

article ►► highlights

Happy medium

Firms have difficulty obtaining the right amount of data to meet their needs. Too much data can also be a problem.

Data overload

Redundant information can increase data collection costs and lead to endless analysis without producing intelligence.

Establish data collection hierarchy

Basic information starts with name and contact information. Overlay data answers "who" and "where."

Getting to "why"

The closer your data brings you to the "who, what, when, where, and how" factors, the more effective your program will be.



UNLOCK YOUR DATA

by Rick Brough

How much data is enough?

The process of generating good data, and the right amount of data, requires central control of the database and a sound data collection hierarchy.



This is a common question asked by organizations that are exploring the potential of customer centric marketing. The answer depends on the specific data that is available and the organization's marketing objectives.

On the one hand, available data might be insufficient to meet all of the objectives, which leads to a discussion on data collection strategy. On the other hand, there are potentially negative implications from having too much data. This is a growing challenge for many organizations regardless of their size or experience with database marketing.

Combating data overload

Data overload often results from collecting redundant information, which can lead to increased data collection costs as well as "project creep" where analysis goes on forever while analysts explore mountains of data. The problem, however, is not usually too much data, but rather too

knowledge into action.

Back to the question...

Establish a data collection hierarchy

To help avoid data overload, it is important to understand that there is a hierarchy to data collection that provides the opportunity to perform increasingly advanced analytics. These help you develop a greater understanding of your customers and, therefore, the ability to provide relevant communications that build stronger customer relationships.

Basic information starts with name and contact information (address, phone, e-mail). Address information enables you to apply neighbourhood overlay data such as basic demographics from Statistics Canada. Overlay data not only provides more information about your customers, but also offers insights about where to find additional customers—the Who and Where factors.

income, gender and the like. While this type of segmentation might look sound on the surface, it often only scratches the surface of what is possible.

Knowing what they purchased can tell you a lot about their needs, preferences and possibly even lifestyles. You can base your market segmentation on the fundamental concept of people wanting or needing different things. Through analytics, you can determine what different customers want or need, thus enabling you to use your data to form segments. Then you can custom tailor your marketing communications to the unique characteristics of each segment.

Even for acquisition, we ideally identify behavioural segments of current customers, and then determine whether the customers in various segments share demographic characteristics that would enable you to identify prospective customers.

The key is to collect both behavioural and demographic data. The closer your data brings you to the Who, What, When,

Reaching the highest level

Now to add more complexity, the data collection should also relate to the company's product/service offering. Let me explain. The companies that will benefit most from gathering and analyzing data are those with:

- Many customers
- Various products and/or services
- Frequent transactions with customers
- A high degree of differentiation in customer value

The higher your company scores in each of these categories, the more benefits analyzing customer data will deliver in marketing effectiveness and efficiencies. Put simply, the more customers, products, services, transactions and customer value variation, the more resources you should put behind data collection and analysis.

The takeaway

The question of how much data is enough has changed over the years. With more data available to even smaller marketing organizations, the more frequent question

is "how much data is too much?" The process of generating good data, and the right amount of data, requires central control of the database and a sound data collection hierarchy. For customer centric marketing, the solution is to begin with good customer segmentation that identifies customer value, behaviours (needs) and potential. With these tools, the challenge of using the right information at the right time, and implementing marketing initiatives becomes an easier one to manage and you are more likely to achieve better results. **DM**

Rick Brough is director, Product and Service Development for Transcontinental Database Marketing, (www.transcontinental-dbm.com), which provides database design and management, analytics, and campaign management to support such diverse industries as banking, insurance, wealth management, telecommunications, retail, publishing, travel, entertainment, packaged goods, and fundraising.

"To help avoid data overload, it is important to understand that there is a hierarchy to data collection that provides the opportunity to perform increasingly advanced analytics."

much—or inconsistent—information from data-generated reports. Additionally, no one is sifting through and synthesizing the information to create meaningful knowledge for senior management. Common causes are:

- Many data sources across the organization;
- Absence of a centralized data source, leading to potentially conflicting reports being generated from each system;
- No integrated organization structure, which leads to duplicated reporting efforts; and/or Insufficient emphasis on creating actionable knowledge.

In short, there is no defined process for translating data into information, information into knowledge, and

Moving up the hierarchy

The next level of data identifies purchases and links them to individual customers. This data generally answers the What, When, Where, and How. Even knowing how much a customer purchases represents that customer's value, and thereby provides an immediate basis for differentiating the offers and services you provide to each individual.

Market segmentation is one of the most basic elements of a successful database marketing strategy. For example, on the B2B side, many companies segment markets by SIC (Standard Industrial Classification) code and size of organization. And on the consumer side, you often find segments defined by age,

Where, and How factors, the more effective your program will be.

The big "Why" question

Determining the Why behind purchases is always the most difficult, yet it answers the question about a customer's needs. This is the database marketing Holy Grail, and the answer is either inferred from analyzing purchases or through information gathered from market research. Both approaches help, but are incomplete.

The market research approach is usually relevant to the customers included in the research, but difficult to project to the mass of a customer base. And the analysis of customer purchases is limited by only knowing what they purchased from you.