A Data-Driven Approach to Marketing Information Acquisition
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Executive Summary

Measurable marketing signals are growing like a tsunami, increasing the value of accurate business data. Traditionally, data sets are thought of as mere lists, but they are becoming much more useful. During the emerging data era, a purchased database for mailing, calling or emailing is the raw material to initiate customer relationships, to plan inventory and resources, as well as the basis of segmented and targeted marketing campaigns. Marketing technology initiatives that place more emphasis on the quality and measurability of outcomes make data acquisition an increasingly important discipline for developing new markets.

When developing, or acquiring a targeted database, it is important to adopt an organization-wide approach to using the information, employing the data and resulting insights across the company. The database can become a valuable asset for the entire organization.

The benefits of a full lifecycle approach to data acquisition include:

- Alignment of marketing, inventory and fulfillment processes
- Greater strategic flexibility in campaigns and messaging
- Segmentation of data for use in targeting content development and delivery by channel
- Improved inventory, accounting and credit risk management
- The ability to blend internal first-, second- and third-party data analytics to benchmark performance
- Comprehensive data access across the organization

In this white paper, BIA/Kelsey explains a “whole buffalo” approach to the acquisition of data.

Native tribes in the American West were astonished at the wasteful practices of buffalo hunters, who took only the pelt and left the rest of the animal to rot on the prairie. By contrast, native peoples left nothing to waste, using every part of the buffalo they killed, down to the hooves. In the same way, a data asset can be used by only the marketing department, or a larger vision may be employed to harvest the maximum value.
It has taken several decades since the introduction of digital data, but marketers now recognize that databases are much more than the initial mailing targets for a campaign. They have learned to see beyond the valuable pelt of mailing or phone contact information to the demographic or firmographic meat and bone that makes rich well-vetted data sources indispensable to targeted marketing possible.

While an organization can function with only internally developed data from customer lists, inquiry files or other direct contact sources, generally a third-party database provides much greater accuracy, currency, coverage and data completeness. Third-party databases offer a gold standard against which internal files can be cleansed or the depth of demographic or firmographic information expanded. A third-party database, together with internally available data sets, is essential to forecast marketing goals, revenue and inventory requirements, as well as to support expenses and many other uses inside the enterprise. To make the most use of data, the analyst or marketer configuring a database must keep the needs of the whole organization in mind.

The use of a third-party data set, then, imposes some requirements upon the purchase process. Accuracy, completeness of information and timeliness of listings to prevent wasted messaging efforts are essential buying criteria when considering a data purchase. This paper explores how to use an initial wide-ranging investigational step to discover target customers followed by refinement of selection criteria. It examines how to narrow the data purchase to match company customer goals and objectives. A well-developed data set can serve many purposes in the 21st-century business.

The Benefit of Solid Targeting

Traditionally, a database is thought of as only a list of targets, a first step toward conversion. In that context, poor data set-building discipline erodes marketing conversion rates and constricts operating margins. The emerging data-driven approach to marketing is already driving young companies to re-engineer the entire business process of their industry as a core competitive strategy. Poor data in the new world are even more costly to the organization because they can affect business processes well beyond just marketing. Data quality is more important than ever.

Data-centric companies use carefully tested omni-channel communication conversion targets. This allows analysts to project required inventory to support expected sales, to segment customers for targeted messages that increase conversion rates, as well as to plan the allocation of resources throughout the customer lifecycle, from initial direct mail touches, through telemarketing, email, digital and social channels.

The process begins with a deep understanding of the company's first-party data, the information it has collected from customers. However, it is critical that the analyst not depend solely on internal data.
Internal data may include inaccuracies, such as records that have moved or ceased operations. They may have incorrect or missing demographic or firmographic information, or they may contain numerous duplicates. All these factors can work to distort analysis performed on the internal data sets. Instead, analysts should work from their internal data to develop a database specification that includes the incorporation of a third-party database, combining the information to surface new insights.

A third-party database can contribute market demographics, psychographic and industry benchmarks, and a currency in address information. Such data, of course, must be provided by a vendor that has vetted the database it offers for accuracy, currency and coverage.

“The accuracy of a compiled database is its most important parameter,” says Mark Richard, president of DatabaseUSA, sponsor of this white paper. “Sacrificing quality in accuracy is like typing on a keyboard with a couple letters missing. Nothing turns out right.” Generally, data from original compilers, as opposed to web scraping, are more accurate. Sources that verify business information via telephone offer a clear advantage.

Accurate data allow improvement in customer conversion and engagements because of the better-quality name, address and phone number information validated by a database vendor. This is true regardless of whether the campaign is conducted via email, direct mail or telephone. Additionally, though, accurate data enable proper segmentation of the database.

“Proper database segmentation is typically the first step to improved conversion,” says Howard Alexander, vice president of global accounts at DatabaseUSA. “In our experience, more than one marketing channel must be used to reinforce messages. Historically, multi-channel marketing produces 10 percent to 15 percent better response results.”

Among the omni-channel communication methods available, email, the traditional channel in which digital mailing lists are utilized, remains the third-most used source of leads among small and medium-sized businesses (SMBs) and is expected to grow at a compound annual rate of 5.3 percent through 2020 to $3.1 billion in spending, according to BIA/Kelsey’s 2016 Local Media Forecast. More than 73 percent of BIA/Kelsey’s Local Commerce Monitor Wave 20 respondents identified email as an important channel. Only 3.3 percent said it returned “poor” results. Direct mail, too, is still a vital channel for new customer leads, accounting for $36.9 billion in 2016 spending, according to BIA/Kelsey’s most recent U.S. Local Media Forecast.

These figures suggest mastering targeted database selection practices provides direct benefits to any company, and firms that extend the uses of data to strategic and tactical analysis, process optimization and product development are better prepared to compete in the future. However, the benefits of good data-buying discipline also pay dividends immediately in higher initial conversion rates. If that step fails, all
projections based on the purchased data will be less accurate.

Starting with the traditional uses of mailing and contact data, poor targeting criteria lead to immediate damage to a company's bottom line because the messages reach the wrong people. Only 17.9 percent of SMBs surveyed in 2016 achieved “excellent” (10x to 19x spend) or “extraordinary” (20x spend or higher) returns on email campaigns, according to BIA/Kelsey’s Local Commerce Monitor Wave 20.

Many organizations have yet to address the data challenge. Yet judging data only on their immediate revenue potential minimizes the potential for improvement across the organization.

**Figure 1: Reported ROI Assessment of Ad Media, by Percentage**

![Figure 1: Reported ROI Assessment of Ad Media, by Percentage](image)

Source: BIA/Kelsey, Local Commerce Monitor, Wave 20 (2016)
A successful targeted database can also be mined for insight into message customization based on demographic or psychographic criteria, as well as to project sales and stock the appropriate inventory to address demand. It can drive the development of products and future campaigns based on feedback from converted customers, which, when combined with their profile, suggests new product features that would make them repeat buyers.

**Flexible Data Licensing is a Must-Have**

Traditionally, marketers have assumed their department was the only user of their data assets. In today's data-centric reality, however, numerous departments within the organization can gain a competitive edge through the disciplined use of data. With some forethought, the database can become a strategic planning tool. More data early in the data set-building process are necessary to capture a representative sample of a geographic or vertical market. DatabaseUSA’s Alexander says, “You will want to start by casting a wide net in the discovery phase of database acquisition and then do an opportunity analysis before selecting a data set for various targeting.”

For example, the finance department may use data to assess credit risks, while the production planning team may utilize data as part of its forecasting process. Even within the marketing department, marketers cannot anticipate all the lessons their initial data targeting exercise will produce. With flexible licensing, the analyst can explore acquisition of additional data available to improve credit assessment or marketing investigations, or other needs as the organization evolves.

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**As the audience comes into focus, an analyst must interrogate the data and consider multiple uses, such as:**

- Analytics to determine campaign strategy and messaging segmentation tactics
- Sales and marketing team preparation to take appropriate follow-up steps on leads
- Alignment of integrated marketing to ensure the company's message reaches targets in multiple channels
- Operational and fulfillment planning
- New customer credit risk considerations

Because of this, it is imperative that licensing of any purchased data asset be based on complete access to the data. Traditionally, data purchases came attached with rigid licensing terms that specified narrow acceptable use criteria, with any additional use by the
organization triggering substantial supplementary fees. A flexible licensing agreement, on the other hand, recognizes the organization may need to use the purchased database in unanticipated ways and incorporates that reality into the data license to make the purchase much more attractive. This may be done by offering the freedom to pay for only the data used in the actual campaign or including contractual support for multiple uses within the company.

For example, DatabaseUSA provided one of its customers, an international package delivery company, access to its national business and consumer databases to support ongoing omni-channel marketing programs at a “flexible use case” licensing fee versus the industry traditional data licensing fee. The delivery company used DatabaseUSA data primarily for analytical purposes to validate its first- and third-party data, but also to support sales and marketing. Additionally, with the assistance of another partner, the national data set helped the company in identifying the strongest online shipping businesses across the U.S. The multifaceted exploration of the market provided both outbound marketing targets as well as extensive insight into the services that would differentiate the company from its competition.

DatabaseUSA’s flexible use agreement lets customers utilize its data files for internal research and analysis, sales and marketing, and providing company-wide access via API for one cost-effective price. This database can become a basis for the business, allowing marketers to evaluate the initial response to a campaign, evaluate that response against a validated set of goals, segment the audience for follow-on messaging and develop additional insight into product requirements.

The Analyst’s Steps to Database Acquisition

As with any asset acquisition, when initiating a data purchase, the first step is to identify potential vendors. During this process, it is important to evaluate the vendor in the following ways:

1. **Is the vendor prepared to engage the client to understand its business and goals?** One hallmark of a professional, engaged data company is the willingness and ability to explore with its clients’ data use cases and scenarios that allow the analyst to obtain maximum value from the data. Clearly a data partner is of much greater value than a strict data vendor that is unable to provide help or hints on how to best utilize a data asset. Generally, original compilers will be able to provide more insight than resellers.

2. **Is the vendor willing to provide a substantial sample set?** Any reputable vendor will be willing to offer extensive access to data prior to purchase. A vendor’s unwillingness to provide a substantial sample (such as a full state or even the entire database) for evaluation is cause for an immediate caution flag. Unscrupulous vendors often load small samples in a way that gives a false impression of the true data quality.
3. **Are the license terms flexible or rigid?** The analyst should seek multiple use cases for the data, including extracting metadata that describe target customers for use in marketing reports about the efficacy of the campaign and product/service fulfillment once the sale is complete. Ask to see a typical license agreement early in the process so you are not met with surprises when trying to complete the purchase.

4. **Where did the vendor get the data?** Most data sets available today are scraped from websites rather than built by an authentic data compiler that verifies accuracy and timeliness. This can result in data problems, including incorrect executive contacts, poor coverage and muddled customer insight. For instance, web-scraped business lists often assume all executive contacts are placed at one company location rather than at their actual working locations. Poor coverage can result from the data collection methodology. Since 75 percent of U.S. businesses have fewer than 20 employees, and half of those companies do not have a website, many of the smaller companies can be missed by a web-scraped business database. Seek providers that compile data from disparate sources or, for greater confidence, verify data by calling each business on a regular schedule.

5. **Does the data have the fields I need?** Any professional data supplier will have a well-defined data dictionary that clearly explains each field available. Consider well the fields important to your needs, how they are sourced, whether the data are modeled or compiled, and what the fill rate is. All data are not created equal. In a business database, for example, the fields included for an executive contact, the descriptive information about a business and the fields that can reliably link data from multiple sources should be examined carefully during the purchase process. The value of a business database reaches beyond the Name/Address/Phone information. While Name/Address/Phone information is important, and critical to validate, the real value in data comes from the parameters that allow the analyst to segment the audience with increasing detail. That honing of the data set is essential to the pre-purchase steps that provide a lower cost for the highest quality data. Standard Industrial Classification (SIC) information, company and executive social URLs, small business indicators, executive contacts, revenue estimates, home business indicators, and similar ancillary parameters are what will make the database acquisition truly valuable or just another piece of information.

After evaluating potential vendors and narrowing the field of possible providers, the second step is to test the data. Clearly, data quality is of utmost importance, but good data still must be useful to justify the final spend on a data set. The best strategy is to define which fields are most important to the organization’s strategy and then formulate specific success criteria to test the prospective data for business fit and accuracy. The success criteria are entirely dependent upon the organization’s business model. In some situations, a five percent
increase in available records is worth millions in additional annual revenue.

Staying in touch with the data vendor and comparing results with the vendor's internal quality assurance results is an important part of quality evaluation as well. A mature data vendor will be willing to work with you to help formulate and execute the testing process. Matching internal data to an external database, for example, is a process that requires experience and skill to get optimum results. Asking the vendor run a match will help reveal the real potential of the data.

After testing concludes is a good time to step back and ask a final question: Given the test results, what will be the return on investment of this data purchase? The analyst should look beyond the initial marketing uses of direct marketing and consider all the organization's potential uses to establish a company-wide ROI. The analyst should ask: Is the data set is sufficient to plan the delivery of products or services; Will it provide inventory placement to support the campaign (or a product launch), or; Will the information be useful to plan the evolution of product features, support options and the customer experience. This type of thinking is the key to leaving no value wasted.

The core problem for the typical marketer is to get the initial attention of a customer and convert it. This underscores the importance of follow-up messaging with improved targeting.

In the long run, the database analyst will want to start with a large sample but reduce it to a small set of testable addresses to establish what offers will perform most effectively. Less can be more in this case because the results from an initial test of the campaign could refactor the offers for higher conversion when applied to a larger set of addresses.

Web-based research tools are essential to this approach to dataset-building. The analyst should follow this approach when exploring and validating a targeted database selection:

1. Begin with an initial search of broadly related categories
2. Assess results based on projected conversion and revenue (including discounting) effects
3. Based on the results of the conversion and revenue assessment, identify factors that change outcomes and filter the whole data set based on the finding(s)
4. Purchase a small targeted data set based on the outcome of the filtering and perform a test mailing
5. Validate the targets and messages through evaluation of initial mailing results
6. Refine and expand the database accordingly, mail and refine again
For example, DatabaseUSA worked with a customer that delivers customized analytical solutions for marketers. DatabaseUSA created a solution that enabled the customer to license and house the entire DatabaseUSA business file solely for “research and analytical” purposes. The client has the opportunity of reselling the DatabaseUSA prospect data at an agreed upon cost per record. Throughout the process, the client refined and honed in on targets using many dimensions of data to improve campaign performance.

Analysts working on the initial data specification should think in terms of validating the data, the completeness of the information for the business purposes for which it will be used, and how to test their assumptions and the data’s fit to those intuitions.

As the use of information in business matures in the next decade, it will become increasingly clear that solid initial data purchases are essential to the entire business. Whether they are data for acquiring target customers, validating first- and third-party data, or combining first- and third-party data to create richer profiles of customers, the potential to improve customer understanding is growing exponentially. The data we got used to ignoring during the industrial era, because they were simply impractical to collect and process, will no longer be wasted. Instead, the database will become an essential asset for planning every facet of a business.

**Conclusion**

Data insight is the key to customer intimacy. As machine learning, which examines large data sets for patterns, is combined with increasingly frequent customer communication, companies will develop the ability to see ahead clearly. It may not be prescience, per se, but the insights a company can gain about its customers are among the most valuable planning tools available today.

Data vendors’ responsibilities have always included removing expired or out-of-date information. Now they also can deliver planning support. Customers, then, must raise their expectations to include sophisticated expertise about the data set they are considering, the availability of easy-to-use discovery and filtering tools to refine data sets, and flexible pricing — including the ability to use data in more settings than just mailing.

The rewards of this evolution affect data management practices across an organization. Data analysts are finding uses for every part of the buffalo. Solid, accurate targeting of customers can lead to high conversion rates and the ability to plan the business in anticipation of campaign results that can be extensively refined and validated through a data vendor’s online search and purchasing tools.
About BIA/Kelsey

BIA/Kelsey is a market research and analyst firm that focuses on all things local. Local media is an increasingly dynamic area of ad spending, and is quickly evolving with emerging digital platforms like mobile, social and search.

Over the past three decades, BIA/Kelsey has been an authority on these developing technologies as well as their forbearers in traditional media, which continue to transform as they likewise compete for local ad dollars and consumer affinity.

Through a growing suite of products that includes research reports, articles, conferences, and client consulting, BIA/Kelsey analyzes the business, financial, social and technology trends affecting local media.

Readers, event attendees, partners and clients are given the inside track on critical data, analysis, and recommendations needed to grow and transform in a rapidly evolving marketing and advertising landscape.

About BIA/Kelsey Sponsored Research

BIA/Kelsey Sponsored Reports are commissioned by companies that wish to spotlight areas of coverage.

BIA/Kelsey maintains full editorial control and applies longstanding standards of editorial practice and objective market analysis. If you'd like to sponsor BIA/Kelsey's coverage of any topics or to profile sectors of local media innovation, please contact sales@biakelsey.com.
About DatabaseUSA

DatabaseUSA is the leading provider of full-service business and consumer database marketing solutions. We are proud to provide detailed information on nearly 15 Million Businesses and over 240 Million Consumers. DatabaseUSA offers its customers the most accurate business database in the industry. As an original compiler of business data, DatabaseUSA is the only company in the industry to employ a “Triple Verification” process to its database, including two types of telephone verification.

With a team of experienced database service professionals, DatabaseUSA has positioned itself uniquely in the database industry by offering its sophisticated databases at an affordable price point with “flexible” licensing terms. This level of flexibility allows organizations to maximize the impact of its data within their sales, marketing, database, analytics and other internal user groups. Services include targeted lists, entire file installs, accessibility via API, email solutions, data hygiene and data append services; including web-based instant append products for business and consumer response forms.

To learn more about DatabaseUSA, please visit http://databaseusa.com.

If interested in speaking with someone about working with DatabaseUSA, please contact:

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