

THE HIDDEN COSTS OF POOR DATA MANAGEMENT

International Research White Paper September 2006



Independent research by Dynamic Markets
Commissioned by QAS


DYNAMIC MARKETS

QAS


An Experian company



Foreword

Background

The hidden costs of poor data management

Business data decays at a rapid rate, arguably, faster even than consumer data. To gain a better understanding of the impact of business data decay and its cost, QAS commissioned this independent survey with Dynamic Markets.

We wanted to know how much B2B direct mail reaches its intended recipient, and how much of it is deemed relevant. At the same time, we wanted to understand what business people do with mail that arrives on their desks. Especially if the mail has a previous employee's name on it, or, if it is correctly addressed to them, but not considered relevant.

What we found surprised us. We expected to find that there is a lot of mis-targeted business mail out there, but we had no idea quite how much. What is even more shocking is what happens to this mail. By and large, it goes in the bin. Very little of it is returned to sender. Very little of it is recycled.

The cost of all this waste to the sending organisations could be enormous. But most have no visibility of the cost because they don't track the amount of direct mail they send to other organisations, nor the cost of returned mail. And because so little unwanted mail is returned, organisations may be labouring under the false impression that most of the B2B direct mail they send out is well received.

So what's the opportunity cost of sending communications that end up as waste? Imagine the response rates you could achieve if your marketing was reaching the right contacts because you hold accurate data and you understand what is relevant to each of your audiences. And furthermore, could responses be even higher if you were pumping the resources currently wasted into better, more targeted and creative communications?

The survey highlights the challenge facing database professionals to keep their B2B customer and prospect data up to date. Challenge is the right word, because it's far from easy. But as this survey shows, doing nothing is not an option.

Harry Meikle
Group Managing Director, QAS

Introduction

Each year, QAS undertakes a major research survey to gain a better insight into an aspect of data management and direct marketing. This year, the research white paper investigates the hidden costs of poor data management. Specifically, at the amount of B2B direct mail that does not reach its intended recipient, or that is of no interest to the recipient.

The research also considered the challenges facing database professionals in maintaining an accurate and up-to-date B2B customer or prospect database. The findings from this part of the research will be covered in the next white paper.

QAS commissioned Dynamic Markets to conduct the research in June 2006. Dynamic Markets completed 800 telephone interviews with two sample groups of respondents. For this white paper, the sample consisted of 400 interviews with business people who open their own mail. For the follow up white paper, the sample consisted of 400 database professionals with responsibility for maintaining their company's B2B customer and prospect databases.

Respondents for the research were drawn equally from eight regions (100 respondents per region), namely: AsiaPac, Benelux, France, Germany, Nordics, Spain, the UK and the USA (see Figure 1).

Industry sectors represented by the samples include manufacturing, public sector organisations, retail, wholesale and distribution, financial services, business services, hotels and catering, professional services, utilities and telecoms (see Figure 2).

Because so little unwanted business mail is returned to the sending company, organisations may be labouring under the false impression that most of their direct mail is well received.



Global summary

An awful lot of B2B direct mail is wasted. There can be many reasons. The intended recipient no longer works in that position. They have changed offices. They no longer work at the company. Or the mailing in question just isn't relevant to them.

The research identified that most of this unwanted B2B direct mail goes straight in the bin.

This white paper specifically explores two distinct areas. Direct mail that is intended for a previous employee, and direct mail that reaches the right individual but is poorly targeted and irrelevant - referenced throughout this report as *junk* mail.

- ▶ A mere 18% of business mail addressed to someone who has moved on is recycled, and just 15% is returned to sender.
- ▶ For poorly targeted mail, the figures are even more staggering. Just 5% of this mail returned to sender. This means that for every one piece returned to sender, 20 are thrown away.
- ▶ Most organisations are unaware of the true cost of returned mail from B2B customers and prospects, but the average cost per company per annum could be in excess of £100,000.
- ▶ Recycling is unpopular. 51% of business people do not recycle mail addressed to previous employees. They put it in the bin.

Coupled with these findings, the recent DMA Census of the Direct Marketing Industry (June 06) found that UK organisations spent £17 billion on direct marketing in 2005. Of this, £2.5 billion was spent on direct mail and this equates to over 5,000 million items, over 1,000 million of which are B2B mailings. Considering the findings of this report, and the potential amount of this direct mail that is going in the bin, UK organisations could be wasting a serious amount of money that could be better spent on highly customer driven activity.

Figure 1: Countries represented by the sample

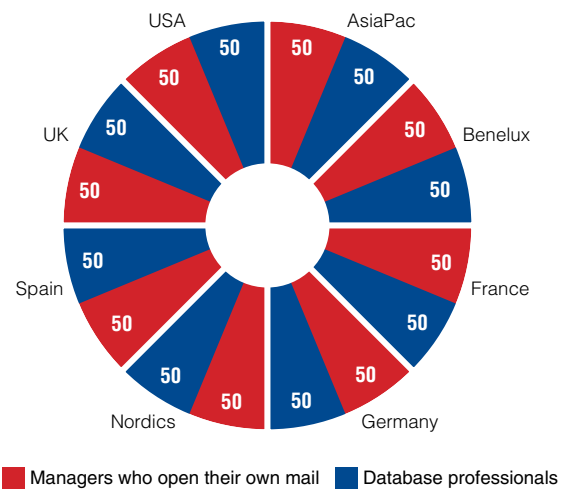
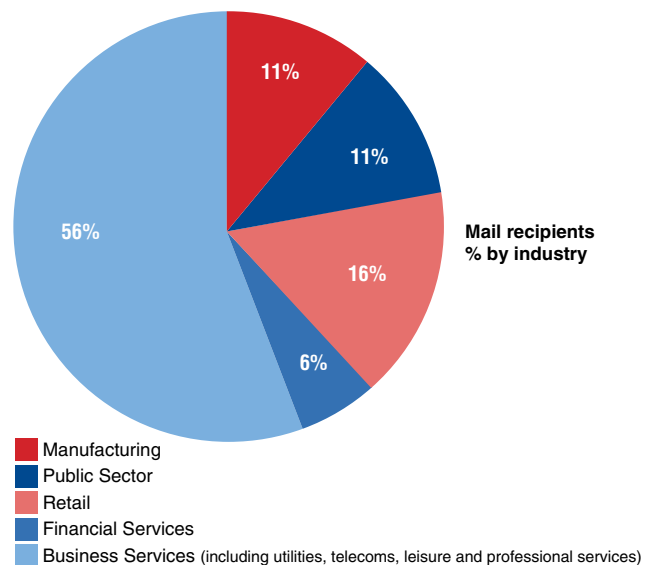


Figure 2: Sectors represented by the sample





Key Findings

Business direct mail is extremely wasteful

B2B direct mail is poorly targeted, both in terms of its relevance to business people at work, and the accuracy of the name and address data used in mailings.

Global respondents commented on the following two questions specifically:

- ▶ How many items of mail do you receive a month that are intended for employees who have since left the company, changed offices or moved departments?

55% of business people receive some mail intended for employees who have left, moved offices or changed departments. On average, business people receive 25 items of mail a month addressed to previous employees.

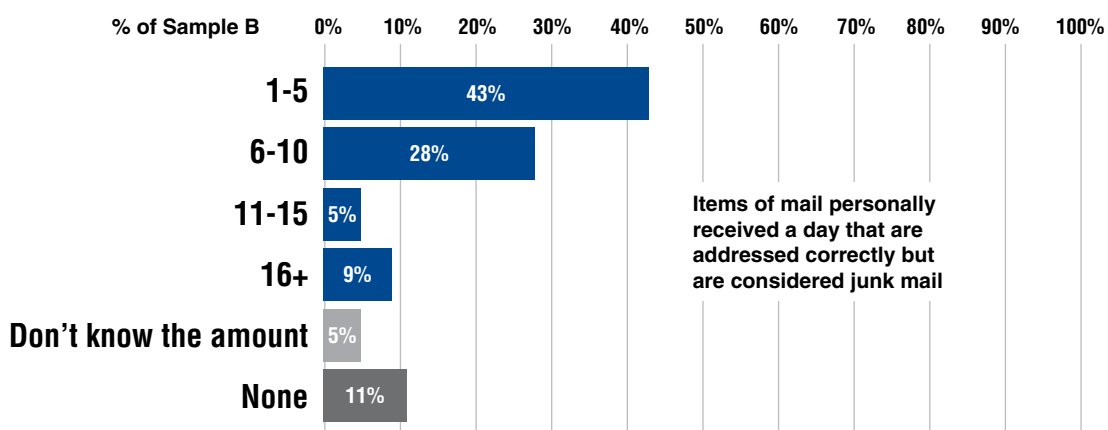
- ▶ Conversely, how many items of mail do you receive a day that are intended for you, but that you consider to be poorly targeted and not relevant to you?

Collectively, 89% of business people receive mail they consider to be poorly targeted. Business people get an average of 9.4 such items a day, which adds up to 47 items a week, and over 2,000 items a year.

Only 11% of business people say they do not receive any junk mail. Figure 3 shows how many items of junk mail are received daily at work across the global sample.

Business people in France get the most junk mail on average - 22 items per day. Those in the USA get the least, but still receive 7 items per day.

Figure 3: Poorly targeted or irrelevant mail received daily at work





Unwanted business mail goes in the bin

Business people do not tend to return unwanted mail to the sender. Nor do they recycle it. Even in countries such as Germany, which have a good reputation for environmental awareness, there is very little recycling of business mail.

Discarded mail for previous employees

Mail for previous employees is deemed as 'rubbish'. On average, 61% of mail addressed to previous employees is thrown away. Only 15% is returned to sender, and only 18% is recycled. In Spain, 85% is thrown away, while in Germany, 73%. Even in countries with the least tendency to throw away mail for previous employees, Benelux and USA, they still discard more than half (51%).

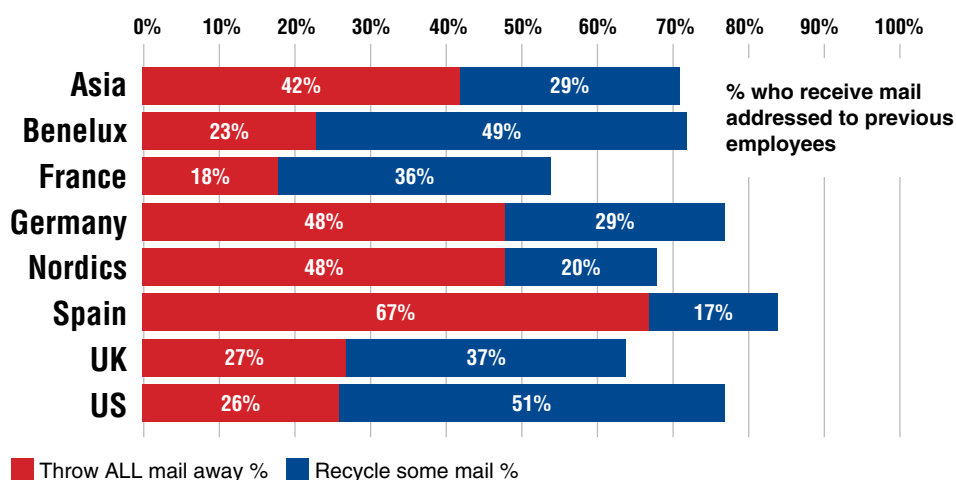
Just over half of business people (52%) do not return any of this mail to the sender. A mere 3% return all to sender. In Germany, just 9% of wrongly addressed mail is returned to sender. Even in the best-performing region, Benelux, the figure remains low at 20%.

Recycling is also unpopular. 51% of business people do not recycle any mail addressed to previous employees. Figure 4 shows where mail for previous employees is going.

Despite many organisations working hard in the area of corporate social responsibility, it doesn't appear that this message is reaching all employees. These findings suggest that peoples' behaviour may be disjointed from a corporation's pledge to consider the economic, social and environmental impacts of their activities on the world.

Only 2% of mail addressed to previous employees across Spanish organisations is recycled. In the best-performing country, US, the figure is 32%. Five of the eight countries surveyed recycle less than 15%.

Figure 4: Paper bin or recycle bin: Where is mail for previous employees going?





Key Findings

Untargeted mail is binned

It's a similar story for poorly-targeted 'junk' mail. 86% of this mail is thrown away.

80% of business people throw away more than half of poorly targeted mail. And over two thirds of people throw it all away.

Even in France, the country with the least tendency to throw away junk mail, on average, 69% finds its way to the bin. Only two countries out of the eight surveyed, France and USA, throw away less than 84% of unwanted business mail.

Most business people do not return any junk mail to the sender - just 5% of people globally. Even in the best-performing country, USA, on average, only 18% of this mail is returned to sender. No other country reaches double figures. Seven out of the eight countries surveyed return less than 10% of poorly targeted mail to sender. Four return less than 3%.

For every one piece of junk business mail returned to sender, 20 are thrown away or recycled.

So little unwanted mail is being returned to sending companies that organisations may be labouring under the false impression that most of the B2B direct mail they send out is well received.

Business people don't recycle unwanted mail either. Only 5% of this mail is recycled, and 75% of business people do not recycle any of it.

Even in the best-performing country, France, on average, only 14% of junk mail is recycled. No other country reaches double figures. Seven out of the eight countries surveyed recycle less than 10% of this unwanted mail. Three recycle less than 5%.

Lack of awareness

Organisations are not aware of the huge amount of mail they send out that ends up in the recipient's bin.

Only 44% of organisations sending direct mail to other organisations keep track of the number of items they send in a typical year. Over half of organisations do not track how many items they send out.

Only 11% of organisations know how much returned mail costs their organisation. While 78% of organisations are not aware of the monthly cost of returned mail to their organisation.

Organisations are wasting money

But because the majority of organisations do not track how much mail they send out, they have no idea how much money they are wasting or how much damage they are doing to their reputation.

Where organisations were able to provide a figure for the cost to their organisation from returned postal mail from B2B customers and prospects, the average amount was £426.50 per month, equating to £5,118 per company per annum. This assumes an average cost to the company in wasted postage and production costs per mailed item.

But with only 5% of junk mail being returned to sender, this figure may only represent 5% of the true cost. If so, the true average cost could be as much as £102,360 per organisation per annum.

Moreover, the fact that some mail is returned to organisations may be giving them a false impression that all the other mail they send is arriving at its intended recipient and being warmly received. More often than not, it's going in the bin.

Because so little unwanted or badly-addressed mail comes back to the sending organisation, they have no way of updating their databases via recipient feedback. These organisations need to develop other strategies to consider services such as data suppression, data cleansing and proactive company-wide initiatives to update their databases.

Conclusion



The hidden costs of poor data management

Business people are being bombarded with unwanted direct mail. Every week, the average business person receives 47 pieces of poorly targeted mail which they consider to have no relevance to their job. They also encounter an additional 6.25 pieces of mail that are intended for someone else in the organisation, who has since moved on.

Not surprisingly, business people have little time for all this unwanted mail. Very few items are returned to the sending company, and very little is recycled, even in countries with a good reputation for environmental diligence.

All this unwanted mail is clearly a waste of the sending company's time and money. But because so few organisations monitor the amount of mail they send out, or the costs of the few items of mail that are returned, most have no real insight into how much money they are wasting, or how much damage they are doing to their company or brand reputation. All of this also means they aren't getting a true view of the success of their communications.

If organisations are labouring under the false impression that most of their B2B direct mail is well received, they'll be shocked to know that their problem, if they even measure it, could be 20 times bigger than they think.

Organisations have an obligation to do something about this. Responsible and ethical organisations should be investing in their databases to ensure that they target correct individuals with appropriate communications. Not only does more targeted communication bring better results, but it will also reduce costs and improve reputation. It is also a requirement by law to keep data clean and up-to-date and regulations is only likely to increase in this area.

We believe the principal reason for all this waste is the difficulty of keeping B2B customer or prospect databases up-to-date. To put their house in order, organisations need to take control of this data and build strategies to cope with the rapid rate at which B2B data decays. This challenge will be explored in greater detail in the next white paper, to be published later this year.

Volume mailers: Industry differences

The worst offenders for sending the highest volumes of unwanted and poorly-targeted direct mail to business people at work are, in order, promotional gifts (37%); retail (35%); and publications (34%).

The industry sectors thought to be best at producing targeted B2B mailings are, in order, business services (25%); financial services (21%); and corporate events (15%).

Organisations are wasting money and damaging their reputation by sending out direct mail that is not relevant, or not reaching its intended recipient because their data is out of date.



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