



DB Marketing TechnologiesSM

Making Customer Relationship Management Work[®]

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The Customer Marketing Database: Cutting Costs and Improving Performance



**DB MARKETING TECHNOLOGIES, LLC
THE CUSTOMER MARKETING DATABASE:
CUTTING COSTS AND IMPROVING PERFORMANCE**

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Customer Marketing Databases are the engines that drive marketing and CRM programs forward, enabling data-driven planning, automated execution, real-time results and advanced analytics. With so much riding on customer marketing databases, it stands to reason that when they fail, bad things happen—increased cost, increased error and decreased confidence from senior management.

Marketers must be therefore be vigilant in avoiding customer marketing database errors. Customer marketing databases are complex collections of processes, technologies, vendors, data and tools which are constantly in flux and are forced to adapt to business changes. Left on their own, even the best architectures with the best vendors and the best tools will start to operate out of phase with business requirements within eight months of implementation. And these variances can be very costly.

The Price of Customer Marketing Database Error

The typical points of failure in Customer Marketing Database include:

- Vendor rates and hours exceed industry norms
- Inconsistent data collection causing data integrity issues
- Inconsistent measurement methods and lack of support on the backend
- Customer data and operational processes scattered across the enterprise that limit data access and reduce the timeliness and accuracy of operations.
- Ad-hoc oversight and manual validation that permits routine errors.
- Inconsistent business rules, resulting in reporting and fulfillment errors.

Example: There is a problem with data capture in a specific channel, say a web form, that causes data anomalies driving errors in reporting and fulfillment. As a result, data needs to be cleansed and the reporting and fulfillment processes re-run. While these steps address the immediate need of getting the mailing out and delivering reports, the root cause of the problem is not yet corrected. If the root cause of this problem is a flaw in the overall process, the problem will recur, requiring additional effort and cost to diagnose the root cause and correct it.

Since errors in customer marketing databases, as in the above example, spawn webs of downstream errors, the sooner the issues in the customer marketing database are fixed, the lesser the impact on the business and its customers. Identification and correction of customer marketing database anomalies can save businesses considerable amount of budget dollars on an ongoing basis.

Customer marketing database problems typically impact cost in of the following ways:

- Vendor Overcharging
- Recurring development costs due to inefficient design
- Labor and production costs needed to reproduce campaigns that were executed in error



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- Labor cost of development resources to correct errors
- Labor cost of internal and external resources to determine the root cause of errors

Over time, the costs can add up, frequently over \$500K a year of unnecessary cost. These are hard costs that accumulate annually. In addition there are soft costs, such as a decrease in marketer satisfaction with the marketing database as well as a decrease in senior management confidence in reporting from the database. Such losses reduce use and usefulness of the database, marginalizing it and the marketers responsible for it.

Customer Marketing Database Self-Diagnostic

Properly identifying and correcting CRM error requires a comprehensive audit of all customer databases, touchpoints and vendors. DB Marketing Technologies has developed the following self-diagnostic to help marketers determine if their customer marketing databases are prone to error and unnecessary cost.



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Question	Group A Answers	Group B Answers	Interpretation of Answer
Is your customer marketing database outsourced, and if so, what kind of vendor is hosting it?	Marketing Service Provider	Internal IT Advertising Agency Direct Response Agency	<p>The group that directly manages the customer database must have real CRM management skills. Team members should be deployed with capabilities that exactly match their responsibilities. The team should have sufficient technical resources to ensure flawless program execution. And the database should be designed and built to be flexible and scalable enough to handle company requirements changes over time.</p> <p>While good database management can occur within or outside a company, companies that have the greatest success tend to employ Marketing Service Providers, where marketing database hosting is a core competency. In general, companies that house their customer marketing databases at their advertising agencies or in-house are not as successful (i.e. they have a greater potential for error) because these hosts are just not set up to design, build, and manage customer databases.</p>
Does your company have a direct contractual relationship with the database vendor?	Yes	No, my customer marketing database vendor is contracted through my agency or other vendor.	<p>The most effective way for marketing to engage a customer marketing database vendor is to engage them directly, ensuring that the vendor is contractually liable to the company and its marketing group.</p> <p>When a vendor is engaged indirectly through another vendor, such as an advertising/direct response agency, this disintermediation degrades performance and cost optimization over time, i.e. you experience more errors.</p>
Does your company have established service levels with the marketing database vendor/IT Group?	Yes	No	<p>Including detailed documentation of performance expectations and requirements in the contract with the database vendor is the best way to ensure the vendor is properly incented and informed to meet expectations and adapt to changes in the business.</p> <p>When these details are not established, costs increase and vendor changes occur more frequently.</p>



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Question	Group A Answers	Group B Answers	Interpretation of Answer
Was the timeline of marketing database implementation accelerated due to time pressure of the business?	No	Yes	<p>Proper implementation of a customer marketing database requires thorough requirements development, a structured build process, thorough testing and a planned rollout.</p> <p>Often, companies put a certain amount of time pressure on building the customer marketing database. Depending on how severe this time pressure is, the team may be forced to “short cut” aspects of the design and build process, which typically results in problems.</p> <p>By our estimation, every week of planning, requirements and design work that is cut during the build results in at least a month of labor charges from vendors to troubleshoot and repair design flaws after the build.</p>
Was the customer marketing database built from scratch or a migration from another vendor/system?	From scratch	Migration	<p>At times, when a customer marketing database team is asked to migrate an existing database, the client is not given the benefit of the team’s full approach. The team may retain too many elements of the older database in an effort to save time. So rather than starting with a clean slate, you begin with a broken one. The probability of this occurring is greater if the client places too much time pressure on the build (see previous example).</p>



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Question	Group A Answers	Group B Answers	Interpretation of Answer
Does the marketing database serve more than one brand marketing team with distinct requirements and P&L responsibilities for campaign management, reporting and customer data management?	One brand	Multiple brands	<p>When a customer marketing database serves multiple independent brands, the complexity of its build and ongoing operation increases exponentially. Business processes, campaign designs, and the overall complexity of ongoing tasks become greater.</p> <p>Multi-brand customer marketing databases have many benefits for developing and leveraging complete customer insights. But with those benefits comes considerably more complexity and greater responsibility to manage those databases correctly. As a result, multi-brand databases tend to go out of phase with company requirements more quickly than single brand databases and therefore have greater chance of increased budget-burn, particularly given the comprehensive management challenges of a database with many “owners.”</p>
Does a person on your team or at a vendor need to execute data transfers, or do they occur automatically?	Automatic	Manual	<p>The processing of data transfers is an essential function that needs to occur on a specific schedule in relation to database update procedures. If the execution of data transfer processing relies on manual intervention, customer databases and the reporting that is based on them can become unreliable.</p>
When a data error occurs, does someone on your team need to call a vendor to report the issue, or is the issue handled automatically?	Automatic	Manual	<p>Data errors, if not handled properly, can cripple marketing programs and render the database useless for reporting and analytics. A prime source for data errors are feeds into the customer marketing database.</p> <p>Relying on manual intervention to flag and process data errors contributes to critical issues in a customer marketing database. Automation should be used not only to flag errors, but also to pass error records back to their source for correction.</p>
Over the past year, how many times did database reporting need to be restated?	None	One or more	<p>At the end of the day, confidence in the customer marketing database comes from accuracy and reliability. Errors that force restating results that have already been published undermine this confidence</p> <p>More than one restatement of customer marketing database results in a given year indicates serious underlying issues.</p>



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Question	Group A Answers	Group B Answers	Interpretation of Answer
<p>How long does it take to get a simple answer (e.g. how did customers answer a specific survey question) from your customer marketing database?</p>	<p>Same day or at worst a few days</p>	<p>One week or longer</p>	<p>Slow response time can indicate different things, depending on the question.</p> <p>For example, it may be necessary to know how many customers answered a survey question a certain way. A properly designed and well maintained customer marketing database should be able to deliver this answer within seconds. If the answer takes longer than a few days or the team says it will require programming, that is a big indication that the database was not properly designed.</p> <p>Another example is that a new channel vendor might need to know the business rules configured in the customer marketing database for data transfer processing. The team managing the customer marketing database should have all of the business rules documented and should be maintaining the documentation on an ongoing basis. It shouldn't take longer than a day or two to get this documentation over to the new vendor.</p> <p>If the team is requesting weeks to deliver the documentation, there is a good chance the team is not properly maintaining documentation of its processes, data schemas and operating procedures. The lack of this documentation creates a black hole, where rules are implemented without any means to track them. Man hours, days and weeks, will get sucked away by simple requests, where the team must forensically search for answers.</p>



Diagnostic Scoring

Tally the number of “Group A Answers” and review the following chart:

Number of “Group A Answers”	Probability of “Budget Burn”
8-10	Low. These answers are typical of customer marketing databases that are generally reliable, rarely incur unnecessary cost, and are more likely to be in phase with business requirements.
6-7	Medium. These answers are typical of customer marketing databases that require adjustments to overall process, technology deployment and team staffing to achieve baseline reliability and cost containment.
5 or less	High. These answers are typical of customer marketing databases that are likely causing numerous errors on a regular basis and are generating significant unnecessary cost-- requiring comprehensive changes to system and process design and potentially changes in vendors.

Please note that if the customer marketing database is more than 2 years old and has not been audited in the past 18 months, a customer marketing database audit is recommended. Even the best solutions go out of phase in this timeframe and must be adjusted.



Customer Marketing Database Audits

What you don't know can cost you!

The typical underlying objective of CRM practices, whether they be programs, creative, systems or processes is to improve marketing performance and support a company's efforts to strengthen customer relationships and make them more profitable. It follows, then, that senior executives do not look kindly on marketing when CRM programs fail. The silver lining here is that 90% of CRM failures are completely avoidable with effective management and ongoing oversight.

Consider that the typical customer marketing database consists of 8 layers:

1. **The CRM Framework.** The intersection of internal and external systems, vendors, agencies and channels that drive CRM programs through the customer marketing database.
2. **Vendor/Partner Quality.** The degree vendors/partners are delivering on what is needed for CRM excellence.
3. **Data Collection.** How information is obtained directly from customers through surveys, online forms and other vehicles across channels.
4. **Interface Management.** The design, creation and management of inbound and outbound customer data feeds between channels and databases.
5. **Database Management.** How customer data is housed and managed to support CRM requirements.
6. **Campaign Management.** The design, creation and management of direct marketing activities to achieve business and marketing goals.
7. **Reporting & Business Intelligence.** Tools and deliverables that increase the transparency of operations, illustrate performance and provide customer insights.
8. **Analytics.** Tools that deliver quantitative, predictive and illuminating customer insights.

Given this complex structure, typical points of failure often include:

- Inconsistent data collection causing data integrity issues
- Inconsistent measurement methods and lack of support on the backend
- Customer data and operational processes scattered across the enterprise that limit data access and reduce the timeliness and accuracy of operations.
- Ad-hoc oversight and manual validation that permits routine errors.
- Inconsistent business rules, resulting in reporting and fulfillment errors.



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So the sooner the issues in the customer marketing database are fixed, the sooner companies can stop bleeding marketing dollars. Identification and correction of customer marketing database anomalies can save businesses considerable cash on an ongoing basis

Bullet-proofing CRM

Marketers must be vigilant to ensure that their customer marketing database evolves in sync with the ebb and flow of their business requirements. The best way to ensure a business is receiving maximum value from their investment in CRM is to perform a periodic audit of their customer marketing database. Even if the best vendors in the world are supporting a CRM effort, there are just too many moving parts involved to keep the players or systems from slipping out of alignment. The only question is will you catch mistakes early with an audit or late when the customer marketing database starts to crumble and you experience systemic failure, where reported numbers have to be recalled, the brands cannot get their campaigns out, costs soar and everyone is calling for vendor or management change. By proactively identifying issues, audits give all parties the opportunity to make corrections and improve their services to their clients, reducing costs and improving CRM performance.

Customer Marketing Database Audits Demystified

To eliminate the risk of error and unnecessary cost, marketers must have a complete picture of the capabilities, skills, tools and processes that are used to manage customer relationships. And since these components of the customer marketing database continually change with the organization, brand and brand goals, updating this picture regularly—once every 18 to 24 months—is key.

A customer marketing database audit develops this complete picture, incorporating assessments of CRM/Marketing Databases, marketing strategy, business rules, and vendor skills and processes, among other components. So to be successful, these audits must include:

1. **Historical context and future needs.** Past decisions, projects, vendors and stakeholder actions can have a lasting impact on multiple parts of the architecture. These histories must be reviewed for a complete assessment of the current state. Stated and un-stated future requirements reveal the degree to which the current architecture will be sufficient.
2. **End-to-end assessment.** CRM practices are the intersection of resources, skills, tools, processes and data—and it is the CRM data which drives future actions including marketing tactics and decision making. As a result, a full assessment of CRM practices must include a detailed review of marketing activities, creative, surveys/forms, personnel, vendor capabilities and stakeholder involvement. Successful assessments tie all of these pieces together driving complete and accurate conclusions and insightful recommendations.



3. Assessment of both the impact on execution and the impact on insight availability and quality.

To truly meet company needs, the customer marketing database must enable the organization to successfully execute programs – reaching the right people at the right time with the right message – and deliver accurate insights so that the company can develop the right message for the right groups of people and deliver them at the right time. Each element of the architecture is assessed for its ability to deliver on both levels.

Looking under the hood

To fully deliver on the need to reduce risk and eliminate unnecessary cost, a customer marketing database audit must examine more than just the customer database. A thorough assessment requires developing a complete picture of all the functions that effect CRM performance.

Audit Category	Key Areas of Review	Approach
CRM Architecture <i>The array of internal and external systems, vendors, agencies and channels that drive CRM</i>	Functional Landscape	<ul style="list-style-type: none"> Review and document the functional footprint of each internal and external partner to determine how CRM and database marketing are delivered across partners, vendors and systems.
	Process Landscape	<ul style="list-style-type: none"> Review and document process, validation and business rules of each touchpoint (internal and external) to identify inconsistencies and/or errors that impede performance and contribute to error and, in turn, increase cost.
	Quality, Integration & Performance	<ul style="list-style-type: none"> Review the products, services and core competencies of vendors/partners, providing an assessment of current state and opportunities to improve performance and lower costs.
Interface Assessment <i>Interface reliability is essential to flawless execution. Interface design can affect the efficiency of operations, while interface validation ensures that only the proper records are processed.</i> <i>Improperly structured/managed interfaces can continually put the utility and accuracy of the marketing database at risk.</i>	Structure	<ul style="list-style-type: none"> Review the core elements of transfers of data between vendors, including: <ul style="list-style-type: none"> Layout of data that is transferred Fixed vs. variable Formats Dynamic formats (e.g. XML) Ability of the design to accommodate ongoing changes to data elements, survey, questions and answers
	Validation	<ul style="list-style-type: none"> Review how vendors protect data quality across the architecture: <ul style="list-style-type: none"> Business rules that drive endpoint validation Proactive handling of validation dependencies across vendors Application of best practice.
	Production	<ul style="list-style-type: none"> Review the methods used to process feeds: <ul style="list-style-type: none"> Degree of automation Transparency and reporting



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Audit Category	Key Areas of Review	Approach
Database Assessment <i>Data models that are difficult for stakeholders to use or manage can encourage improper reporting and querying. Improperly structured data models can cause errors that impair campaign execution.</i> <i>Data anomalies, as a result of legacy information or inconsistent validation, are an obstacle to reporting and querying and can potentially trip up campaign execution.</i>	Content	<ul style="list-style-type: none"> Identify data anomalies that interfere with query and reporting accuracy, analysis validity and/or marketing execution. Uncover patterns of errors that reveal potential causes.
	Structure	<ul style="list-style-type: none"> Determine the degree that the database design supports the marketing requirements. Determine the degree to which that database design provides the flexibility needed to support reasonable and customary changes to marketing programs.
	Validation	<ul style="list-style-type: none"> Determine the degree to which data is validated prior to ETL Determine the degree to which validation rules are consistent and support brand requirements.
Vendor Assessment <i>The highest level of service is obtained when vendors are aligned and empowered to deliver their core capabilities.</i>	Infrastructure	<ul style="list-style-type: none"> Review the equipment used to house databases and execute CRM programs, including Hardware, software and tools with which the vendor has domain expertise. Determine the degree of expertise with each solution to reveal core vs. fringe competency.
	Process/IP	<ul style="list-style-type: none"> Determine the degree standard operating procedures and institutional controls are robust and mature. Assess methodologies and productized services based on soundness, relevance and rigor.
	Personnel, Skills & Domain Expertise	<ul style="list-style-type: none"> Determine the degree team members are appropriately skilled and trained for the project. Assess how the team navigates through its own company structure based on knowledge sharing, communication, executive oversight, etc.
Customer Data Collection <i>Data collection anomalies can hinder the accuracy and value of the marketing database. Each day that anomalies are permitted to exist is another day that potentially flawed data enters the database.</i>	Consistency	<ul style="list-style-type: none"> Review data collection across channels and brands, and highlight areas of inconsistency that can result in un-linkable data, flawed reporting and analysis.
	Core Profile	<ul style="list-style-type: none"> Review the degree to which core subsets of data collection are enforced across channels and brands—the core profile. The core profile consists of the key data elements that are needed at minimum for reporting and analysis to be accurate and relevant across the enterprise.
	Data Collection Strategy	<ul style="list-style-type: none"> Review the extent to which the customer data collection activities continually manage customer profiles. Customer data has a shelf life, so it needs to be refreshed over time. The data collection strategy defines business rules to re-collect specific data elements at specific time intervals.



Audit Category	Key Areas of Review	Approach
Campaign Management, Reporting & Analysis <i>Reporting accuracy is essential to proper program management. The reporting process can introduce inaccuracies into reporting output. Functional limitations and performance issues can impair how programs are designed, executed and measured.</i>	Tools, Calculation & Methodology	<ul style="list-style-type: none"> Determine the degree to which the reporting meets marketer needs. Assess metrics and measures based on accuracy and relevance. Benchmark brand needs against best practices. Assess tools used to create, build and access reporting, campaigns and analysis.
	Design	<ul style="list-style-type: none"> Design reporting based on the simplicity, relevance and ease of use requirements common to marketers. Determine the degree campaign designs achieve marketing objectives Benchmark against best practice.
	Process & Execution	<ul style="list-style-type: none"> Determine the degree to which the report production process is automated and stabilized. Assess the campaign development & execution process Identify process anomalies that could interfere with timing and accuracy of campaigns & reports.
Customer Data Integration <i>The level of integration of data collection, interface management and database management is a leading indicator of success or failure in managing customer relationships with CRM and marketing databases. Efforts to improve this integration have a significant impact on CRM performance and ROI.</i>	Data Collection Practices	<ul style="list-style-type: none"> Review the data collection practices at each channel and brand, including: <ul style="list-style-type: none"> What data is collected at each channel How data is collected and in what format Core profile definition assessment Ongoing data collection strategies
	Interface Structure & Management	<ul style="list-style-type: none"> Review: <ul style="list-style-type: none"> How data transfers are designed to effectively link the data collection practices at each channel with the data management needs of the marketing database. The degree the flexibility of structure enables normal and customary change.
	Database Design for Survey/Question/Answer Data Management	<ul style="list-style-type: none"> Review how the data models support Insight-based management of survey data to reduce error and complexity of queries and reporting.

Getting it Done

Scrutinizing the work of internal and external stakeholders can be met with resistance, and it is incumbent on marketers to ensure that this does not interfere with producing a comprehensive audit. Typical approaches when introducing a CRM audit include:

- **Provide Advance Notice to Stakeholders.** Introduce the customer marketing database audit initiative to all relevant stakeholders at the beginning of the project with a comprehensive



description of the audit's objectives, the value to the business and what is expected of stakeholders. Typically, stakeholders are expected to provide documentation and information in a timely manner, and be reasonably available to the audit team for interviews and questions.

- **Handle Vendors Carefully.** Third party vendors in particular can be defensive about cooperating in an audit. Help them understand that all vendors and stakeholders benefit from a stronger customer marketing database and that they may be asked to participate in additional project work driven by audit findings.
- **Make Findings Relevant to All Stakeholders.** Senior executives need summary findings that highlight what is working, what is not working, what needs to be done and how it will get done. Managers and vendors need detailed specifications regarding what needs to be changed and why, how the changes should be made and what the outcome needs to be. As a result, the customer marketing database audit findings must be developed and presented in multiple formats and levels of granularity.

Getting to Happily Ever After

Once the audit is complete and findings communicated, marketers must act on the findings:

- **Development and Implementation of Corrections and Enhancements.** Armed with a complete assessment of the customer marketing database, marketers can achieve performance improvements and cost reductions that have a lasting impact on the business and customer relationships on an ongoing basis. Accomplishing this means developing a detailed plan to close important gaps based on the audit findings and business priorities.
- **When to Consider Vendor Migration.** In most cases, vendors prove to be excellent partners in the management and enhancement of customer marketing databases. However, there are times when the customer marketing database audit reveals patterns of vendor under performance. If these patterns are severe and/or are determined to be disproportionately linked to errors and unnecessary costs over long periods of time, a vendor migration may be needed. Since vendor migrations are typically costly and relatively painful, careful justification of this decision must be made through a business case that quantifies the cost benefit of the switch. Typically, vendor migrations make sense when the errors caused by the vendor and resulting cost from these errors can be shown to be significant and recurring, year over year. Cost benefits are then shown over a multi-year timeframe.



Case Studies

Customer marketing database audits pay for themselves within 1 year, and typically produce lasting returns year-over-year:

Case Study 1

Audit Focus	Customer marketing database only
Customer marketing database location	Agency hosted
Cost of audit	\$60K
Savings from audit improvements over two years	\$1,232,566
ROI	2,000%

- Background
 - Database vendor managed by marketing.
 - Minimal technical knowledge.
 - Agency proposed budget significantly increased costs for database management during a year with decreased marketing activity.
- DBMT® Current State Findings
 - Technology upgrades recommended by agency during prior year yielded no measurable benefit. Increased ongoing costs resulted.
 - Database management/operations hours inflated across the board.
 - Vendor performance degraded where client oversight was minimal.
- DBMT® Recommendations/Approach
 - DBMT developed revised work plan with agency that more accurately reflected current level of effort.
 - DBMT developed revised SOW for agency and then assisted the marketing and purchasing group in renegotiations.
- DBMT® Results
 - Agency hour reduction of 50%.
 - Customer database cost reduction of \$561,845 for the year.
 - **Savings from DBMT Audit totaled \$1,232,566 over two years.**



Case Study 2:

Audit Focus	Full CRM Architecture
Customer marketing database location	MSP hosted
Cost of audit	\$105K
Savings from audit improvements over two years	\$1,112,000
ROI	1,000%

- Background
 - Database vendor managed by Agency.
 - Indirect relationship with Client.
 - Ongoing issues with timeliness of execution, accuracy and data quality caused frequent complaints from marketers and vendors.
- DBMT® Current State Findings
 - Unreliable execution of campaigns, production and fulfillment.
 - Lack of accuracy and timeliness of data and reporting.
 - Solution design lacked adaptability, flexibility and scalability.
- DBMT® Recommendations/Approach
 - Developed and prioritized enhancements to process and technology design.
 - Managed client/vendor team in execution of enhancements.
 - Recommended Vendor switch due to vendor's poor performance and inability to properly design and execute enhancements.
- DBMT® Results
 - **Annual savings of \$556K ongoing, totaling \$1,112,000 over two years.**
 - Reduction of ongoing errors by 98%.
 - Improved confidence and use of the database.



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Conclusion

Auditing customer marketing databases ensures optimal performance of CRM programs and prevents exposure to financial and legal risk. Businesses now recognize this and perform regular customer marketing database audits every 18 to 24 months as a standard practice. And why not? Such careful management of the customer marketing database gives these companies a distinct advantage in the market place. They can get better information, insights and performance from their marketing initiatives – and keep their costs down at the same time. Now that’s a win-win you can take to the bank.