



QAS Global Contact Data Management Report
January 2008

Contact data: the profit maker or the neglected asset?

Independent research by Dynamic Markets
Commissioned by QAS



DYNAMIC MARKETS

Foreword

Contact data: the profit maker or the neglected asset?

Consumers are more aware of their rights with regard to personal contact data than ever before. Registrations to the Mailing Preference Service have grown massively in recent years from 2.48 million in September 2005 to 3.48 million in September 2007. That's a rise of 1 million in just two years. The numbers will go on rising if organisations don't change their attitude to data integrity at all stages of the process, from initial collection to ongoing management, cleansing and suppression.

Research conducted by QAS in 2007 finds that the overall approach to data quality and integrity in organisations around the world is at best half-hearted, at worst, cavalier. Compared to research from 2005 there are some improvements, which is encouraging, but the evidence that desire isn't being turned into positive action is very clear.

The dangers, and consequences, of ignoring action around contact data management are varied and vast. As the type of contact data held on individuals becomes more sophisticated, there is an expectation from consumers that organisations will be more respectful of it. It's not just about a name and address anymore. Information about people's lives and lifestyles is very much a part of delivering tailored products and services.

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As such, poor management of this data has more impact than ever. Based on today's climate, attention is also being given to its impact on the environment, especially amongst the direct marketing community. Likewise with the increasing incidence of identity fraud and sophistication of fraudsters, many organisations are adding to the problem by neglecting to check the veracity of the personal details they collect. If contact data is not captured effectively and securely, then organisations risk their customers' details being used fraudulently by people claiming to be them.

Granted, the above two issues do require a lot of attention. However, let's not forget the mainstream problems of poor data management which may not be grabbing the headlines right now, but should still very much be on the board room agenda: brand reputation, customer acquisition and retention, reducing costs, meeting compliance and driving new or increased revenue. This applies to companies operating in both B2B and B2C markets.

Equally, people want to interact with organisations they can trust. Many factors go towards building trust, not least getting the right contact information, maintaining that data over time and not letting details be fraudulently used by other people.

This research takes a global look at how, and if, organisations are taking their roles toward contact data management seriously. It considers whether organisations' desire for better data management is matched by their actions, and where the responsibilities should lie.

There appears to be more action around data quality amongst larger companies and those with a compelling reason, such as financial services that are regulated in the UK by the FSA. Perhaps if bodies such as the Information Commissioner's Office were given more support and funding to safeguard our data, then maybe organisations would take data quality more seriously on a wider scale.

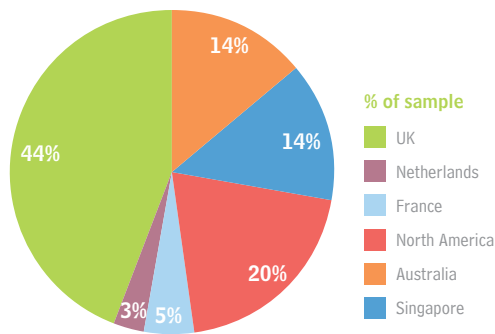
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QAS

Introduction

QAS commissioned Dynamic Markets to undertake a quantitative research study to investigate attitudes towards the integrity of contact data held within organisations. 2,078 organisations in six countries around the world are represented, with a varied focus of those operating in B2B, B2C or both markets. Each organisation has at least one customer or prospect database that is managed and maintained internally. The research was conducted by means of an online survey.

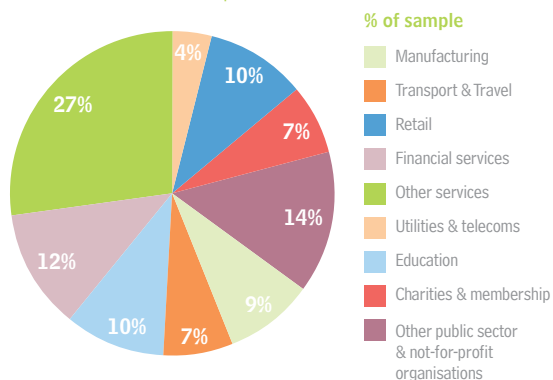
Figure 1:
Countries represented by the sample



The six countries represented by the sample are the UK, the Netherlands, France, North America, Australia and Singapore. Sectors represented by the sample include transport & travel; retail; financial services; utilities & telecoms; education; manufacturing, including construction, agriculture and mining; charities & membership; and other public sector and not-for-profit organisations.

The respondents include CEOs and managing directors, plus executives from IT, marketing, sales, human resources, finance, administration, and operations/production/logistics functions.

Figure 2:
Sectors included in the sample



Global summary

96% of those interviewed recognise that a lack of data management impacts on revenue. On average, the percentage of budget or funding that is wasted as a result of poor data is 19%.

Despite this, only 46% of organisations have a formal strategy in place to look at data quality. This is a significant improvement on 2005 where only 27% could make that claim. But, it still suggests that the majority of organisations do not have an enterprise-wide view of their data.

Organisations collect a broad range of information on their contacts, from basic name and address information to time at address and profiling elements such as date of birth or business SIC code. However, only half of organisations claiming to have targets relating to how accurate, complete and up-to-date their contact data is.

Worryingly, only 8% of organisations validate all of the information that they collect and 34% do not validate ANY of the information that they collect.

It also seems that businesses are finding it harder to comply with data regulations than in 2005.

Progress or not

What's changed since 2005?

- 73% of organisations recognised the impact of poor data quality on their bottom line back in 2005. Today this has increased to 96%.
- Organisations estimate they waste 19% of revenue or funding due to bad data, compared to just 6% back in 2005.
- Today there is less confidence with compliance. 27% of organisations say they are totally compliant with database-related regulations compared to 37% in 2005.

Which countries are the most advanced?

- The UK claims the smallest amount of revenue lost due to poor data (17%) compared to other territories. Singapore claims the most (29%).
- The UK is the most compliant with database regulations (87%), closely followed by North America and Australia. The Netherlands is the least compliant (73%).

Which industries are the most advanced?

- Retail, charities & membership claim the smallest amount of revenue lost due to poor data (15%) compared to other industry sectors. Utilities & telecoms claim the most (23%).
- The financial services sector is the most compliant with database regulations (89%), closely followed by charities & membership, and retail. The manufacturing industry is the least compliant (76%).

Key findings

Poor data quality results in reduced revenue and non-compliance

The implications of poor quality data fall into two distinct categories. The first is the risk to the organisation's revenues as a result of lost business as a result of customer dissatisfaction. The second is the risk of non-compliance, and the associated risk of damage to the company's reputation.

The financial cost

Organisations do seem to realise the financial implications of poor quality data. A staggering 96% of respondents believe that inaccurate and incomplete customer or prospect data costs their organisation something, in terms of wasted resources, lost productivity, or wasted marketing and communications spend. This is a significant increase from our data quality study in 2005, when only 73% recognised its impact.

On average, respondents estimate that the amount of revenue (or funding) wasted in this way is 19%. This too, is much higher than the figure of 6% from 2005. This could be due to a heightened awareness of financial implications over the past two years and the fact that organisations are able to measure this more effectively.

So, has this awareness been turned into action? In the next section of the white paper we look at attitudes towards data strategy and setting targets. What we do know is that organisations with a documented data strategy have increased from 27% to 46% in the past two years, suggesting a direct correlation between strategy and understanding of revenue potential.

By way of country analysis, The Netherlands claim the lowest amount of revenue lost at 11%, while Singapore claim the highest at 29% - see figure 3. By sector, respondents in travel and transport (22%) and utilities (23%) feel it costs them more compared to retail or charities and membership (11%).

Yet despite changing opinions, still nearly half of respondents (48%) admit that they do not know how much money is wasted. And not surprisingly, more respondents in large organisations are unsure of the scale of the problem, compared to smaller businesses (fewer than 250 employees).

Figure 3:
Average percentage of lost revenue / funding - country

Country	Average revenue / funding
UK	17%
Netherlands	11%
France	18%
North America	18%
Australia	18%
Singapore	29%

Compliance risks

There seems to be less confidence with compliance than in 2005. Only 27% of organisations say they are 100% compliant with database-related regulations. Back in 2005, as many as 37% believed they were totally compliant. So what's changed? Is it harder to be more compliant two years on? Have opt-in and opt-out rules made it trickier to comply? Or do organisations not feel under any particular threat as a result of being non-compliant? To date in the UK, very little action has been taken by the Information Commissioner's Office against firms that do not abide by the Preference Service laws, for example.

Additionally, we suspect that the majority of organisations are compliant with some of the principles of the Data Protection Act. Yet many continue to hold inaccurate customer and prospect data on their databases. Compliant or not, this is hardly best practice, but is perpetuated by the cavalier attitude towards data quality that seems to exist in many organisations.

In terms of average degree of database-related compliance, organisations in the UK are the highest at 87%. The least compliant at 73% are The Netherlands. By sector, the average degree of compliance varies from 76% to 89% - see figure 4.

And in this instance size does matter. More (24%) large organisations say they are as much as 90% compliant compared to 19% of smaller businesses. From a resource perspective, larger organisations, equipped with compliance departments, may stand a better chance.

Figure 4:
Average degree of database-related compliance - sector:

Sector	Average compliance levels
Manufacturing	76%
Transport & Travel	83%
Retail	85%
Financial services	89%
'Other' services	83%
Utilities & Telecoms	80%
Education	84%
Charities & Membership	87%
'Other' public sector and not-for-profit sector	82%

Key findings

Data quality strategy

46% of global organisations that hold and manage customer/prospect databases have a documented data quality strategy in place. This is fairly consistent across all territories, with data quality strategies being most common in North America (52%), compared to the UK (42%). However, this is a great improvement on the figures from 2005, where only 27% of organisations worldwide had a documented data quality strategy (North America 30% and UK 26%).

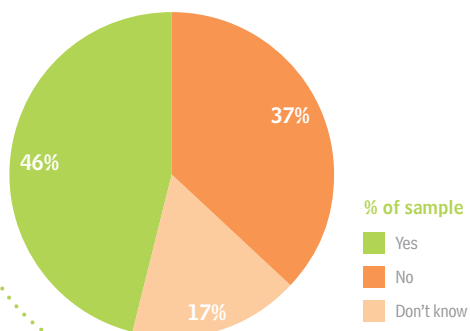
The improvement can most likely be put down to a better understanding of the importance of data quality, and of the implications, financial and otherwise, of failing to maintain high standards of data quality and integrity. Therefore, it is fair to say that some desire has turned into action, but is it enough?

Soberingly, 37% of organisations claim not to have a data strategy and more worryingly, a further 17% are in the dark, saying they are unsure whether they have a strategy or not. So despite the improvements in the past two years, the results still favour the lack of data strategy – see figure 5.

Given we can now prove that poor data costs organisations in terms of wasted revenue, why is data strategy not considered important enough to have a dedicated plan? A marketing strategy or business strategy, which in turn links closely to revenue, would be a must for every organisation. Perhaps one reason is lack of data ownership. We investigate this further in a second report from this research, due later this year.

Among those organisations that have a documented data quality strategy in place, only 37% include all departments within the strategy. Even apparently obvious areas to be included in a data quality strategy document are often excluded. Despite the growth of e-commerce in recent years, for example, only 55% of organisations with a website include data collection and management from this medium in their data strategy. These figures give credence to the idea that data quality is often approached on a department by department basis, in line with departmental budgets. With some departments treating it more seriously than others, and no enterprise view in place.

Figure 5:
Existence of a global data quality strategy



Again, size appears to count for something. 53% of large organisations have a documented data quality strategy, compared to only 38% of small organisations. This is, no doubt, a factor of time pressures and job responsibilities. In smaller companies there is less resource and less likelihood of assigning the role of compliance to a specific individual. Interestingly, more organisations with a B2B focus (41%) do not have a data strategy compared to organisations focusing on B2C (37%).

Data quality targets

Given the small proportion of organisations (46%) that have a documented data quality strategy in place, it is not surprising that there is a real lack of targets for companies to work towards.

The research considered three aspects of data quality. Firstly, the accuracy of contact records. Secondly, the completeness of contact records. And thirdly, the degree to which contact records are up to date. The results for all three aspects of data quality make for worrying reading.

- **data accuracy** - 48% of organisations do not have targets, or don't know what they are
- **data completeness** - 49% of organisations do not have targets, or don't know what they are
- **degree to which contact records are up to date** - 50% of organisations do not have targets, or don't know what the targets are.

Only 47% of organisations cited targets for all three elements of data quality, whereas 54% cited targets for any of these targets. Therefore, encouragingly, where data targets exist organisations tend to have them for all three. And most targets where they exist are higher than 80% - see figure 6.

Figure 6:
Average targets for data quality

Elements of data quality	Percentage targets
Accuracy of contact records	89%
Completeness of contact record	84%
Degree to which contact record is up to date	82%

The make-up of a contact record

Delving deeper, the research then went on to look at the individual elements that make up a customer or prospect contact record. We asked respondents which of 15 elements of contact records they collect, including name, address, time at address, telephone numbers, bank account details and other profiling information such as date of birth or business SIC code. It also looked at whether organisations validate them at point of capture and overall accuracy for each element.

Key findings

What data is collected?

All organisations collect at least some elements of contact data from their customers and/or prospects, with 86% of organisations collecting five or more of these components and one fifth collecting over ten.

Financial services, education, charities & membership organisations collect more components than other sectors, with over two thirds collecting date of birth, home telephone number and personal e-mail addresses. This reflects the close relationships that these organisations have with consumers.

Other aspects of data collection are less encouraging. Only 18% of organisations collect details of the consumer or prospect's previous address and postcode, 17% collect details of the time at the current address, and a mere 7% collect details of the customer or prospect's time at the previous address. In addition, few organisations that operate in the B2B space collect profiling elements such as the size of business and number of employees (36%) or business SIC code (29%).

Is the data validated?

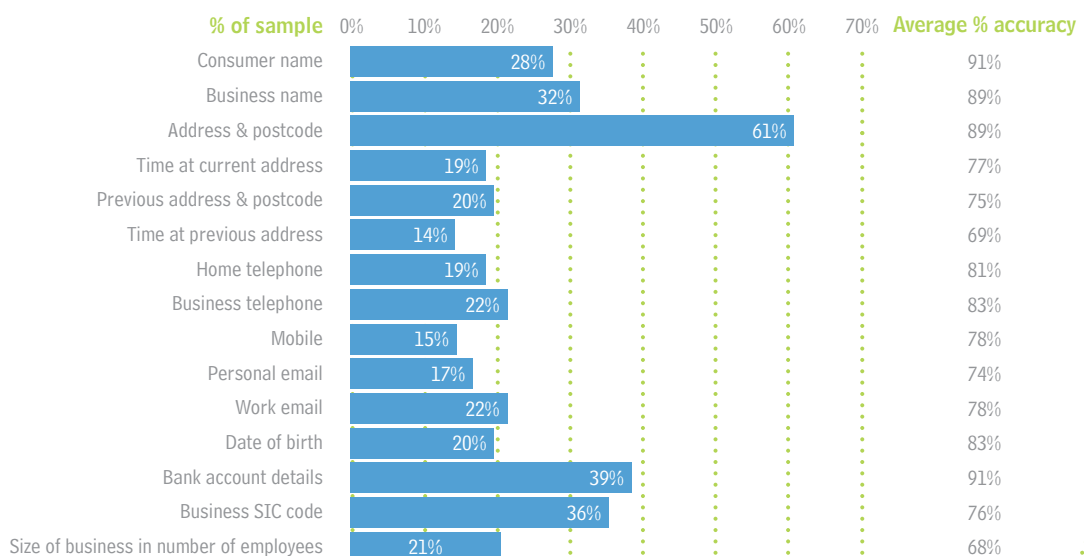
When it comes to validation at the point of data capture, businesses seem to be struggling. Only 8% of organisations validate all of the information that they collect and 34% do not validate ANY of the information that they collect. The danger being that data going into the database is likely to contain a multitude of errors. Some being visible to the eye, others hidden away.

Address and postcode are the only contact record elements that are validated by more than half of the organisations (61%) questioned. The next highest element is bank account details, which are validated by 39% of organisations.

Previous address and postcode are validated by just 20% of organisations, time at current address by 19%, and time at previous address by just 14%. Capture and validation of these specific elements are one of the key tools a business has in the fight against identity fraud as prevention begins at the point of data collection and validation. Identity fraud thrives in environments where consumers' details are taken at face value. It's only by asking for the right information, and then checking that the information provided is accurate and true, that organisations can establish whether the person they are dealing with is who they claim to be. With so little data validation taking place, it is no surprise that identity fraud is one of the fastest growing global crimes - see figure 7.

34% of organisations do not validate ANY of the information that they collect.

Figure 7:
Contact record elements validated at point of capture



Conclusion

Is the data accurate?

Despite the lack of data quality targets, and of validation, organisations are strangely confident with the data they are collecting. Organisations which collect contact record components were asked to estimate the average accuracy of each component they collect. The highest figure was for the consumer's name, and for bank account details, which organisations estimate are collected with an average accuracy of 91%. Of the remaining 13 elements, 10 are estimated to be collected with an average accuracy of 75% or greater. Only personal email address (74%), time at previous address (69%), and size of business, measured by number of employees (68%), score less than 75%.

How organisations can say with any degree of confidence how accurately they are collecting contact record components, given the lack of targets and validation mentioned earlier, is a moot point. Indeed, for all contact record elements, at least 20% of organisations admit that they do not know how accurate the data they collect is.

What does this mean?

Despite some improvement since 2005 it still isn't a perfect picture and the research demonstrates that the majority of organisations still have their heads in the sand when it comes to actually doing something about their dirty data. 96% of organisations realise the implications of poor data quality and admit that it could be losing them a huge amount of potential revenue / funding. But few have the processes, culture and tools to actually do something about it.

For organisations that don't have a true data strategy in place it becomes an impossible task as they do not have the overview of what data is being collected, its importance to the business and the management controls required. The challenge is to move data quality up the agenda, not by making it a strategic project but making sure that it is a vital element of business and departmental strategies.

Sometimes it is difficult to know where to start. Marketers, for example, often factor poor data quality as an uncontrollable factor in their campaigns. They know that a certain proportion will not make it to the recipient so increase the pool of contacts so that they can still reach their targets. Wouldn't it be better to get data quality right in the first place so that the contact pool and volumes of mailings could be reduced?

Something needs to change

Attitude is most definitely one thing. Measurable targets must be set so that organisations can track performance, identify gaps and make recommendations and investment into the right areas.

A change to the law is another. At present, it is all too easy for organisations to ignore data quality. Even obvious disregard for customers' mailing or telephone preferences carries weak penalties. If there was tighter regulation on data quality, could we be in a situation today where related green issues and even identity fraud weren't such a problem?

For data management to get the recognition it deserves, companies must take an organisational approach to data quality that is related to their business goals.

Top tips to improve your data quality

Build a business case

Measure the current impact of data quality within your organisation. What type of data do you collect? What is it used for? Look at the financial implications. If data quality improved by just 1%, what impact would that have on your customer acquisition and retention, marketing campaigns and customer satisfaction?

Devise a data quality strategy

Look at the type of data that you want to collect and measure going forward. For example, if you operate in the B2B space, wouldn't it make sense to append employee numbers/turnover to your data so you know the scale of the organisation you are working with? Tie in your objectives with the strategic objectives of your organisation so you're all working to the same end gain. Set SMART targets around how complete, accurate and up-to-date your contact information is so that you can use them to monitor your effectiveness.

Secure buy-in

Many data quality projects fail because they don't have support from all the necessary stakeholders. Typical stakeholders include the Board, senior management and IT. Education is vital to get everyone on board and explain what's in it for them. You should discuss the options available to improve existing processes and manage control. Having a well communicated, formal data strategy will also help ingrain data quality into your organisational culture.

Make the technology work for you

Effective finance, CRM, HR and Business Intelligence systems rely on good data. If you put poor data in, you can expect poor data out which can have a serious impact on decision-making. Using software tools to control the data entering these systems, and manage data quality within, ensures that you get the most from your technology.

Don't do it alone

Technology alone is not sufficient. Merging data from multiple sources, for example, can be a risky process. Pitfalls can appear along the way if the project is not managed correctly, so try not to tackle it alone. There are many organisations that can provide professional expertise to ensure that the project runs smoothly.



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