

The data revolution: liberating lost budgets

An Experian whitepaper



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1. Foreword

The global economy is introducing some interesting language into the business lexicon. 'Austerity' is the new buzzword.

In January, a Gartner survey of global Chief Information Officers (CIOs) didn't make happy reading for those looking for signs of recovery in IT budgets, predicting virtually flat global growth and even slight falls in Europe and North America. It's clear that long-standing pressures on all budgets continue and companies face a challenge in maintaining effectiveness.

But, as the research from Experian and Dynamic Markets covered in this whitepaper shows, there is some good news. There is a largely untapped source of efficiency that can dwarf cuts across organisations. On average, data inaccuracy is wasting between 15 and 18 per cent of all departmental budgets¹. To put this into context, a large organisation with an IT budget of £50 million could, by harnessing the power of good data, liberate more than £9 million².

This might seem like a big number, but accurate data is now a primary business driver. This is further reinforced by findings from this survey that show that companies investing in improved data accuracy in the past year have realised average additional profit of close to £1 million.

More good news comes from findings that show the mobile marketing platform is taking off at light-speed and the almost mythical Single Customer View is within reach. Both offer companies new avenues for growth. It's tough out there, but this Experian/Dynamic Markets research shows that there is a wealth of opportunity available to companies investing in high quality data.

Joel Curry
UK Managing Director
Experian QAS



¹ Dynamic Markets: 'Global Data Quality Research Report 2012'

² Gartner Executive Programs report: "Amplifying the Enterprise: The 2012 CIO Agenda" <http://www.gartner.com/it/page.jsp?id=1897514>

2. Executive summary

Dynamic Markets conducted online surveys with companies in the UK, USA and France on behalf of Experian QAS to measure attitudes to data quality. Results were delivered in early 2012.

The research shows that achieving data accuracy continues to be a challenge for companies, both in the UK and elsewhere. More than nine out of 10 companies believe that their customer and prospect data might be inaccurate, with a quarter of the data they hold containing inaccuracies.

This is having a real impact on the bottom line for all departments, not just IT — 89 per cent of respondents report that departmental funds have been wasted owing to data inaccuracy. An average of 15 per cent of departmental budget is wasted, rising to 18 per cent in IT and Data Management departments. At a time when budgets are under constant pressure, this is significant.

Perhaps because of ongoing economic pressures, organisations are becoming increasingly aware of the problem. The 2011 Experian QAS/Dynamic Markets survey, just 12 per cent of companies reported waste in excess of 10 per cent of departmental budgets, whilst the 2012 survey shows that figure has risen to 17 per cent. Perhaps because of this, the survey also shows that companies are investing in data quality — on average, each of the companies surveyed put £285,349 in data quality initiatives in the past year.

“89 per cent of respondents report that departmental funds have been wasted owing to data inaccuracy.”

With a Gartner survey showing that European IT budgets are set to fall in 2012³, the opportunity to translate this waste into accessible resource is clear. Equally clear from the Experian QAS/Dynamic Markets survey is the fact that companies are working to liberate their ‘lost’ budgets:

- nearly two thirds of respondents have set themselves targets to improve data accuracy;
- 15 per cent of all respondents are aiming for 100 per cent accuracy;
- 35 per cent are aiming for between 75 per cent and 99 per cent accuracy;
- just 14 per cent of companies have targets below 75 per cent.

Companies see a range of ways in which data accuracy can cut down on budget waste. At the top of the list is increased efficiency, with 66 per cent reporting this as a primary concern. The second most popular reason cited was to improve customer satisfaction (57 per cent), with informed decision making, cost reduction, regulatory compliance, the ability to capitalise on business opportunities and risk reduction all coming in close behind.

As well as offering opportunities to negate and even reverse budget cuts significantly, the Experian QAS/Dynamic Markets survey finds that improved data accuracy drives profit generation, with companies that have invested in improved data accuracy

in the past year estimating that they have realised additional profit of over £940,000.

Whilst the survey shows impact internally, it also demonstrates that respondents are aware of the damage that inaccurate data can do externally. Over 80 per cent of the companies surveyed have customer loyalty programmes and two thirds believe that poor data quality has undermined the efficacy of these schemes in the past year.

The Experian QAS/Dynamic Markets survey also focuses on the emergence of mobile data and establishes attitudes towards achieving a Single Customer View.

³ Gartner Executive Programs report: “Amplifying the Enterprise: The 2012 CIO Agenda” <http://www.gartner.com/it/page.jsp?id=1897514>

3. Introduction

3.1 Research methodology

Experian QAS commissioned Dynamic Markets to undertake quantitative research into the latest organisational attitudes to data quality. Online surveys were conducted and results delivered in 2012 with 903 companies in the UK, US and France. A third of all companies surveyed are based in the UK.

Companies ranged from small to medium sized enterprises (250 to 499 staff), all the way up to very large companies (5,000 employees and more). The median number of contact databases per organisation was six.

Industry sectors included:

- Automotive
- Transport and Travel
- Leisure
- Retail
- Financial Services
- Other Services
- Utilities
- Telecoms
- Education
- Charities and Membership
- Public Sector/Not for Profit Organisations

Question areas included: motivation for improving data quality, problems faced in achieving this, confidence in current data quality, the consequences of inaccurate data, potential solutions.

Attitudes were taken from staff of varying levels of seniority; from administrators to directors. Disciplines were similarly diverse, including marketing, CRM, Data Management, Customer Services, IT, Sales, HR, Finance, Operations and General Administration.

“Companies ranged from small to medium sized enterprises (250 to 499 staff), all the way up to very large companies (5,000 employees and more).”



4. Key findings

4.1 Heightened awareness

Organisational understanding of the issue of data quality and accuracy is high. Across the three countries surveyed, 92 per cent of respondents believe that some aspect of their data is flawed. Up to 25 per cent of the information contained in databases is thought to be inaccurate — an increase of two per cent on 2011. In the UK, this figure is even higher, with 27 per cent of data believed to be unreliable.

Whilst this figure is worrying, it is positive that organisations are aware of the issue and that this understanding is being translated into action.

4.2 Internal impact — lost budget

In current economic conditions it's not surprising that organisations are focusing on increased data accuracy. As well as awareness of the problem, the Experian QAS/Dynamic Markets survey shows growing understanding of its impact. In 2011, just 12 per cent of organisations reported more than 10 per cent of their budget being wasted owing to data problems, whilst in 2012 this has grown to 17 per cent.

Of the organisations surveyed, 89 per cent believe that a proportion of departmental budgets is wasted because of inaccurate data. Waste isn't confined to IT and encompasses all other departments, including Marketing, Sales, Operations and Customer Services. In the Financial Services and Education sectors, this figure rises to 94 and 98 per cent respectively.

On average, all departments waste 15 per cent of their budget owing to data inaccuracy, and in IT and Data Management, this rises to 18 per cent. It's also interesting to note that 44 per cent of organisations admit that they don't know how much data inaccuracy costs them, so the figure could be much higher.

4.3 External impact — lost opportunity

Another recent global survey⁴ shows that CIOs rank “attracting and retaining new customers” as their number two business priority, with the number one spot taken by “increasing enterprise growth”. It's imperative, therefore, that organisations maximise returns from existing customers and attract new ones if they are to grow.

In the Experian QAS/Dynamic Markets survey, 83 per cent of respondents state that they operate a customer loyalty programme. Worryingly, in the light of global business priorities, two thirds of these companies report that inaccurate data has had a negative impact on their loyalty programme. For an unfortunate five per cent of these companies, the impact is reported as severe, a further 20 per cent reporting moderate impact and an additional 10 per cent didn't know.

An associated cost of poor customer engagement is damage to a brand's reputation and the survey finds that this is a major consideration for companies surveyed — 41 per cent of organisations cited this a driver for data accuracy.

4.4 Increasing accuracy — to err is human

In 2012, human error is once again cited as the number one reason for data inaccuracies, with the figure climbing from its 2011 high of 50 per cent to 57 per cent this year. Some way behind, insufficient manual resources are quoted as the next most potent barrier to accurate data (29 per cent).

Well into the digital age, it's interesting to note that many companies still rely on 'analogue', human-powered data input. And this is despite the belief that it remains the largest single cause of failure. It seems that the preference for human input is clinging on stubbornly.

In fact, findings suggest that the trend is going in the wrong direction. In the 2011 Experian QAS/Market

Dynamics survey, 40 per cent of organisations reported that they manually measured response rates and/or return-to-sender rates from their marketing campaigns, whilst in 2012 this has increased to 45 per cent. Similarly, last year 40 per cent of organisations carried out manual analysis of Excel spreadsheets, which has risen to 47 per cent today. Finally, in 2012, more than a quarter (27 per cent) of all respondents manually check their databases for accuracy by going through it, row-by-row — up from 24 per cent last year.

Despite this, the benefits of technology are starting to win companies around. Close to half (49 per cent— up one per cent on 2011) use dedicated point of capture software to verify information and 47 per cent use dedicated back-office software to clean contact data after it has been submitted into the database. Nearly 70 per cent of organisations now use one or other of these automated solutions.



⁴ Gartner Executive Programs report: “Amplifying the Enterprise: The 2012 CIO Agenda” <http://www.gartner.com/it/page.jsp?id=1897514>

Whilst this is encouraging, only 26 per cent of respondents use both means of automated accuracy checking and just 15 per cent have completely automated systems.

4.5 Eyes on the prize — a Single Customer View

Alongside efficiency, one of the great prizes of accurate data is attaining the Single Customer View. It offers the ability to unite and harness all contact databases to gain a holistic understanding of customers, no matter what channel they choose to interact with a business.

Of those companies surveyed, 82 per cent state their ambition to achieve it and 62 per cent are already working towards their goal. The reverse of this coin is that close to four fifths of organisations (79 per cent) do not currently have the data accuracy and analytical capabilities they need for a Single Customer View.

Less than one in 10 organisations (eight per cent) currently have a Single Customer View strategy in place, whilst 39 per cent are either currently implementing or developing their strategies. Another 14 per cent are even further from achieving the prize, with no activity underway, though they do plan to do so in the future.

In terms of the Single Customer View it seems that size does matter. Unsurprisingly, it is the larger organisations surveyed — a third of those with more than 50 databases — which report the ability to gain a Single Customer View. Medium sized enterprises (11 to 50 databases) are still in the hunt, with 34 per cent indicating they are in the process of developing or implementing strategies.

4.6 Eyes on the prize – targeting improvement

Progress in improving accuracy is being made. The Experian QAS/Dynamic Markets survey shows ambition, activity and achievement.

Close to two thirds of all companies report that they have data accuracy improvement targets in place. Some are extremely ambitious, with 15

per cent focused on 100 per cent accuracy. Over a third (35 per cent) of companies are setting themselves still tough but more immediately achievable goals, with targets of between 75 and 99 per cent.

More worryingly, 14 per cent have targets below 75 per cent and around a sixth (17 per cent) have no data accuracy targets at all. The UK fares particularly badly here, with the number of target-less organisations topping an above average 23 per cent.

4.7 Eyes on the prize – the £1 million return on investment

In terms of improvements, respondents are ‘putting their money where their mouths are’ and investing to improve data accuracy. Of the companies surveyed, 79 per cent report that they have invested in data accuracy improvements in the past two years. The UK figure is slightly lower, at 75 per cent.

On average, large companies invested more than £500,000, medium sized companies £248,441 and smaller companies £141,795. Average investment for all companies was £285,349.

Of those companies that have invested, 90 per cent have seen an associated increase in profits, with the average global figure coming in at £943,106 — representing excellent ROI.

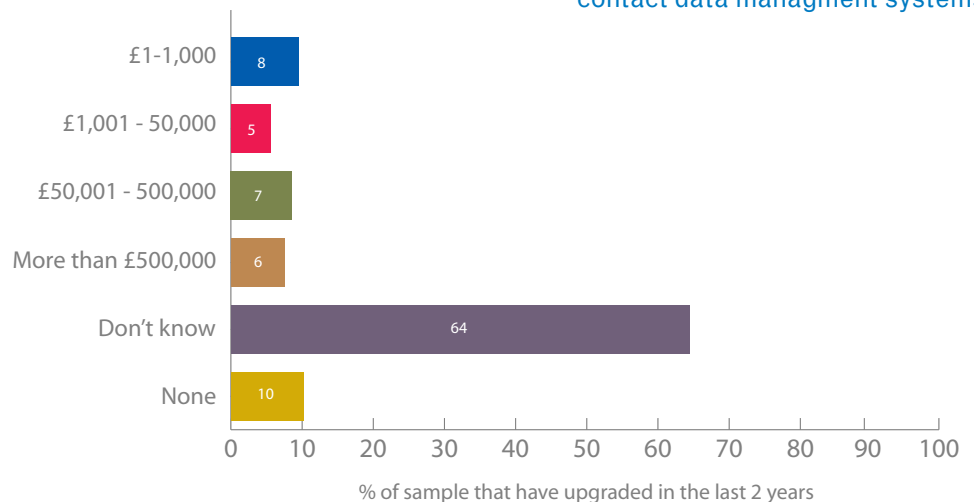


4.8 Eyes on the prize — liberating lost budget

For those companies that do achieve near-perfect data accuracy, rich rewards are on offer. As stated at the start of this section, waste owing to inaccuracy comes in at a loss of between 15 and 18 per cent of total departmental budgets. That’s a big number, no matter what the size of the organisation.

In 2010/11, more than 2,000 global companies were surveyed by Gartner, with an average annual IT budget of around £50 million (\$80 million). If we create a notional UK company of the same size, then according to Gartner’s 2011/12 survey, it would expect to see a reduction in its IT budget of £350,000 (0.7 per cent) in 2012. Experian QAS/Dynamic Markets research suggests, however, that if accuracy is improved to the point where data associated waste is eliminated, the company can expect to liberate £9 million (18 per cent) in lost IT budget alone.

Profit generated by improvements to customer and contact data management systems



5. Multiple channels that can lead to a Single Customer View

Jock Busuttill, Senior Product Manager at Experian QAS, looks at results from the survey that reveal insights into two of the data industry's biggest drivers — the meteoric rise of the mobile and the search for a Single Customer View.

Liberating lost budget and potential profits is a prize worth pursuing, and as can be seen from the Dynamic Markets research, one that is quite feasibly within reach. The question you may now find yourself asking is how best to reinvest this released budget back into your data journey and stay ahead of the curb in how it can be used.

The power of multi-channel marketing is well proven but modern communications are complex, with a huge increase in the variables that can affect whether messages make an impact. Today, hitting the right audience at the right time with the right message can seem like trying to shoot a moving target whilst wearing a blindfold.

It's clear though that some companies continue to hit the bull's-eye and these are the ones that are harvesting valuable data from the latest channels and harnessing it to reach the much sought after Single Customer View (SCV).

5.1 The multi-channel rising star

The concept of multi-channel marketing might not be new, but it is increasing in importance as opportunities open up from existing and emerging communication technologies. As the Experian QAS/Dynamic Markets research shows, the latest channel superstar is mobile - specifically the smartphone. Its growth presents organisations with a choice; simply to see it as just another strand in the tangle of new channels, or as a powerful new string to their bow.

It's estimated that by 2015 UK smartphone penetration will hit 100 per cent and PayPal predicts m-commerce will reach £2.5 billion by 2016. Obviously there will be much more data captured by mobiles for companies to manage and it will play an increasingly important role in multi-channel marketing. It is quite clear from these statistics that mobile data cannot, and should not, be ignored.

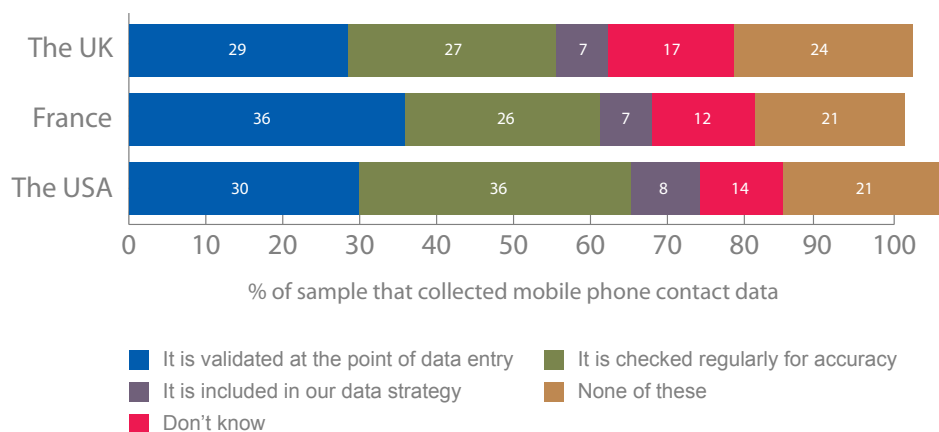
Results from the Experian QAS/Dynamic Markets survey, however, suggest that many organisations are doing just that. Just a tenth of companies (11 per cent) see mobile as a primary customer engagement channel in the coming year, well behind email (42 per cent), physical mail (16 per cent) and even the other new-comer, social media (17 per cent).

This lack of mobile focus may go some way to explaining why 40 per cent of all UK respondents do not collect any mobile data at all. Among the 60 per cent of UK organisations that do collect it, just 27 per cent check it regularly for accuracy. These activities also appear to be standalone, with only eight per cent including mobile in their existing data strategies.

You could be forgiven for assuming that the 11 per cent of organisations that do see mobile as their primary engagement channel would pay greater attention to this data. Startlingly, however, they don't — 49 per cent of these respondents report that they don't collect any mobile data. Of the companies that do, 48 per cent validate data at point of entry and just 38 per cent check it regularly for accuracy. Whether or not industry is prepared for it, there is no doubt that mobile is a valuable device in itself for future data capture, either through the device directly or through third party logins such as Facebook. The importance of harnessing the power of this device should not be underestimated. Luckily, the technologies and insight that organisations need to collect, validate and leverage mobile data are already on hand.

Percentage of organisations that collect mobile phone contact data by country.

Note: This is taken from a multiple choice questionnaire



5.2 Multiple contacts — one customer

With the growing focus on multi-channel marketing, achieving the SCV has never been more important as the key to unlocking the potential profit of data accuracy. Above all, however, it's important to remember that SCV is a journey and not a destination — but it is a stepping stone to better informed customer targeting and personalised services based on prior interactions. Getting there demands an agile and flexible approach to organisational data — and a strategic overview if many communication contact points are to be entwined into a rich view of an individual customer.

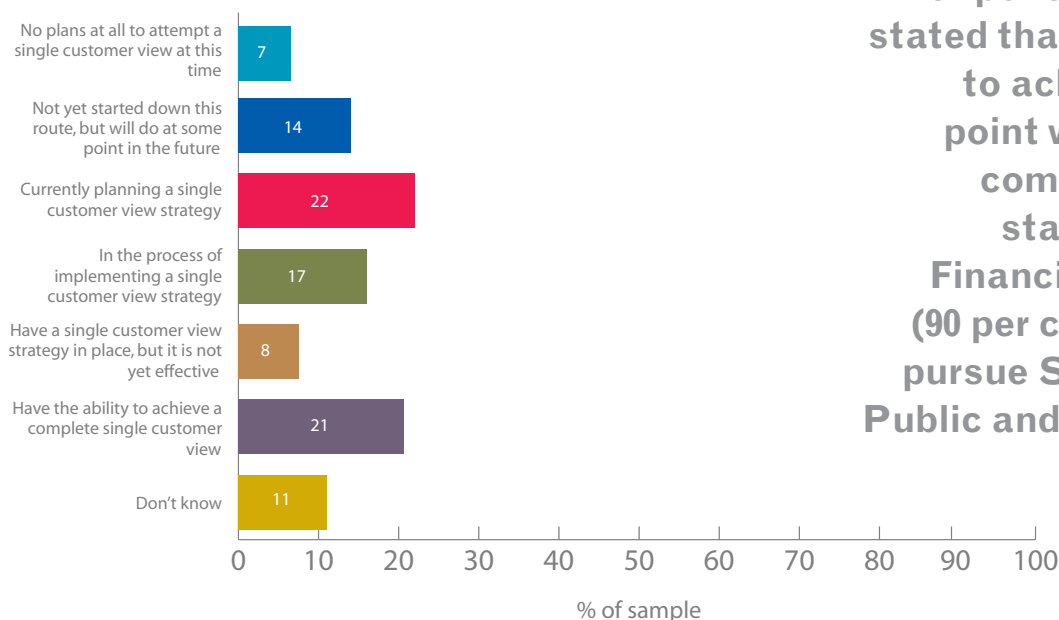
This survey finds that most organisations are alive to the possibilities of SCV, with 82 per cent stating their intention to achieve it at some point. Over two thirds have already started the journey, with Financial Services companies (90 per cent) the most likely to pursue SCV, whilst the Education, Public and Not for Profit sectors lag behind on 74 per cent. Despite the strong desire for SCV, only eight per cent of companies have a strategy in place to deliver it and just 21 per cent believe they currently have the data integrity needed to achieve an SCV.

These findings highlight the barriers facing companies as they try to move towards the SCV. Organisations tend to be siloed, have different people responsible for different parts of the data and often have no clear, overall data governance strategy or data steward. As a consequence, one of the greatest challenges, as highlighted both by the survey and Experian's conversations with customers around SCV, is navigating the political minefield and mediating between all these different data owners. External expertise can be critical in successfully crossing this minefield.

Consequently, organisations will have a far greater chance of successfully getting the Single Customer View beyond the early stages if attention is focused on people, process and good data governance initially. Failing to achieve this will almost certainly see efforts flounder.

The advantages of an SCV are worth the investment of time, money and specialist expertise. By using data intelligently, linking it back to an individual, we can create a Single Customer View that drives customer engagement, lasting and more profitable relationships and a competitive edge:

- Gain an honest understanding of where your data is now so that you can eliminate overload in some areas and plug gaps in others.
- Have a clear idea of what success will look like so you can work towards a clear objective.
- Have the right expertise and high level champions to ensure that objectives are achievable and achieved.
- Be clear about how you will access this data throughout the business.
- Once you have created a data environment that gives you the information you need, constantly re-evaluate it to ensure it keeps pace with fast changing channels and customers.



Single Customer View strategy

82 per cent of all respondents stated that it was their intention to achieve an SCV at some point with over two thirds of companies having already started the SCV journey. Financial Service companies (90 per cent) the most likely to pursue SCV, whilst Education, Public and Not for Profit sectors on 74 per cent.

6. Conclusion - liberate, generate and harness

'Doing more with less' might have passed into the realms of cliché, but it doesn't stop it being a reality for organisations across the UK. With flat or falling budgets, every penny counts and every opportunity for efficiency must be seized if all departments are to remain effective.

This reality is focusing attention on data quality, helped by a growing understanding that in the information age it drives efficiency, profitability and, through better customer engagement, growth. As the 2012 Experian QAS/Dynamic Markets survey demonstrates:

- Increased data accuracy can reclaim between 15 and 18 per cent of budget, potentially liberating millions of pounds.
- As well as maximising existing resources, data can also generate additional revenues. This year's survey shows that those companies that have put money into data accuracy have invested an average of around £285,000. These same companies estimate that the data accuracy derived from this investment has realised an average

additional profit of around £940,000. This is a return on investment of over 300 per cent.

- By harnessing all data, including mobile, organisations can achieve the Single Customer View — bringing unparalleled insight into what customers need, both in terms of content and delivery.

To find out more about how Experian QAS can help to liberate, generate and harness business potential, contact marketing@qas.co.uk.

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