Customer Profile Management:

Boost the Return on Your Investment

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1.0   Executive Summary

Each interaction with the customer presents opportunities to collect relevant and useful information that will help marketers learn from the customer and make decisions to manage and improve promotional program effectiveness and contribution to the company. Maximizing the overall value of that data in the near- and long-term is the best means for optimizing each interaction with the customer and accomplishing the desired objectives of improved marketing, decision-making and increased profitability.

1.1   Why Customer Profiles Need to be Optimized

Customer Profiles, and the data elements they contain, represent considerable value to businesses that strive to build customer relationships using Customer Relationship Management (CRM). Yet often, marketers avoid the time and budget investment needed to proactively enhance their customer insight, favoring initiatives that are more familiar and tangible to them, such as creative design or media mix assessment. Unfortunately, if marketers do not include customer profile management in their ongoing planning/development/execution processes, their marketing programs will fail to achieve lasting benefits and success. The following are the benefits of having customer profiles developed properly (and what you forfeit when profiles are left unmanaged):

- **Improved Analytic Value of Data**

  When Customer Profiles are properly optimized at every customer touchpoint, customer data analysis becomes more efficient and more accurate. In some cases, Customer Profile Optimization actually enables analysis which was not possible due to inconsistent data capture.

- **Better Decision-Making**

  Marketers armed with Optimized Customer Profiles that maximize analytics value make better strategic decisions and tactical choices in their marketing programs.

- **Higher Marketing Efficiency (ROI)**

  Better decision making, as a result of the increased analytic value of the data, can lead to an improved ROI on marketing programs because changes can be made to underperforming campaigns, or successful promotional tests can be rolled out to larger segments – increasing profitability and efficiency.

1.2   Why Marketers Often Fail to Optimize the Customer Profile

When issues are introduced into a company's Customer Profile Management function, they are usually due to a general lack of awareness by marketers on just how the data collection process works and the impact that poor planning on the front-end (strategy and campaign development) has on the back-end (reporting and analysis) of the marketing process.

There are numerous factors that seem to coincide with poor Customer Profile Management, including:

- **Over-reliance on Creative Agencies**

   Typically, marketers will rely on their creative agencies to "handle" all aspects of their campaign development from strategy to creative to reporting to analytics. However, most agencies have true expertise in the creative aspect of marketing and do not have the analytic marketing skills to adequately develop a strategic plan that sufficiently develops customer profiles beyond the scope of the specific programs they manage creatively. Further, an agency's business model, which relies on increased creative billing, can be in conflict with customer and marketing analytics findings.

- **Undefined Customer Profile Strategy**

   A Customer Profile Strategy is the comprehensive plan which determines how customer profiles are grown and maintained over time. Customer Profile Strategies are an essential part of all marketing planning and implementation, yet are often overlooked by marketers in their rush to get campaigns out the door. It's just not possible, however, for a campaign to completely answer key business questions if the campaign's marketing does not obtain the customer profile data elements needed to answer these questions. Further complicating the marketer's task in customer profile management is the need to spread out direct data collection over time to avoid customer resentment caused by asking too many questions at once. The Customer Profile Strategy, when successful, prioritizes questions based on need and the timing of the relationship, so the right questions are asked in the right way at the right time.

- **Lack of Success Metrics**

   Proactively defined success metrics are essential for benchmarking ongoing performance of programs, yet are often not developed at all by Marketers. Marketers generally measure their campaign in an ad-hoc fashion, without pre-defined measurable goals. But without pre-defined success metrics, reporting cannot help determine the success of a program. By failing to

integrate metrics development into the front-end process so that Customer Profile Strategy and campaign development are linked, marketers are at a disadvantage for accurately measuring and justifying the success or failure of their programs.

Each of these factors will be covered in more detail in later sections.

1.3 Why a Customer Profile ROI Paper is Needed

The intended purpose of this paper is to show marketers and senior management the value of the Customer Profile Optimization process, the cost of not having a well defined process, the pitfalls marketers need to avoid in developing customer profiles and the dollar return on good customer profiles. Additionally, it will explain the importance of performing a Customer Profile Optimization Audit and how customer profile development should be integrated into a CRM environment.

The following is a brief outline of the key sections in this paper:

- **Tell-Tale Signs of Bad Customer Profile Practices** – How to recognize when customer profile data collection has gone wrong.

- **The Three Pillars of Optimizing the Customer Profile** – A detailed overview of DB Marketing Technologies' exclusive optimization processes and SurveyManager™ tool that ensures consistent customer profile development over time.

- **Critical Analysis of The Customer Profile** – A before and after analysis of a brand that's gone through the Customer Profile Optimization Audit process.

- **Customer Profile Optimization: Cost and Benefit Considerations** – Summarizes the typical line items of marketing programs that are effected by customer profile data and compares the pre-Optimized data costs with the benefits of Optimized data.

- **Conclusion: The Customer Profile within an Integrated CRM Environment** – A vision of how the customer profile should be viewed as part of a cohesive CRM environment.

2.0 Tell-Tale Signs of Bad Customer Profile Practices

There are numerous manifestations, each with potential consequences, of an insufficient customer profile development and management process. Primarily, they are systemic in nature and arise from poorly defined and executed customer information collection strategy and processes. Addressing these common mistakes is a critical step to achieving a more fully integrated and effective CRM environment.

2.1 An Undefined Customer Profile Strategy

Perhaps the most damaging, and least recognizable, of the tell-tale signs of a bad data collection process is not having a defined Customer Profile Strategy. It is the by-product of a lack of expertise or simple planning that leaves data collection ad hoc and incomplete over time.

In almost all cases, marketers erroneously develop their annual marketing plans from a tactical or short-sighted perspective. For example:

- What is my budget?

- How many campaigns can I develop?

- What channels will I utilize?

- Which creative can be approved?

- How many customers can I reach/acquire?

Unfortunately, marketers do not often develop a strategic plan that goes beyond the traditional marketing mix to examine how the promotional pieces themselves should collect the data they need to answer their key business questions and improve the relevancy and effectiveness of their marketing programs.

The indications of an undefined strategy and their impact on the long-term collection of customer profile data can include:

- **Key Business Questions Not Defined**

For any marketing campaign to be fully successful, it must be specifically designed to answer the key business questions of the organization or brand. If a campaign is undertaken without first defining these key questions, while it may succeed on a tactical level (i.e., response rates or acquisitions) it can fail

to contribute to the more strategic and long-term success of the brand. It's the myopia of focusing on customer acquisition and ignoring retention, resulting in premium spending to maintain and grow market share. It's the equivalent of pouring your budget (and the company's hard-won revenue) into a bag with a gaping hole.

▪ **Customer Profiles Not Defined**

A natural outgrowth of defining the organization's key business questions is to determine what data needs to be collected from the customer to answer them. Failure to define the customer profile data required translates into poor customer information collection, and consequently bad customer profiles - ad hoc data driven by tactical considerations (i.e., what is necessary for fulfillment or redemption purposes). Such "customer profiles" fail to yield the answers marketers really need to meet their goals and cannot be leveraged over time,

▪ **Unclear Opt-Status Definitions**

An essential part of the Customer Profile process is the classification of each customer into the appropriate opt-status. It is critical to have all customers knowingly agree (or opt-in) to accept ongoing communications. Typically, when opt-status levels and preferred language are not clearly defined, the value of the customer profile data collected is diminished because future communications with that customer is limited.

▪ **No Data Collection Framework**

A data collection framework is essentially a plan on how to collect customer profile data over time. By function, and sometimes necessity, not all customer information can be collected at once – customers will not sit around all day answering survey questions, and often trust in the relationship needs to be established prior to the customer feeling comfortable enough to provide personal information. Profile data also has a shelf-life and must be updated over time. Therefore, it is essential to have a data collection framework to help inform when and how frequently data elements should be refreshed.

2.2   Campaign Development in a Vacuum

Another contributing factor to a bad customer profile development process is the tendency of marketers and their creative agency partners to develop each campaign in a vacuum. As noted before, this is due to the tactically-focused approach that is applied to development of creative that is detached from a larger

strategy of how to effectively build a customer relationship through good profile data that are refreshed as necessary to populate that profile over time.

When each campaign is viewed only within the context of the campaign itself, and not the longer-term aspect of multiple campaigns, the data elements are subject to change without regard to the needs of the brand or company as a whole. This myopia can be corrected by having all campaigns tied to a well defined Strategic Framework.

The major consequences of campaign-centric myopia and how they impact the long-term collection of the customer profile data are as follows:

- **Inconsistent Capture of Customer Profile**

  Customer profile data capture, or the specific elements defined as part of the data collection strategy, becomes inconsistent over time. Email, for example, can be collected in online promotions, but not in offline or phone promotions which results in only that portion of data collected in the online channel to have email addresses for future marketing purposes.

- **Insufficient "Qualifying" Question and Answer Sets**

  Any crucial part of a customer profile is the additional question and answers that can "qualify" the customer as an appropriate, or more valuable, customer for supporting the organization's key business drivers. Often questions, when developed as part of a campaign-centric process, are not worded strongly enough to answer the key questions, and tend to become more "touchy-feely" in nature.

- **Multiple Question Versioning**

  Another common by-product of developing campaigns in a vacuum is that multiple versions of the same question, often with different answer sets, get introduced into the data collection process over time. This occurs because the promotional piece that contains the survey is not evaluated for its appropriateness within the context of the larger strategy, but only for its context within itself. (i.e., does it make sense in and of itself?) Consequently, the value of responses over time is diminished due to an inability to aggregate responses appropriately. Additionally, differing answer scales to the same question text (i.e., yes/no vs. multiple choice; and age vs. birth date) further diminish the aggregate value of the data.

2.3 Failure to Tie Campaign Reporting to Pre-defined Success Metrics

A third sign of a bad customer profile collection process is a reporting package that does not accurately or completely answer the key business questions as defined by the strategy. Campaign reporting can be an effective way for a marketer to know if their overall strategy and tactics are effective, provided the marketer has defined success metrics within the planning process for the campaign. When marketers fail to establish success metrics and tie them to campaign reporting, marketers are unable demonstrate long term success within their programs. In this case, marketers put themselves at a disadvantage for justifying increases in budget, much less making business cases for their existing budgets to stave off budget cuts.

The common consequences of the impact of bad data collection on development of accurate and useful reports are as follows:

- **Campaigns Cannot Be Tracked**

  Campaigns that are not coded appropriately are not able to properly track performance to the level of granularity needed. Again, this is the result of a lack of strategic foresight on the part of the marketer or its agency to properly code promotion materials that collect customer profile data. For example, if money spent on a particular media cannot be measured against responses to that media and resulting conversion, then the marketer has no idea if it was profitable or not.

- **Reports Developed After Campaign Launch**

  If reporting development is not included as part of the overall customer profile strategy, then marketers are stuck with whatever reporting they can get post-campaign launch. Rather than developing reporting that's be best for answering the key business questions, marketers find their options limited. Their attention to reporting is too little, too late to accurately develop the reports that will answer their questions and measure campaign success.

- **Reports Developed Ad Hoc**

  Once campaigns have launched and existing or predefined reports prove to be inadequate to answering marketers' key questions, expensive workarounds to implement rudimentary reports are often required. Additional costs can frequently be incurred when agency partners must take faulty underlying campaign response data and augment it with data from additional sources (such as tele-center vendors or web log information) and provide potentially biased insights to justify the creative they proposed.

3.0   The Three Pillars for Building the Best Customer Profiles

Marketers need to be able to recognize the potential problems of their Customer Profile development and management processes so that they can take the necessary steps to address them. DBMT has developed proven techniques to assess and identify the problems with Customer Profiles, to systematically correct the issues and to implement a strategic framework for collecting the necessary data elements. Additionally, DBMT has developed a critical tool to ensure that once Customer Profiles are optimized, customer data elements continue to be collected accurately over time. Together, these interrelated components form DBMT's *Three Pillars* for optimizing the Customer Profile:

- *Customer Profile Audit*

- *Customer Profile Strategy Development*

- *Customer Profile Data Collection Tool (DBMT SurveyManager™)*

Each step in the process is essential and feeds off of the other step to help marketers examine and correct their Customer Profile development and management issues. In this paper, you will see the costs of bad customer profile management and the significant savings realized through good customer profile management secured by the three pillars.

3.1   The Audit

Most marketing organizations have not undertaken a systematic examination of their marketing programs in the context of an end-to-end process that encompasses the strategy development and tactical implementation of that strategy. Moreover, most organizations have compounded their customer profile management costs, and consequently the quality of the underlying data, by allowing the bad collection processes to continue over time.

It is vitally important for an organization to undertake a *Customer Profile Audit* to stop collecting bad data and implement the standards and practices that enhance customer profile development going forward.

3.1.1 Common Customer Profile Data Issues

Typically there are many areas of current customer profile development and management that need to be addressed to improve the value of the data for reporting and decision-making on the strategic direction of promotional programs. The following table shows some major issues that

can be uncovered by a *Customer Profile Audit*. It presents general examples for each issue, and highlights the risks associated with failing to address these bad data collection processes.

Table A – Summary of Common Customer Profile Data Issues

Common Issue	Description	General Example(s)	Potential Risks
Inconsistent Capture of Customer Profile Data Elements	There should be a core set of profile data elements that are collected from the consumer. However, there are often inconsistencies across channels as to what is being requested and whether or not this information is required.	Consumer profile data elements are not captured consistently across channels, such as: ▪ Birth Date – Only requested Online, but not required ▪ Age – Requested in Phone channel as numeral – not as Birth Date ▪ Gender – Not requested Offline ▪ Ethnicity – Not requested Online or Offline ▪ Email – Only required online	DBMT suggests that there are significant risks if data collection of consumer profile elements is not properly addressed. **Risks:** • Variances in consumer profiles captured via different channels can diminish the aggregated analytic value of the data collected. • Without a consistent and robust set of core data elements – captured directly from the consumer – the value of that consumer profile in terms of segmentation and messaging is decreased. • Significant amounts of money are spent to acquire consumers – with very little (in terms of information) obtained from them in return.
Insufficient "Qualifying" Survey and Response Data	Limited ability to segment consumers into relevant communication groups from self-reported data collection because of a lack of qualifying survey and response data collected at time of acquisition.	• Offline surveys do not capture Product Usage at all due to space limitations. • Online channel does not ask for Product Usage directly, but must infer product usage through coupon/rebate program. • Phone channel is the only channel to ask for Length of Product Usage which directly impacts segmentation of consumer into appropriate value category (i.e., New vs. Experienced)	DBMT suggests there are significant risks if a standard set of survey and response data are not developed and asked consistently across channels to better qualify and segment consumers: **Risks:** • Consumer profiles must be derived utilizing 3rd-party data sources/appends, which is not as accurate, and predictive value is inferior to consumer profiles created from self-reported data. • Reliance on 3rd-party data sources/appends to derive consumer profiles adds cost to a marketing program. • Placing a consumer in the

Common Issue	Description	General Example(s)	Potential Risks
			wrong segment/profile decreases effectiveness – and increase cost – of promotional program.
Multiple Versioning of Question and Answer Data Over Time	Without a strict workflow process and/or a tool like DBMT SurveyManager™, multiple versions of similar questions and multiple answer choices/scales can be introduced into the customer profile collection process preventing data aggregation and devaluing information collected.	• Offline surveys have captured <u>Product Satisfaction</u> with three different question versions and two distinct answer scales over the previous three campaigns preventing information from being aggregated. • Current campaign in Online channel asks for <u>Product Satisfaction</u> with a fourth version of question text and the third version of an answer scale. • Current campaign in Phone channel asks for <u>Product Satisfaction</u> with initial (or oldest) version of question text, and the oldest version of the answer scale.	DBMT suggests that there are significant risks if a core set of survey and response data is not standardized and incorporated into a Question/Answer Library from which all stakeholders must go to create surveys, ensuring consistency of data collection and aggregation over time. **Risks:** • Overtime, inconsistent versioning and answer scales diminish the analytic value of the data collected. • Ability to make actionable decisions regarding marketing program is negatively impacted due to inconsistently aggregated response data.

Undefined Opt-Status Data Collection	The opt-language across each channel is often inconsistent in its placement, and not in keeping with the preferred/approved text for each level (corporate, brand and subscription) of opt-status.	• <u>Corporate-level opt-in</u>:
		
		  ▪ Neither Online nor Offline channel has any language/mechanism for corporate opt-in.
		
		  ▪ Phone channel, however, does have preferred corporate opt-in language.
		
		• <u>Brand-level opt-in</u>:
		
		  ▪ Offline and Phone channels have preferred brand opt-in language.
		
		  ▪ Online channel has multiple versions of a more limited "brand opt-in" mechanism – which is not the preferred text.
		
		• <u>Subscription-level opt-in</u>:
		
		  ▪ Only Online channel has opt-in that is consistent with a subscription-level opt-status with preferred text.
			DBMT suggests that there are significant risks if data collection of consumer opt-status information is not properly structured with preferred/approved opt-language.
			
			Risks:
			
			• Decreased ability to segment and communicate appropriately with consumers, based on unclear definitions of their opt-status.
			
			• Eliminating consumers from potential future communications (corporate-level and/or brand-level), due to overly broad opt-out language.

Common Issue	Description	General Example(s)	Potential Risks
		▪ Neither Phone nor Offline channels has any subscription opt-status language. • Opt-out language: ▪ Only Online channel has functionality to "opt-out" – although it is not comprehensive for opting out of all three opt-status levels.	

3.1.2 Results of the *Customer Profile Audit*

The *Customer Profile Audit* facilitates a framework for discussion with an organization or brand team, as follows:

- **Contact Info:** Details the customer contact information being collected across channels so discussion can be focused on specific recommendations for defining a required set of data elements to make a complete Customer Profile.

- **Opt-Status:** A general review of the variations of corporate, brand and subscription level opt-in and opt-out language and how it adheres to the organization's preferred opt-language.

- **Survey Data:** A comprehensive and focused discussion concerning the questions and answers that have currently been asked of customers (and versions overtime). They are categorized in general groupings relative to the apparent intent of the information obtained from the responder.

The following charts represent what a potential customer profile might look like before and after conducting an Optimization Audit. The data collection from this point forward will result in a more robust customer profile.

Chart 1 – Pre-Optimization Customer Profile Data Collection

Required Data Elements by Channel			
Consumer Profile Elements	Offline	Online	Phone
Full Name	No	Yes	No
Address	No	No	No
City/State	No	No	No
Zip Code	No	Yes	No
Email	No	Yes	No
D.O.B./Age	n/a	No	No
Gender	n/a	No	No
Ethnicity	n/a	n/a	No
Opt-In Brand	No	No	No
Opt-in Corporate	n/a	n/a	No
Product Usage	n/a	No	No
Length of Usage	n/a	n/a	No

(**NOTE**: Yes = Data Element Required; No = Data Element Asked But
Not Required; n/a = Data Element Not Asked)

Chart 2 – Post-Optimization Customer Profile Data Collection

Required Data Elements by Channel			
Consumer Profile Elements	Offline	Online	Phone
Full Name	Yes	Yes	Yes
Address	Yes	Yes	Yes
City/State	Yes	Yes	Yes
Zip Code	Yes	Yes	Yes
Email	Yes	Yes	Yes
D.O.B./Age	Yes	Yes	Yes
Gender	No	No	No
Ethnicity	No	No	No
Opt-In Brand	No	No	No
Opt-in Corporate	No	No	No
Product Usage	Yes	Yes	Yes
Length of Usage	No	No	No

3.2   *Customer Profile Strategy Development*

The importance of conducting a *Customer Profile Strategy Development* process
to the overall success of an organization or brand's marketing efforts cannot be
understated. As noted, it is the backbone to most successful marketing initiatives
and often the primary element missing when they are unsuccessful. With a little
planning up front, marketers and their agencies can increase the chances their
promotions will be successful because they will have taken the time to think
strategically before acting tactically on a campaign-centric basis.

Primarily, there are three key aspects that encompass an effective Customer Profile Strategy. Together, they create a solid foundation that can drive an organization's overall marketing strategy towards success and away from the customer profile development and management mistakes of the past. When preceded by a *Customer Profile Optimization Audit*, an organization can stop incurring the costs associated with un-optimized data and begin benefiting from a smarter, more effective customer profile environment.

3.2.1 Define Key Business Questions

The essential first step to developing a coherent Customer Profile Strategy is the definition of the key business questions that promotional activities would seek to answer. The process of defining the key business questions should take an appropriate amount of time to achieve a broad consensus between all stakeholders in the organization, from the front-line marketers and their agency partners to brand managers on up to senior management. This exercise should also incorporate market research, business intelligence, and any other team in the company that could increase its value to the organization by having a more strategic role in promotions.

3.2.2 Classify Customer Profile Requirements

Based on the business questions that need to be answered, marketers must identify customer profile data that will lead to those answers and require customers to supply that information. The Customer Profile consists of the required data elements that the marketing materials must collect to answer the key business questions. After conducting a *Customer Profile Optimization Audit*, all data elements of the defined Customer Profile should be requested in all channels. Further, the core elements of <u>Full Name</u>, <u>Address</u>, <u>City/State</u>, <u>Zip Code</u>, <u>Email</u>, <u>DOB/Age</u>, and <u>Product Usage</u> are not only being requested, but also required for fulfillment of the response or offer. All other data elements, while not required for response processing, are now asked for on all channels.

3.2.3 Implementing a Strategic Framework

The third essential element of the overall *Customer Profile Strategy Development* process is the strategic framework of when the defined elements of the Customer Profile should be requested from customer. It's a guide for when data elements need to be collected over a short-term timeline of 12 to 18 months. This is important because not all data elements would necessarily be included on every promotional piece, and some data elements need to be refreshed after some time has elapsed.

For example, if the Key Business Questions as defined translate into requiring a simple acquisition program and a follow-up customer satisfaction survey, then a Strategic Framework can be developed that will inform the marketer when to request Customer Profile data elements.

Chart 3 – Composite Customer Profile Strategic Framework

Consumer Profile Data Elements	Month 1	Month 2	Month 3	Month 4	Month 5	Month 6	Month 7	Month 8	Month 9	Month 10	Month 11	Month 12
Data Elements Requested by Month												
Full Name	A	A	A/S	A	A	A/S	A	A	A/S	A	A	A/S
Address	A	A	A/S	A	A	A/S	A	A	A/S	A	A	A/S
City/State	A	A	A/S	A	A	A/S	A	A	A/S	A	A	A/S
Zip Code	A	A	A/S	A	A	A/S	A	A	A/S	A	A	A/S
Email	A	A	A/S	A	A	A/S	A	A	A/S	A	A	A/S
D.O.B./Age	A	A	A/S	A	A	A/S	A	A	A/S	A	A	A/S
Gender	n/a	n/a	A/S	n/a	n/a	A/S	n/a	n/a	A/S	n/a	n/a	A/S
Ethnicity	n/a	n/a	A/S	n/a	n/a	A/S	n/a	n/a	A/S	n/a	n/a	A/S
Opt-In Brand	A	A	A/S	A	A	A/S	A	A	A/S	A	A	A/S
Opt-in Corporate	A	A	A/S	A	A	A/S	A	A	A/S	A	A	A/S
Product Usage	A	A	A/S	A	A	A/S	A	A	A/S	A	A	A/S
Length of Usage	n/a	n/a	A/S	n/a	n/a	A/S	n/a	n/a	A/S	n/a	n/a	A/S
A = Monthly Waves of Acquisition Mailings												
S = Quarterly Satisfaction Surveys												

(**NOTES**: A = Acquisition Campaign; S = Satisfaction Survey; n/a = Data Element Not Asked)

Chart 3 details each data element and the timing of when it would be requested within the tactical marketing plan, which consists of monthly acquisition waves and quarterly satisfaction surveys. It is presumed that all channels with customer-focused promotions are collecting all data elements.

In the above post-Optimization scenario, all of the core data elements (Full Name, Address, City/State, Zip Code, Email, DOB/Age, and Product Usage) are asked in all acquisition materials and refreshed via the quarterly satisfaction survey materials. Further, the quarterly satisfaction surveys seek to obtain the additional data elements (Gender, Ethnicity and Length of Usage) from the customer after a relationship has been established with the organization.

3.3 Consistency with an Automated Solution (*DBMT SurveyManager*™)

The *Customer Profile Audit* and *Customer Profile Strategy Development* – two of the three pillars – show marketers how to identify and improve the analytic value of their customer data now and in the immediate future. To ensure that they continue to maximize these benefits, marketing organizations need to employ a process that enforces and automates proper customer profile development and management practices.

DBMT SurveyManager^{TM}, the essential third pillar of DBMT's AnalyticCRM® methodology, is a critical workflow tool for marketers designed to enable companies to continually optimize customer profile management by automating the workflow of survey creation, ensuring consistency of question and answer sets across channels and across brands and ensuring questions and surveys go through proper approval channels before they are used in any marketing initiatives.

DBMT has worked with many Fortune 500 companies to improve how they manage customer information and develop customer insights, and *DBMT SurveyManager^{TM}* has been developed based on this experience. Ensuring that marketers have an ongoing, consistent customer profile development and management process, *DBMT SurveyManager^{TM}* provides the following key functionality:

- **Question / Answer Library**, incorporating a company's existing knowledgebase.

- **Collaborative Survey Creation** tool that meets the needs of diverse marketing teams and leverages a company's existing knowledgebase.

- **Workflow Functionality** to ensure a structured and accelerated process for bringing a survey from design to production, including attainment of all organizational and legal approvals.

- **Enterprise Scalability** that allows the tool to be applied to one marketing team or the entire marketing organization.

The only way to properly develop customer profiles, protect them and enforce data collection standards is through an easy-to-use automated solution that marketers and their partners must access whenever they wish to collect information from customers. *DBMT SurveyManager^{TM}* has been developed for that purpose.

4.0 Critical Analysis of the Customer Profile

The previous sections have revealed why marketers often fail to recognize if their customer profile management and strategy are underperforming and how organizations can recover with DBMT's methodology for optimizing customer profile management. Now, we will begin to quantify the impact of making the process changes recommended in this document.

Increasingly, most marketers are becoming aware that their data – the raw materials on which they conduct their marketing – is not what it could be. There is, however, a disconnect between the "feeling" about the condition of their data being less than optimal and actually being able to quantify its poor quality. Consequently, without being able to quantify the assessed value of the data, marketers cannot determine the bottom line impact of this breakdown in terms of cost to the organization for continued collection of un-optimized data.

This section will provide an essential primer on how poor customer profile data, as identified in the *Customer Profile Audit* process, can be quantified into real costs that will help marketers understand the impact that their customer profile management practices can have on an organization. Additionally, this section will show a detailed comparison of customer profile data "Before" and "After" an Optimization Audit is conducted, quantifying in insight value and dollars the cost of customer profile management failures and the rewards of success.

4.1 The Customer Profile: Pre-Optimization Audit

The following series of charts illustrates an example of an organization's available Customer Profile prior to conducting an Audit. These pre-audit examples are based on common issues noted in the summary table in the previous section. Additionally, an assumption is made for the sake of this exercise that overall responses are equally distributed across channels. It is important to note, however, that if the media mix for a particular campaign is geared toward one channel, such as Online, over the others and a higher percentage of total responses are obtained through that channel, then any issues with customer profile data elements within that channel will be magnified.

Chart 4 details each data element and the percentage to which they are populated with valid response data by channel. For example, the results of the composite Optimization Audit revealed that corporate opt-in is not requested in the Offline channel; therefore, response percentage to that data element in that channel is zero.

Chart 4 – Pre-Optimization Response % by Channel

% of Responses by Channel	33.33%	33.33%	33.33%	
Consumer Profile Elements	**% Populated: Offline**	**% Populated: Online**	**% Populated: Phone**	**Blended % Populated**
Full Name	95%	98%	97%	97%
Address	94%	25%	96%	72%
City/State	94%	25%	96%	72%
Zip Code	94%	86%	96%	92%
Email	15%	98%	45%	53%
D.O.B./Age	0%	26%	44%	23%
Gender	0%	65%	75%	47%
Ethnicity	0%	0%	40%	13%
Opt-In Brand	82%	30%	87%	66%
Opt-in Corporate	0%	0%	36%	12%
Product Usage	0%	27%	42%	23%
Length of Usage	0%	0%	33%	11%

Next, Chart 5 extrapolates an approximate number of responses (per 1,000), based on these percentages, that would be generated over time. This year by year illustration provides a context for the impact that inaccurate, or un-optimized, data can have on an organization's promotional efforts when left unresolved over time.

Chart 5 – Pre-Optimization Responses Year over Year

# of Responses by YR	1,000	1,000	1,000	3,000
Consumer Profile Elements	**YR1 RESPONSES**	**YR2 RESPONSES**	**YR3 RESPONSES**	**TOTAL RESPONSES**
Full Name	967	967	967	2,900
Address	717	717	717	2,150
City/State	717	717	717	2,150
Zip Code	918	918	918	2,755
Email	527	527	527	1,580
D.O.B./Age	232	232	232	695
Gender	467	467	467	1,400
Ethnicity	133	133	133	400
Opt-In Brand	663	663	663	1,990
Opt-in Corporate	120	120	120	360
Product Usage	230	230	230	690
Length of Usage	110	110	110	330

4.2   The Customer Profile: Post-Audit

The following series of charts continues the example of the composite Customer Profile, after having conducted an Optimization Audit and implementing necessary changes to address the major customer profile management issues. Based on the common issues noted in the previous section, the changes implemented are primarily related to defining a core set of data elements for the

Customer Profile, enforcing which should be required elements and requesting the information from the customer in all channels.

Chart 6 details each data element and the improved, post-optimization percentages with which they are populated with valid response data by channel. Corporate opt-in, for example, which was not previously requested in the Offline channel, was added to all subsequent Offline materials. Consequently, response percentage to this data element in that channel increased from zero to 30% of all responses.

Chart 6 – Post-Optimization Response % by Channel

% of Responses by Channel	33.33%	33.33%	33.33%	
Required Consumer Profile Elements	**% Populated: Offline**	**% Populated: Online**	**% Populated: Phone**	**Blended % Populated**
Full Name	98%	99%	98%	98%
Address	97%	98%	97%	97%
City/State	97%	98%	97%	97%
Zip Code	97%	98%	97%	97%
Email	40%	99%	45%	61%
D.O.B./Age	26%	26%	44%	32%
Gender	50%	65%	75%	63%
Ethnicity	30%	35%	40%	35%
Opt-In Brand	82%	76%	87%	82%
Opt-in Corporate	30%	45%	36%	37%
Product Usage	25%	49%	42%	39%
Length of Usage	13%	25%	33%	23%

Chart 7 then extrapolates the number of responses (per 1,000), based on these improved, post-optimization percentages over time. For simplicity, this example does not take into account other factors like normal attrition and acquisition nor seasonality and timing of campaigns. Nonetheless, it does illustrate the improved value of the underlying data elements after implementing an Audit by virtue of the fact that a more accurate and complete Customer Profile is collected over time.

Chart 7 – Post-Optimization Responses Year over Year

# of Responses by YR	1,000	1,000	1,000	3,000
Required Consumer Profile Elements	YR1 RESPONSES	YR2 RESPONSES	YR3 RESPONSES	TOTAL RESPONSES
Full Name	983	983	983	2,950
Address	973	973	973	2,920
City/State	973	973	973	2,920
Zip Code	973	973	973	2,920
Email	613	613	613	1,840
D.O.B./Age	318	318	318	955
Gender	633	633	633	1,900
Ethnicity	350	350	350	1,050
Opt-In Brand	817	817	817	2,450
Opt-in Corporate	370	370	370	1,110
Product Usage	387	387	387	1,160
Length of Usage	233	233	233	700

4.3 The Customer Profile: Data Quality after Optimization

The following charts begin to illustrate the value gained by improving customer profile development and management, where more robust customer profiles will require fewer costly data appends and ensure greater accuracy in analytics.

Chart 8 provides a cumulative illustration of how an organization's data can be improved over time as a result of conducting a *Customer Profile Audit.*

Chart 8 – Incremental Improvement after Customer Profile Optimization

Before and After Customer Profile Optimization				
Required Consumer Profile Elements	Post-Audit Responses	Pre-Audit Responses	Incremental # Improvement	Incremental % Improvement
Full Name	2,950	2,900	50	2%
Address	2,920	2,150	770	36%
City/State	2,920	2,150	770	36%
Zip Code	2,920	2,755	165	6%
Email	1,840	1,580	260	16%
D.O.B./Age	955	695	260	37%
Gender	1,900	1,400	500	36%
Ethnicity	1,050	400	650	163%
Opt-In Brand	2,450	1,990	460	23%
Opt-in Corporate	1,110	360	750	208%
Product Usage	1,160	690	470	68%
Length of Usage	700	330	370	112%

Chart 9 provides a more graphical representation of the incremental improvement in the percentage of each data element that is populated with valid data before and after conducting an Audit.

Chart 9 – Incremental Improvement in Data Element Population
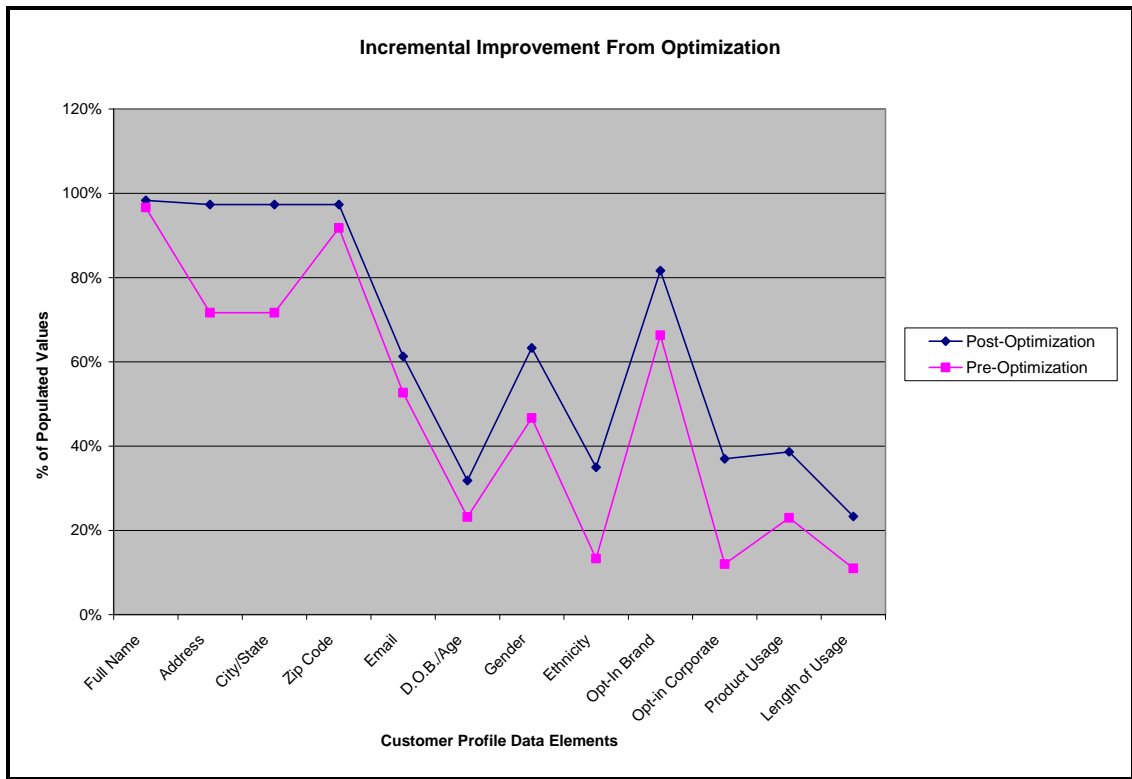
The improvement in the value of the Customer Profile data elements collected is evident. Specifically, there are several areas from the composite Customer Profile that were vastly improved as a result of the Audit:

- **Complete Addresses** – Prior to the Optimization Audit, the data elements of Address and City/State were not being collected in the online channel. As a result of the Optimization Audit, there are approximately 35% more records in the database that now have Full Name, Address, City/State and Zip Code – which makes them much more valuable to any organization.

- **Ethnicity** – Incrementally, there are 163% more records collected with Ethnicity indicated than before the Audit. The value of this self-reported data is immense should an organization consider implementing an ethnic marketing campaign, as part of its strategic plan.

- **Corporate Opt-Status** – Incrementally, there are 208% more records collected with <u>Corporate Opt-In</u> indicated than before the Audit. The value of this self-reported data cannot be underestimated, because it means that literally there are twice as many customer records that an organization can utilize to acceptably communicate its other products and services.

5.0   Customer Profile Optimization: Cost and Benefit Considerations

The previous series of charts show that there are tangible consequences and loss associated with un-optimized customer profile management and that there are real benefits to conducting and improving the quality of that data. Because each instance of an organization's Customer Profile data collection processes will vary greatly, what has been presented here is intended to be a basic illustration of how the quality of the data collection can be improved with an Optimization Audit.

Nonetheless, when considering the current state of customer profile management and customer profile quality, an organization needs to examine the costs and dollar returns of perpetuating the status quo versus attempting to change it for the better. Therefore, just as it is important to recognize the tell tale signs of un-optimized data, it is also important for marketers to understand the types of costs that are generally associated with their initiatives and how their customer data collection is financially effected by a *Customer Profile Audit*.

Below, Table B describes some typical line items associated with marketing initiatives, and how they should be considered in the context of pre-optimization "costs" and post-optimization "benefits." Generally, these items fall into two classifications, as follows:

- **Fixed Costs** – Costs that are not likely to change as a result of conducting an Optimization Audit.

- **Variable Costs** – Costs that can be specifically reduced, or positively affected, by conducting an Optimization Audit.

Table B – Summary of Customer Profile Costs and Benefits

Item	Description	Pre-Optimization "Costs"	Post-Optimization "Benefits"
General Agency Fees	• In the context of this exercise, agency fees are typically a **Fixed Cost** • Can include account management fees, and non-campaign related fees • Not applicable to all organizations or brands, and can vary depending of size and complexity of the marketing initiatives	• General Fees are not necessarily associated directly with data quality • However, increased complexity and duplication resulting from poor data quality and/or undefined strategy can result in the need for additional agency staff and resources • Consequently, fees can increase incrementally over time as more and more	• Areas are identified where data quality can be improved, and where redundancy of agency resources exist • General Fees may be reduced if Pre-Optimization agency fees include resources made unnecessary by more efficient customer profile management practices

Item	Description	Pre-Optimization "Costs"	Post-Optimization "Benefits"
		services, resources and/or oversight are added to manage the account under Pre-Optimization conditions	
Campaign Creative Development	• Typically a **Variable Cost** • Can include creative development and pre-production design • Generally a fee charged by agencies, but can also be an internal cost	• Costs are directly related to the number of creative treatments that are developed for final campaigns. Thin customer profiles lead to weak segmentation analysis, which leads to poor creative direction and inaccurate/unnecessary creative versioning • Undefined strategies increase the likelihood of ineffective campaigns and redundant campaign development, which increases costs incurred by an organization	• Effective marketing tactics are established, which eliminates unnecessary campaigns and creative development • Costs are reduced because campaign development is aligned with an efficient Customer Profile Strategy
Campaign Materials Production	• Typically a **Variable Cost** • Generally includes costs to print materials, website development and hosting, media production and placement • Can vary depending on complexity and functionality of design and volumes of physical materials	• Unnecessary or redundant campaigns must be re-done when un-optimized data collection does not yield the Customer Profile necessary to answer business questions • Increased production costs that decrease ROI • Un-optimized Customer Profiles decrease the accuracy of the data collected and campaign scope – adversely effecting conversion and ROI	• Eliminates increased costs for production related to unnecessary campaigns, or those that must be re-done • Improved data quality of Customer Profiles increases ROI by creating opportunities to effectively market to more valuable prospects/customers
Incentives/Premiums	• Typically a **Variable Cost** • Can include costs of response/fulfillment premiums and purchase incentives like rebates or free product • Can vary based on campaign response, effectiveness of segmentation and marketing strategy	• Poor data quality – which contributes to ineffective segmentation – can create unnecessary costs by premium distribution to poorly qualified customers • The more premiums delivered to inappropriate customers, the more cost there is to drive down ROI	• Improved data quality of Customer Profiles allows for better analysis, segmentation and qualification of customers to maximize investment of premium costs • Eliminates increased costs for unnecessary distribution of premiums
Operational Data Management	• Typically a **Variable Cost** • Can include costs to capture	• Un-optimized Customer Profiles increase rejection	• Decreased rejection of individual records at the

Item	Description	Pre-Optimization "Costs"	Post-Optimization "Benefits"
	response data at Channel Vendors, to transmit and for loading and transformation at operational database vendor • Can vary based on volumes and frequency of data transmissions – as well as quality of data that requires cleansing	rates of individual records at Channel Vendors, which decreases overall campaign response rates • Un-optimized Customer Profiles increase costs associated with re-transmission by Channel Vendors of files that are rejected due to poor data quality • Poor data quality from un-optimized Customer Profiles increases operational costs of the database and at the Database Vendor (if data repository is hosted by third-party) due to the need for address standardization, gender determination and other manual, resource-intensive data cleansing techniques	Channel Vendor level, produces higher net responses • Eliminates increased costs for production related to re-transmission of Channel Vendors files • Improved quality of Customer Profile data decreases costs associated with data cleansing due to higher degrees of ETL automation • Overall campaign ROI is increased – due to reduced operational costs
Data Appends	• Typically a **Variable Cost** • Can include costs to update/correct addresses, fill-in missing information, or enhance existing data with statistical, census or transactional data • Can vary based on volumes and frequency of data appends – as well as quality of data	• Data appends from 3rd-Party sources – necessary to enhance the quality of un-Optimized data – increases marketing cost • Un-optimized data that relies on appended 3rd-party data to enhance Customer Profiles has a less accurate predictive-value than self-reported data	• Eliminates increased costs for unnecessary data appends on Optimized Customer Profiles • Value of data is increased as a result of capturing a higher volume of useable Customer Profile data • Segmentation and targeting are improved due to increased accuracy of self-reported data • ROI is increased by reduced data append costs; and more efficient and responsive future marketing campaigns
Report Development	• Typically a **Variable Cost** • Can include costs to compile and aggregate data, create design templates and to manipulate data in 3rd-party application(s) • Can vary greatly depending on number of templates needed and resources required to maintain reports – and, of course, quality of	• Poor data quality – that is difficult to synthesize easily – requires marketers and agency resources to spend additional hours to derive meaningful insights • Costs are increased when reports are developed – based on un-optimized data that require extensive manual manipulation to	• Improved data quality of Customer Profiles allows for better aggregation and summarization of data – allowing marketers to spend less time to derive meaningful insights • Eliminates increased costs for manual manipulation and report development outside of standard reporting

Item	Description	Pre-Optimization "Costs"	Post-Optimization "Benefits"
data		develop and maintain reports in a non-standard (3rd-party) environment • Costs are increased when reports – developed on an "ad hoc" basis using un-optimized data – become obsolete because they do not answer the fundamental questions of marketers	universe • Costs are further decreased when unnecessary "ad hoc" reports are eliminated – after reporting and analysis are tied to the Strategy Framework
Analyses and Decisions	• Typically a **Variable Cost** • Can include costs to conduct detailed analysis of the data or model development, and opportunity costs of bad decisions and decisions not made • Can vary greatly depending almost entirely on the quality of an organization's data	• Poor data quality – from which erroneous insights are drawn – can substantially increase costs when ineffective or ill-advised campaigns are made; and potentially need to be re-done • Un-optimized Customer Profile data – diminishes marketing effectiveness and increases "opportunity costs" when volume of qualified customers is decreased due to insufficient data collection • Costs are increased when expensive models are developed – on which segmentations and tactics are based – using un-optimized data whose predictive value is questionable	• Improved data quality of Customer Profiles allows for more accurate and effective model and statistical analysis development – allowing marketers to make better decisions concerning their marketing strategies and tactics • Improved volume of qualified Customer Profile records increases potential revenue from more a effective and expansive marketing universe • Costs for unnecessary repetition of ineffective or ill-advised campaigns are reduced by more accurate analyses and confident decisions

As we see in the preceding table, the opportunity to reduce costs and improve marketing performance is enormous through enhanced customer profile management. All it takes to realize the money and eliminate the waste buried in their customer profiles is a three step process of customer profile optimization, strategy development and automated management.

6.0   Conclusion: The Optimized Customer Profile

Developing and managing customer profiles are an essential component of any successful marketing initiative. Even more, it is an ongoing and iterative process. This document has presented a primer on how to recognize bad customer profile management practices, examined the impact a Customer Profile Audit can have on a composite customer profile, and described the real costs of un-optimized data and the benefits of improving customer data.

Further, this paper has provided an important overview to the three pillars companies need to increase the value of organizational marketing data. Specifically, the three pillars of DBMT's AnalyticCRM® Customer Profile methodology enable an organization to:

- **Measurably Improve Data Quality**

- **Reduce Costs by Eliminating Inefficiencies and Duplication**

- **Align Marketing Tactics with a Defined Strategy**

- **Answer Key Business Questions**

- **Make Better Decisions on Direction of Marketing Initiatives**

- **Improve Marketing ROI**

- **Ensure Future Consistency of the Customer Profile**

Any organization that utilizes the three pillars for optimizing its Customer Profile can save time and derive bottom-line benefits. Further, better decision making, as a result of the optimized Customer Profile and the increased analytic value of the data, can lead to an improved ROI on marketing programs because changes can be made to underperforming campaigns and successful promotional tests can be rolled out to larger segments – thus increasing profitability and efficiency. If marketers want to do more with their budgets and improve marketing performance, the first step is addressing customer profile management.