

The Impact of Bad Data on Demand Creation



According to our research, between 10 percent and 25 percent of b-to-b marketing database contacts contain critical errors

Organizations must shift their focus from one-time data cleansing to ongoing data maintenance to turn the tide

Not updating records after every sales interaction will lessen the impact marketing can have on the later stages of the demand waterfall

The late comedian George Carlin referred to a home as “a place to keep your stuff.” For many of us, the attic houses the most irrelevant of this stuff, those once-precious items that have faded into a cloud of disorganization and confusion.

Despite its criticality to the business, the databases of b-to-b organizations are akin to an attic, filled with contents that have not been properly labeled, managed and maintained. Most b-to-b marketing executives lament the status of their databases, but have had a difficult time convincing senior management of the need not just to temporarily clean things up but to permanently change the manner in which data is treated. In this brief, we will wrap some numbers around a very difficult problem, and discuss how this problem is threatening the viability of demand waterfall performance.

UNDERSTANDING BASIC COSTS

The amount of prospect and customer data in the average b-to-b organization typically doubles every 12 to 18 months, so even if data is relatively clean today, it’s usually only a matter of time before things break down. According to our research, between 10 percent (in strong organizations) and 25 percent (in typical organizations) of customer and prospect records at any given time include critical data errors ranging from incorrect demographic data to a lack of current disposition.

The longer incorrect records remain in the database, the more expensive it becomes to deal with them. In data management circles, this point is illustrated by the 1-10-100 rule: It takes \$1 to verify a record as it is entered, \$10 to cleanse and de-dupe it and \$100 if nothing is done, as the ramifications of the mistakes are felt over and over again.

While these numbers tend to be reflective of data quality issues at the early part of the demand waterfall, it is imperative that organiza-

tions develop a strategy for ensuring data quality and integrity throughout its full length. The good news is that we’re seeing a strategic shift in approach in strong organizations, from one of data cleansing (a project with a set completion date) to data maintenance (ongoing policies and procedures to maintain data quality). The fundamental trouble with one-time data cleansing is that the day the project ends, the data is the cleanest it will be until the next round of contacts is added to the database.

THE IMPACT ON THE DEMAND WATERFALL

Further proof of the need for driving data quality can be found by examining the differences in the SiriusDecisions Demand Creation Waterfall between organizations with average processes (including minimal data quality standards) to those that take a better approach. We have provided observations at each conversion stage of the waterfall, including:

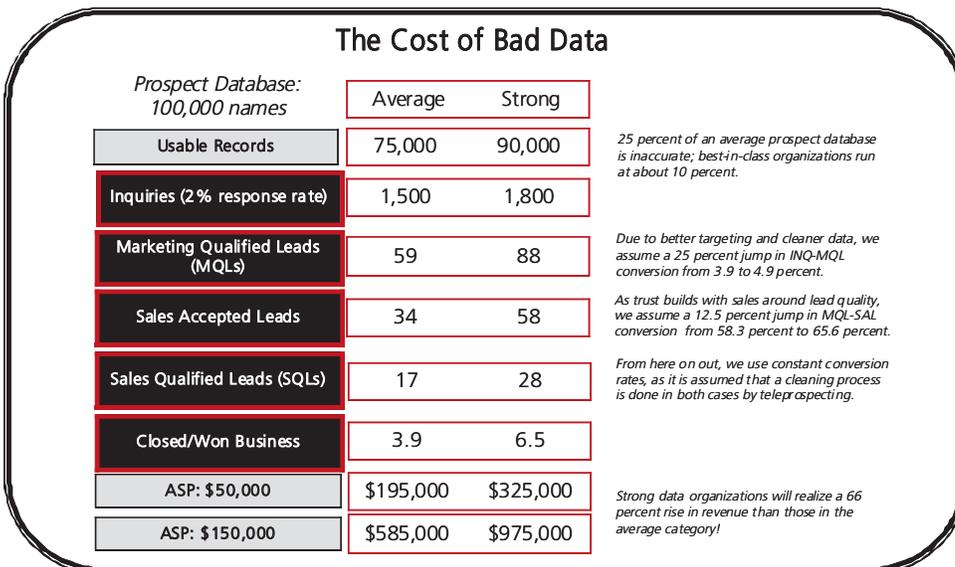
- *Inquiry to marketing qualified lead.* Maintaining data integrity is an expensive proposition, with data quality software averaging in the \$100,000 to \$200,000 range, and outsourced providers often not any more economical. Thus, it is most beneficial (from a cost and process perspective) to build data quality processes at the source; for example, if users are entering data via Web forms or registration pages, it should be validated before it is committed to a database or CRM system. The same holds true for any lists or spreadsheets of contact information based on campaign or program responses. While smaller organizations may be able to accomplish this manually, the need for automation is a requirement to ensure that new records are matched to existing records and any external data validation sources. Managing data

in these earliest of stages allows for both tighter target marketing and more accurate lead scoring while reducing the need to “over-pull” to compensate for low quality; SiriusDecisions estimates that organizations that have an early-phase data strategy in place can expect a roughly 25 percent uplift in conversion rates between the inquiry and marketing qualified lead stages.

- *Marketing qualified lead to sales accepted lead.* Maintaining data quality at the source is not always realistic due to the cost of the technology, nor does it solve issues with existing data. Compounding things even further is that the problem is far from confined to a single database, and that there may be underlying infrastructure issues that hamper the level of data quality (e.g. databases built with different formats and fields that don’t integrate easily with a master data record file). A lack of quality hurts lead credibility at this first key handoff from marketing to sales, as sales questions the accuracy – and thus the validity – of the lead. While the construction of a single physical database is often unrealistic, what we refer to as “virtual unification” – an integration process driven by an incremental layer of technology – can be used to bring disparate databases together. Our research indicates that this approach can contribute to a conversion stage increase of up to 12.5 percent.
- *Sales accepted lead to sales qualified lead.* Up to a 5 percent savings in sales time can be achieved with clean data, as invalid information means a rep has to do additional contact discovery to make a connect. While marketing operations should have overall responsibility for marketing-related data initiatives (typically occurring fur-

ther up in the waterfall), it must work with sales operations to maintain data consistency, promote integrity at the rep level and enforce compliance within the CRM system. Without this compliance it will be difficult for marketing to apply the most appropriate support to help in later-stage deals. The accuracy of lead scoring will also be impacted, particularly as it applies to lead nurturing rules, a critical issue as even in the best of organizations nearly two out of every three opportunities will not close and should be candidates for recycling.

- *From sales qualified lead to close.* In the later stages of the demand creation waterfall, data quality is more predicated on keeping records up to date in order to have a clear picture of a prospect’s disposition. Given that the average field marketing function spends no more than 10 percent of its budget in support of this final conversion, accurate data is a must for applying the right tools and resources to the right audience at the right stage of the buying cycle. To further ensure data integrity and consistency until a deal closes, an organization must also decide on a system of record that holds master records for each account (typically the CRM system). This will serve as a “broker” that supplies data to and pulls data from other databases, including marketing automation platforms and any other sales and marketing systems that access customer or prospect data. Tight integration between marketing and sales systems with bidirectional communication will promote data quality and consistency, but will ultimately be ineffective if records are not updated in a timely manner. In many cases, IT will need to be involved to enable the integration of sales and marketing databases within an enterprise-wide customer data integration project.



The impact of bad data on conversion rates and its associated costs can be observed when we roll these stages up and look at the difference between an average and strong organization. We will use waterfall conversion rates first reported in the brief “Field Marketing 2.0: The Heart of Accelerating Conversion Rates” (available on our research portal), as a starting point. To this, we will add the core assumptions of the percentage of bad data that exists in these organization types as well as the percentage increases in conversion cited above. Using an example of a prospect database of 100,000 names at the outset and a campaign response rate of 2 percent, a strong organization will

realize nearly 70 percent more revenue than an average organization purely based on data quality.

THE SIRIUS DECISION

The demand waterfall was originally conceived to display the trickle-down effect of practices – both good and bad – on an organization's new business health. Poor data quality rears its head at every waterfall

stage, from wasted cycles to lost responses, redundant marketing efforts, incorrectly routed leads and frustrated sales reps. It isn't just a marketing issue, however; a best-in-class data strategy is shared by marketing and sales, and is focused on quality from cold to close. Although it is a job that consumes both money and time, paying more attention to data quality is not only worth it, it is something that your organization simply can't afford not to do.