchased?
3. What is the mix of revenue across product lines?
4. If baseline products are purchased, what about the add-ons?
5. Is purchasing centralized or distributed?
6. How has the product purchasing mix changed over time?
7. What and when was the last new product line bought? Does the customer even know you have it?
8. Have purchase influencers changed?

This information can help you determine when to work on selling more of the same product or service, as well as when to sell upgrades or cross-sell additional product/service categories. On the relationship end, it shows where to put efforts toward influencers, coaches, decision makers, and so on. Since the relationships are so important, it’s vital to have the latest landscape of where all the players are in your account. Another value of real-time data is that you can keep current on your best contact on the account. If one of your strongest allies moves to a new division, you have two opportunities: at your ally’s new division and with your ally’s replacement.

This strategic approach provides a roadmap on where to spend valuable sales time and effort. Naturally, it’s important to have confidence in the data you are using for this important roadmap.

6. Account Potential Analysis

Many sophisticated companies do account planning in their rearview mirrors—last year plus 10 percent. An alternative is to invest based on potential incremental revenue growth.

To estimate potential incremental revenue growth, build on the integrated internal D&B data set you already have. By understanding the relationship of your revenue to your customer’s total business activity, you can be smarter about your real potential.

Going back to the XYZ Paper Company example, let’s assume a good customer buys four cases of paper, per employee, per year. If D&B data indicates that the firm has 100 employees, there is a potential for 400 cases per year. At $20 per case, the estimated annual revenue potential is $8,000. However, if XYZ is only selling the law firm $4,000 of paper annually now, it’s capturing an estimated 50 percent of the firm’s spend in the category. The next step would be a strategy to capture the full potential of that customer.

Of course, a law firm is a more paper-intensive environment than, say, a bowling alley. Account potential estimates need to be based on the type of business. D&B’s SIC codes classify accounts for an “apples-to-apples” comparison.

To do this analysis yourself, look for relationships between D&B’s data and your integrated revenue (from the Account Integration Analysis). Likely D&B data to include would be:

- Business type (SIC)
- Headquarters vs. branch office
- Estimated annual revenue at the site, in the division, in the enterprise
- Number of employees at the site, in the division, in the enterprise
- Number of locations

After the data is in shape, calculations are straightforward: See Illustration C—Account Potential Analysis.
Account Potential Analysis for XYZ Paper Co.

<table>
<thead>
<tr>
<th>Data Point</th>
<th>Source</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current Account Revenue (A)</td>
<td>Account Integration Analysis</td>
</tr>
<tr>
<td>Number of Employees (B)</td>
<td>D&amp;B</td>
</tr>
<tr>
<td>Estimated Revenue Potential per Employee (C)</td>
<td>Account Segmentation</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Calculation</th>
<th>Result</th>
</tr>
</thead>
<tbody>
<tr>
<td>B x C</td>
<td>Account Revenue Potential (D)</td>
</tr>
<tr>
<td>A/D</td>
<td>Current Share of Wallet</td>
</tr>
<tr>
<td>D–A</td>
<td>Estimated Incremental Revenue Growth (E)</td>
</tr>
<tr>
<td>Sum of E (revenue growth) across territory</td>
<td>Potential Incremental Revenue Growth for Territory</td>
</tr>
<tr>
<td>Sum of E (revenue growth) across enterprise</td>
<td>Potential Incremental Revenue Growth for Enterprise</td>
</tr>
</tbody>
</table>

Illustration C—Account Potential Analysis

Estimate total revenue potential, share of wallet, and potential revenue growth for each location. From there, roll that up on an enterprise basis.

This strategic look may be revealing. Total incremental revenue potential for all current customers (organic growth) may be far greater than new revenue from new customers (new customer growth). It is not unusual to find that even the biggest accounts have achieved only a fraction of their potential. These customers can be your fastest source of revenue growth.

Another potential for a fast win is analyzing multi-location customers. An account with large revenue and decent year-over-year growth may be considered a mature account. Yet, if an analysis found that revenue came from only 117 of more than 800 locations, clearly there is room for growth.

Account Potential Analysis can become a key element of helping you make smarter sales and marketing investments.

7. Revenue Source Analysis

Revenue reports are typically based on product sales, territory sales, channels sales, promotion results, and individual account sales. This shows top-line revenue, but what is happening beneath the surface?

It’s possible to understand revenue from your customer’s point of view based on your previous relationship with them. Here’s how.

When evaluating customer relationship status, current year revenue falls into five categories, four of which are actual and one theoretical. Actual, positive revenue comes from continuing revenue, organic growth, win-back revenue from previous customers, and new revenue from new customers. Theoretical “negative revenue growth” comes from declining and lost revenue from existing customers.

The illustration below helps explain these definitions:

<table>
<thead>
<tr>
<th>Category</th>
<th>Customer Relationship</th>
<th>Definition</th>
<th>Calculation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Continuing</td>
<td>Existing</td>
<td>Continuing revenue from Last Year</td>
<td>If Y1=$10K, and all $10K revenue is Continuing</td>
</tr>
<tr>
<td>Organic Growth</td>
<td>Existing</td>
<td>Growing revenue from Last Year</td>
<td>If Y1=$10K, and $10K is Continuing, and $6K is Organic Growth</td>
</tr>
<tr>
<td>Win-back</td>
<td>Lapsed</td>
<td>All accounts where there was a previous relationship, but no Last Year activity</td>
<td>100 percent of revenue from existing accounts with no activity Last Year</td>
</tr>
<tr>
<td>New</td>
<td>New</td>
<td>All new revenue from new customers</td>
<td>100 percent of revenue from newly created accounts</td>
</tr>
<tr>
<td>Declining/Lost</td>
<td>Existing</td>
<td>“Negative revenue” due to a decline in account revenue</td>
<td>If Y1=$10K, and Y2=$5K, then $5K is Declining. If Y2=$50, then all $10K is Lost. Note: A theoretical value, but one you should know.</td>
</tr>
</tbody>
</table>

Illustration D—Revenue Source Analysis
Key findings from this example include:

- Most of current year revenue came from continuing revenue from existing accounts, plus organic growth from existing accounts.
- Only 1.7 percent of revenue came from new clients, and this was after a significant advertising spend—presumably aimed at new customers.
- Declining and lost revenue ($48.6 M) from existing accounts was 28 times the revenue from new accounts ($1.7 M). Organic growth from the healthy accounts masked the losses in the unhealthy accounts.

Slowing the decline of the $48M lost revenue by just 10 percent yields $4.8 M in revenue or nearly three times your new revenue. (See Illustration E—Customer-Centric Revenue Analysis.)

It’s important to understand these cash flows and to track revenue sources on an ongoing basis. Only then is it possible to know if your sales and marketing resource allocations align with your cash flows and revenue sources.

8. Account Segmentation

Now you know the total revenue and gross margin of each account, what products they buy, how healthy they are, and what their potential is. Additionally, you should have a sense of whether the customer buys centrally or if purchase decisions are distributed.

D&B identifies the type of business, number of employees and locations, and key financials.

How can you organize all this knowledge to more effectively address customers’ needs and build your business? Clearly, this complex reality does not call for a “one-size-fits-all” approach. The only way to effectively accomplish this is by dividing your customers into logical groups and segmenting. See Illustration F—B2B Segmentation.

In statistics, good segmentation is exhaustive and exclusive. In marketing, good segmentation is understood by all the key players and is actionable. Many segmentation exercises fail because they are too complex and don’t distinguish what is to be done with each segment.

How many segments can be managed effectively? Usually about five segments, which should be grouped based on current size and future potential. For marketing programs, that should align with what you want the accounts to do and how you intend to address them.

You could do much worse than manage these five segments:

<table>
<thead>
<tr>
<th>Actionable, Understandable B2B Segmentation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Big Account/High Potential</td>
</tr>
<tr>
<td>Medium Account/High Potential</td>
</tr>
<tr>
<td>Small Account/Fuggedabolish</td>
</tr>
</tbody>
</table>

Illustration F—B2B Segmentation
Over time, your results will dictate upgrades to this initial segmentation.

If you have specific vertical market offerings, maintain that structure. However, you should aggregate all the accounts in the vertical to review their size, health, maturity, and potential—both individually and for the whole vertical. You may find a vertical that is nearly maxed for your current offering, while another has a lot of growth potential. Use this understanding to inform marketing investment decisions.

Where to Go from Here

With these tools and strategies, we can begin to think of sales and marketing as customer portfolio management and analyze such issues as “where do we invest?,” “where do we harvest?,” and “where do we divest?” These analyses take time and focus, but they can yield actionable insights to help you be smarter and faster than your competitors. Because you can do a much better job answering, “What is happening?”, you can focus on your real value.

You can ask, “Why is this happening?” and then, of course, “What are we going to do about it?”

D&B Direct Data-as-a-Service solution provides unique linkage, coverage, accuracy, consistency, financial intelligence, business intelligence and documentation—all in real time. Whether you want to close deals, find new customers, or even manage regulatory and legal compliance, D&B Direct can provide you with the insights you need to accomplish your goals. No data is perfect. But, in this case, nothing else comes even close. Progress without D&B’s real-time data can be made—but slowly and with dramatically higher required resources. Do you have the time, the money and the willpower to develop the expertise? Why reinvent this well-designed wheel with your own time and money when you can focus instead on what you uniquely know best—your own business!

The fog will begin to lift.

ABOUT THE AUTHOR

Jim Carey is an adjunct professor for Northwestern University’s prestigious Medill Integrated Marketing Communications Program. His areas of expertise include direct, database, and e-commerce marketing strategies, as well as marketing measurement.

This paper describes how sales and marketing decision makers can access this intelligence to make informed decisions in a business-to-business environment.

The case study cited used D&B data and is from a B2B technology software company that markets to major accounts. Similar analyses have been performed for many other B2B clients in industries such as technology, plastics, industrial distribution, and consumer electronics.

The analyses have been applied to understand the following B2B audiences—major accounts, SMB, channel partners/resellers, higher education, federal government, state & local government, and K-12 education.