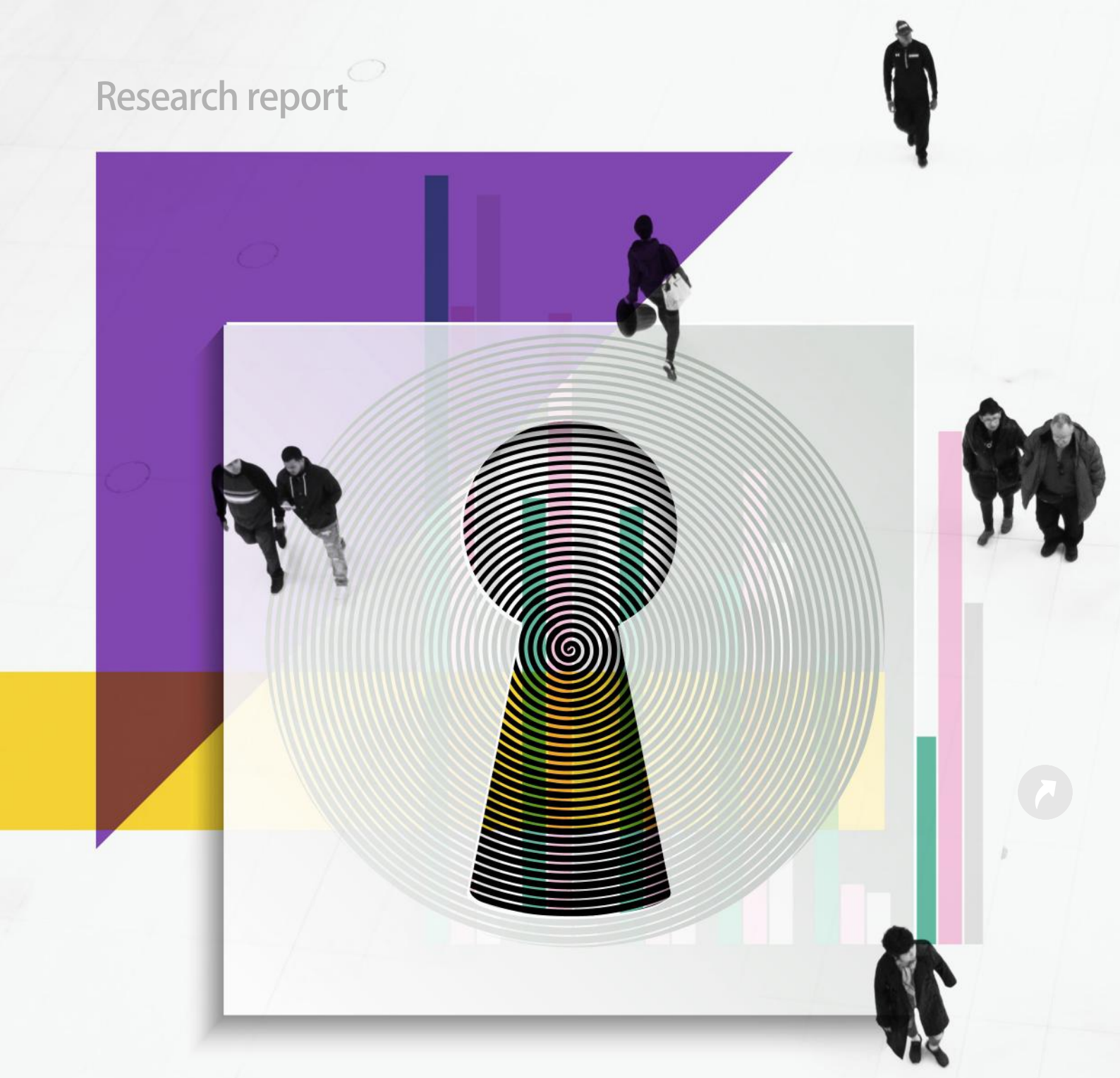


Research report



# THE USE AND MANAGEMENT OF **CUSTOMER DATA**

dataIQ™



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# Introduction



**Jim Conning**, managing director, Royal Mail Data Services

Since we published our last research report into the use and management of customer data, it's become very clear to us that the impending enforcement of the General Data Protection Regulation (GDPR) on 25th May 2018 is placing organisations under increasing pressure to comply with the new regulations.

But here at Royal Mail, we view the GDPR as an opportunity. What we know is that the problems of poor quality customer data have blighted business for many years. In this regard, the GDPR acts as a catalyst to usher in a new era of data governance, particularly when it comes to the use of customer data for marketing purposes.

We're seeing more and more companies approaching us in search of new and innovative ways to help them improve the overall quality of their customer data. This is not just as an exercise in regulatory compliance, it's because they're placing customer experience at the heart of their data-driven marketing strategies and campaigns. And what astute companies understand is that data quality is of paramount importance to

support acquisition and retention activities and underpin every stage of the customer journey.

When digging deeper into the most common causes of poor quality data, inaccurate, incomplete and out-of-date data are, once again, top of the list. It still surprises me to see that a large proportion of businesses today have no formal processes or solutions in place to either cleanse or enhance customer data on a continuous basis.

But experience shows us that regular cleansing and enhancement of internally-held customer data with properly-permissioned, compliant, good-quality and trusted third-party data is proven to improve marketing performance and customer experience.

In a business environment characterised by fierce competition, fragmented channels and diverse customer expectations, accepting poor quality data is no longer an issue business leaders can afford to ignore.

We hope you find this research report useful as you prepare for GDPR compliance and place data quality at the heart of your customer relationships.



The use and management of customer data





# Key findings

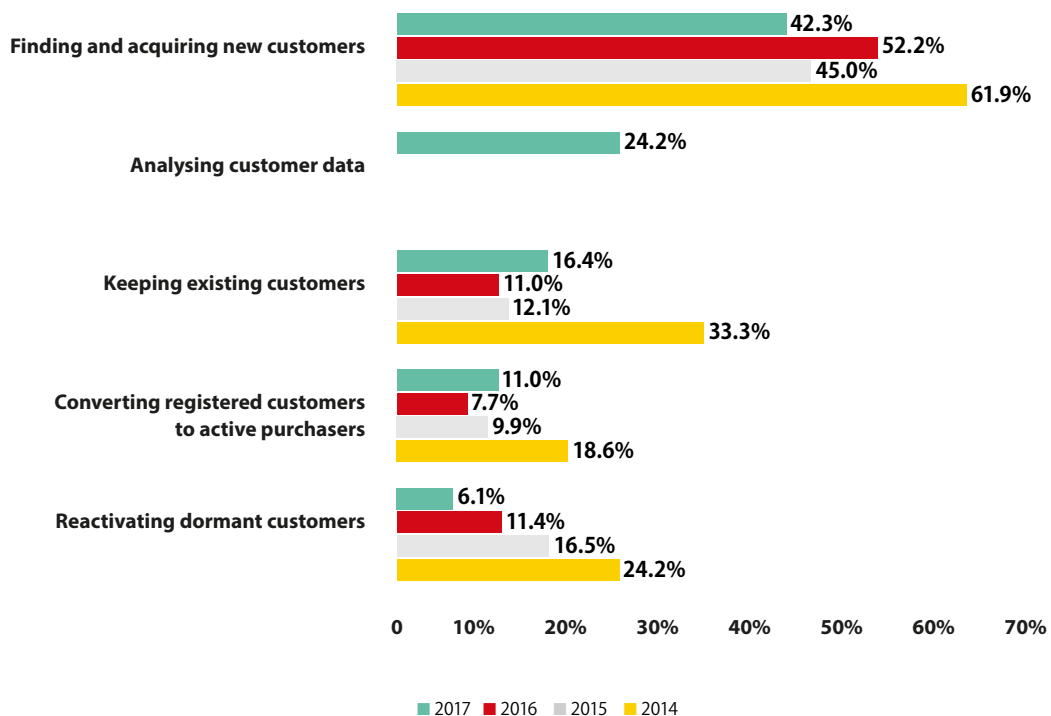
- Four out of ten marketers (42.3 per cent) say finding new customers is their biggest challenge, but one in four (24.2 per cent) say they struggle with analysing customer data.
- Although average customer churn rates have softened by 2 per cent in the last three years, nearly one in five customers (18.7 per cent) will defect year-on-year. For brands, the rate is above average at 21.4 per cent.
- Marketers have identified analysing data as the number one factor that could improve their campaign performance (24.2 per cent), with data quality a problem for 22.9 per cent. But changing the organisational culture to reflect the importance of good-quality customer data is the second-biggest pain point for brands (20.6 per cent).
- Quality of contact data is seen as having the biggest impact on marketing response and conversion rates (rated 4.6 out of 5), along with segmentation and targeting (also rated 4.6 out of 5). Both of these are tied in closely with data management and analytics, yet these are areas in which an increasing number of organisations are struggling.
- But while 20.3 per cent of marketers have challenges around customer data management, all other concerns are overshadowed by compliance with the GDPR. Nearly three in ten (29.4 per cent) expressed worries about this, a startling 242 per cent increase year-on-year.
- Across all marketers, 74 per cent are using email to repermission data which may carry risks, given recent ICO fines. By contrast, using the company's own website, as planned by 76.2 per cent of all marketers, is low risk.
- The shift away from third-party data and increased reliance just on self-sourced customer contact data appears to have checked - half of all marketers (50 per cent) now say they enrich their own data with third-party variables. By contrast, four in ten (41.7 per cent) only use directly gathered data.
- Where customer contact data is entering internal systems, such as CRM, 16.3 per cent of marketers are still not validating the data captured. Although this is down five points year-on-year, it is still risking an unnecessary data quality issue which four in ten (40 per cent) have eliminated by using automated checks.
- Basic data errors continue to contribute to poor-quality customer data, with out-of-date information having the highest number of marketers identifying it as their number one problem, although incomplete data scores higher when second and third ranks are included
- Nine out of 20 marketers (45.6 per cent) have the benefit of clean data that has been checked daily or monthly. Given the emphasis placed by the GDPR on keeping data up-to-date and accurate, these organisations are more likely to have compliant data to work with than those who have no formal data quality process (32.7 per cent).
- Among all of those marketers able to make an estimate of the impact of poor-quality customer data (excluding don't knows), in 2017, respondents estimated the average cost of poor-quality customer data at 5.6 per cent of annual revenue, just slightly lower than the 5.9 per cent figure revealed in 2016.





# Section 1 Marketing and data strategy

## 1.1 - Biggest marketing challenge



Prospecting for new customers is perennially the biggest challenge for any organisation’s marketing with four in ten rating it highest in 2017. However, the options available have an important impact. This year, analysing customer data was included as a response choice and was immediately picked by one quarter (24.2 per cent) indicating that one in four marketing departments are struggling with data and analytics issues.

The second notable trend is a huge decline in the number of respondents whose biggest marketing challenge is reactivating dormant customers - this has

fallen fourfold since 2014 and is now only practised by one in 17 organisations (6.1 per cent). This may well be linked to the problems being experienced with poor-quality customer data and concerns about the compliance of third-party data.

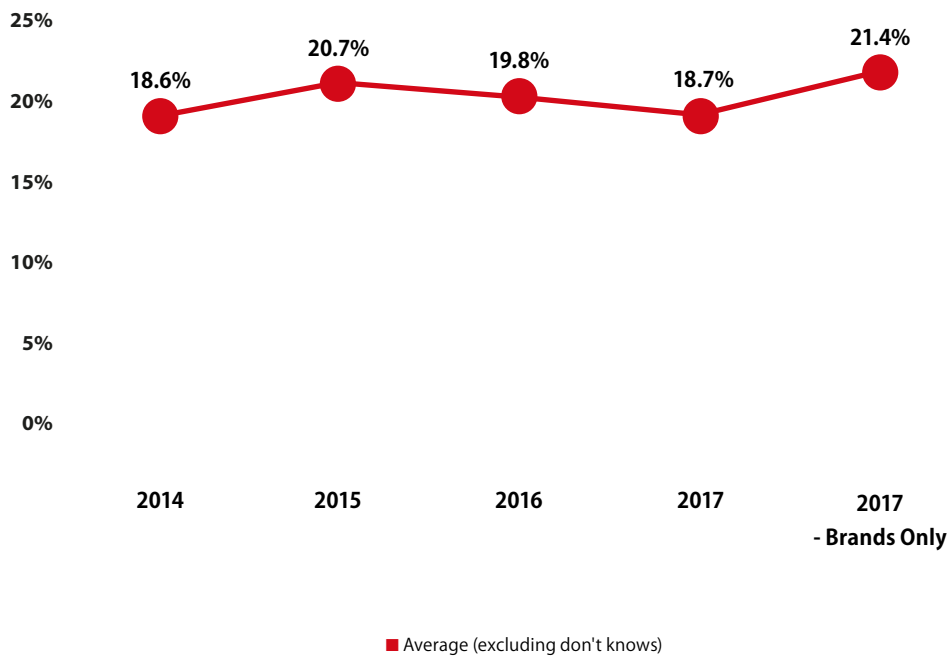
But also, if the customer lifecycle for most companies no longer includes reactivation, this overlooks the potential warmth which a pre-existing relationship can bring. Instead, marketing could be treating these one-time customers as prospects, which is likely to reduce the likelihood of them responding and buying again.

### The use and management of customer data





## 1.2 - Average annual churn rate



The problem of the “leaky bucket” of customer churn is the main driver of marketing’s need to go prospecting. With an average of nearly one in five customers defecting year-on-year, this sets a high bar for achieving a positive impact.

Despite an apparent 2 per cent drop in the average over the last two years, disaggregating brands from

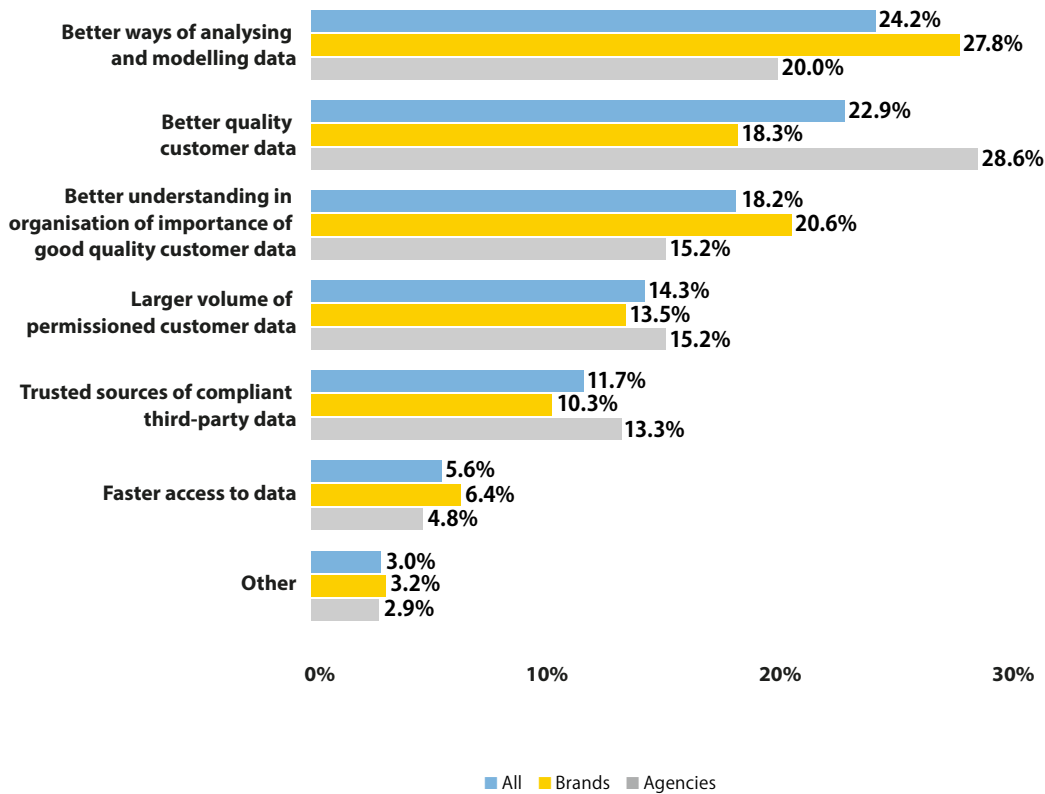
agencies reveals a significantly above-average churn rate for brands and, potentially, a lack of visibility for agencies of the issue faced by their clients.

With so few organisations pursuing a winback process for dormant customers, it seems likely that once defectors have gone, marketing is treating them as gone for good.





### 1.3 - Improving marketing performance with customer data



Consistent with the number of marketers saying analysing customer data is their biggest challenge, exactly the same number (24.2 per cent) said better ways of analysing and modelling data would improve the performance of their marketing. One-third more brands struggle with this than agencies, perhaps reflecting a deeper and more established marketing analytics resource on the service side and a resource constraint for brands.

Brands are more likely than agencies to want a better understanding of good-quality customer data in their organisation. This is to be expected as brands are the

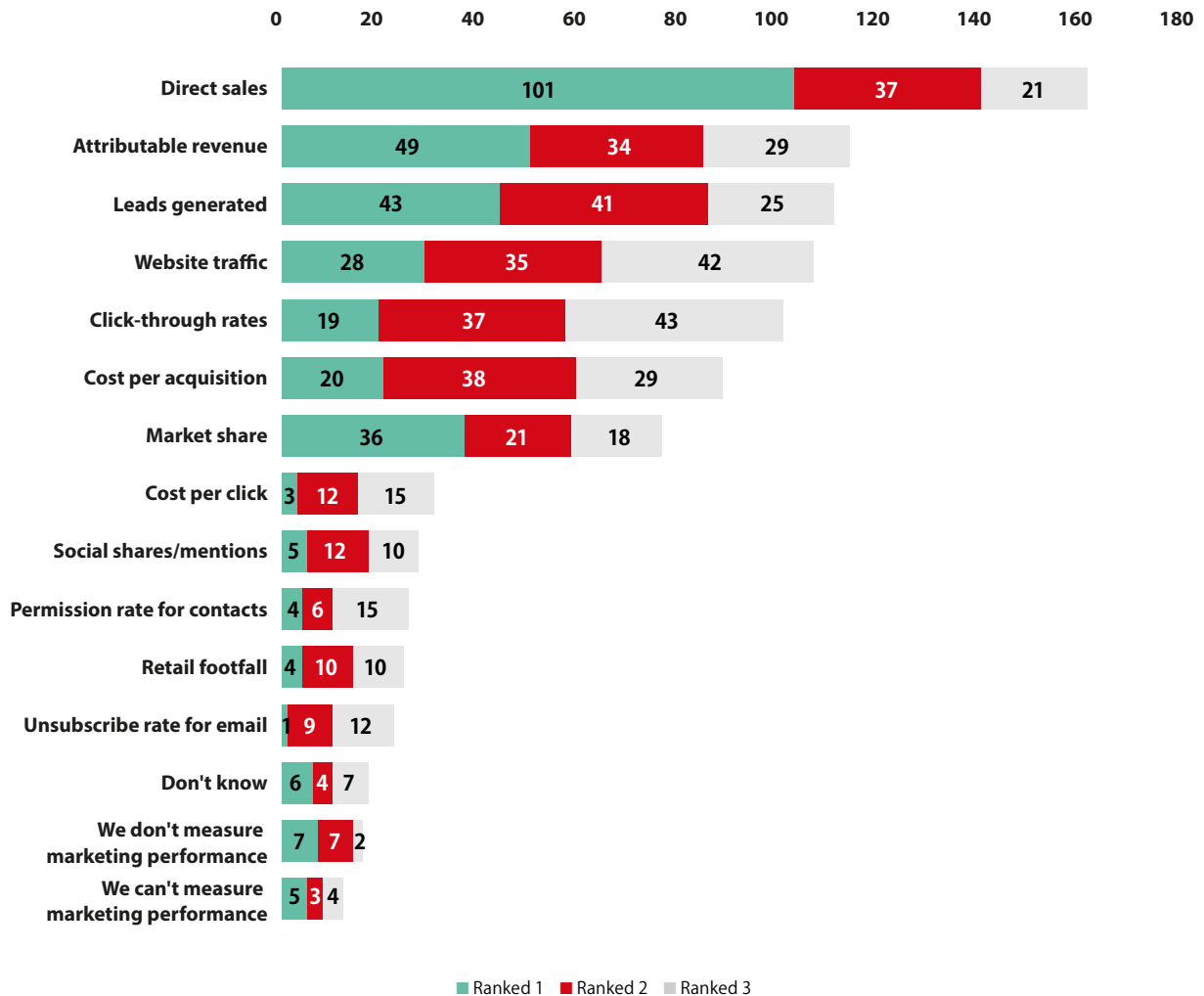
guardians of customer data, whereas agencies only process it on their behalf. However, as this is an issue for 20.6 per cent of brands, it only serves to reinforce the view that many struggle to embed a data and analysis culture.

By contrast, 10 per cent more agencies than brands see better-quality customer data as their route to improved marketing performance. This suggests there may be a flaw in the provision of this data by brands to the very agencies that are supposed to be helping them with retention and conversion.





### 1.4 - Top 3 marketing performance metrics



Very few marketers say they either don't or can't measure marketing performance. For most, metrics reflect actions taken by prospects and customers which show up clearly. Direct sales is the most common measure with twice as many marketers ranking it in first place above those who primarily use attributable revenue or leads generated. If second and third ranks are taken into account, website traffic and click-through rates join these metrics in the top tier of direct measures of marketing performance.

Derived measures are also important, with market share gaining the fourth-highest number

of mentions in first place and cost-per-acquisition placed sixth. Both of these require calculation by marketers and the use of third-party data. Surprisingly, social shares and mentions are not widely used to measure marketing performance, suggesting these are considered to be secondary effects.

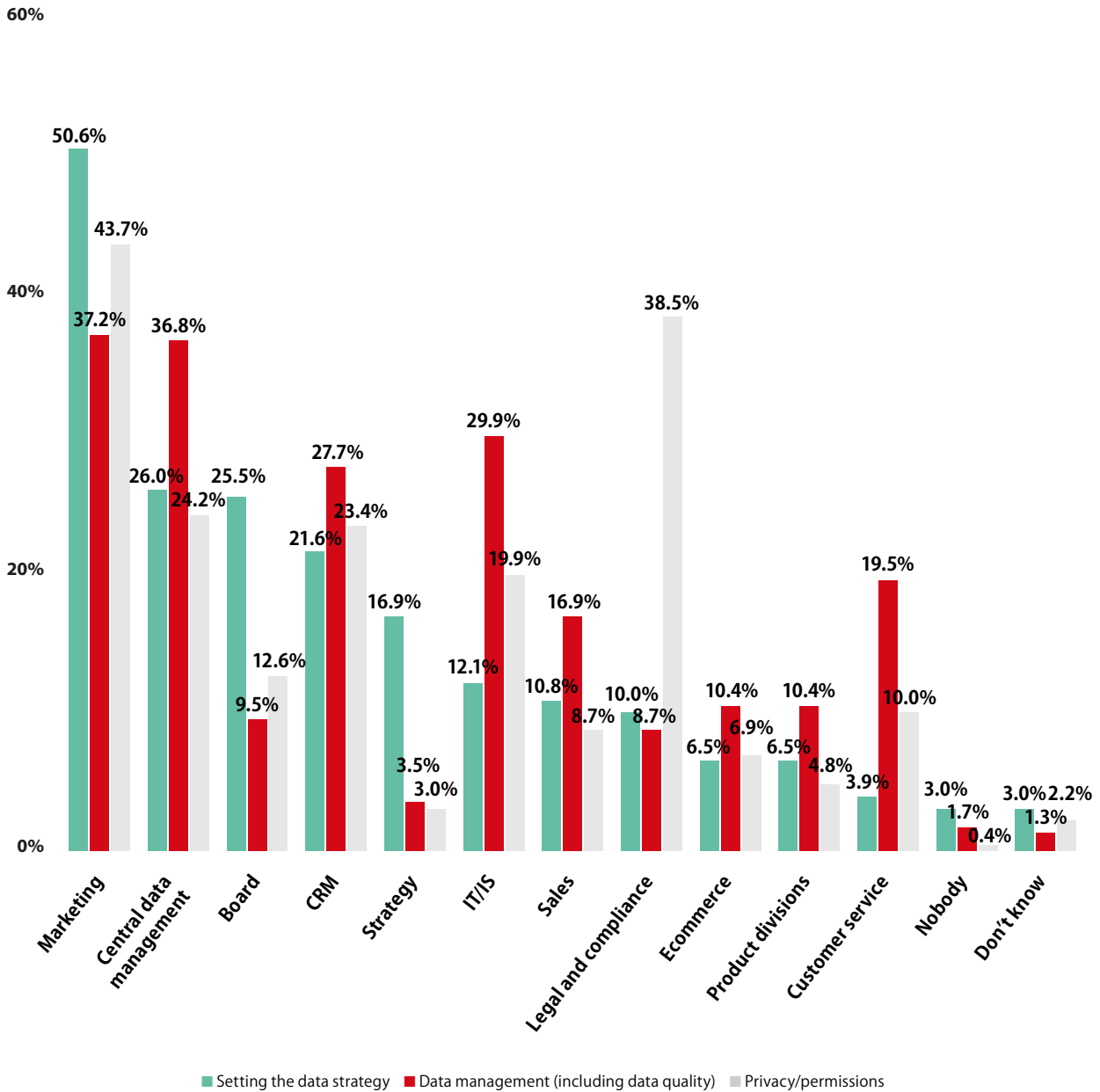
Permission and unsubscribe rates for email are only used by a small number of marketers, despite the fact that these have an important impact on the ability to reach individuals. These metrics may rise in importance with enforcement of the GDPR.







### 1.5 - Functions responsible for data



Marketing takes lead responsibility for the key aspects of using and managing customer data in most organisations with 50.6 per cent setting the data strategy, 37.2 per cent responsible for data management, and 43.7 per cent leading privacy/permissions. But marketing has essential support from specific functions to carry out these tasks. Boards are, not surprisingly, closely involved with data strategy in one quarter of organisations (25.5 per cent), as is central data management (26.0 per cent) and CRM (21.6 per cent).

Not surprisingly, legal and compliance are also involved in privacy/permissions, not least because of the importance of clearly expressing the purpose for which data is needed in privacy policies. Marketing can then use the brand’s tone of voice and test techniques to optimise the permission rate achieved.

What is striking is the number of functions that have a role in data management and data quality. This clearly reflects how data-saturated (and therefore data-rich) organisations have become, but also the complexity of changing any process relating to customer data.

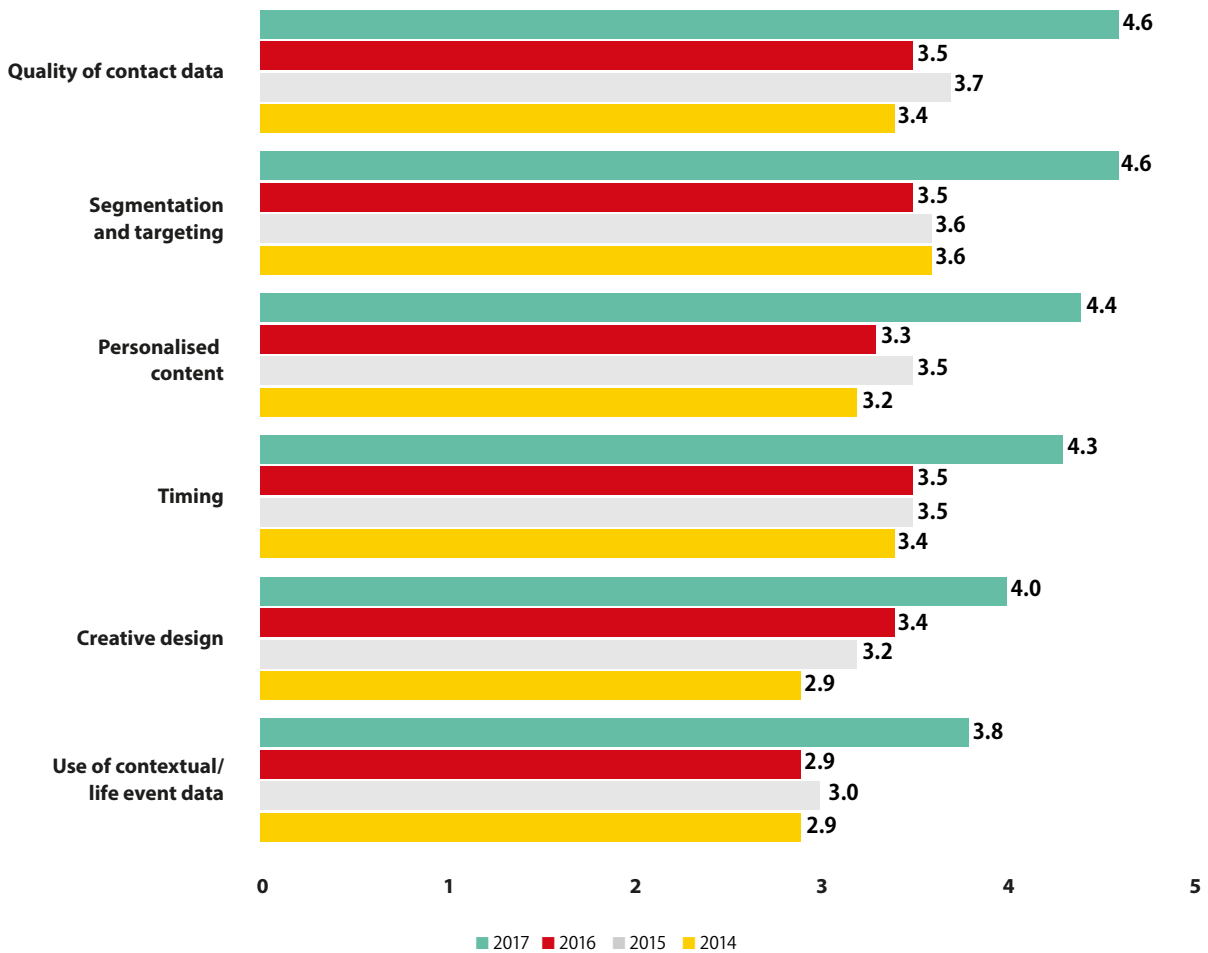
### The use and management of customer data





# Section 2 Improving marketing with data

## 2.1 - Factors impacting marketing campaign response and conversion rates (5-point scale)



All four data-oriented factors which might impact on marketing campaign response and conversion rates have risen significantly in importance since last year, demonstrating clearly just how important data now is to campaign success. Good-quality contact data is seen as having the biggest impact (4.6 on a 5-point scale), equal with segmentation and targeting (4.6). Both of these are tied in closely with data management and analytics, yet these are also areas in which an increasing

number of organisations say they are struggling.

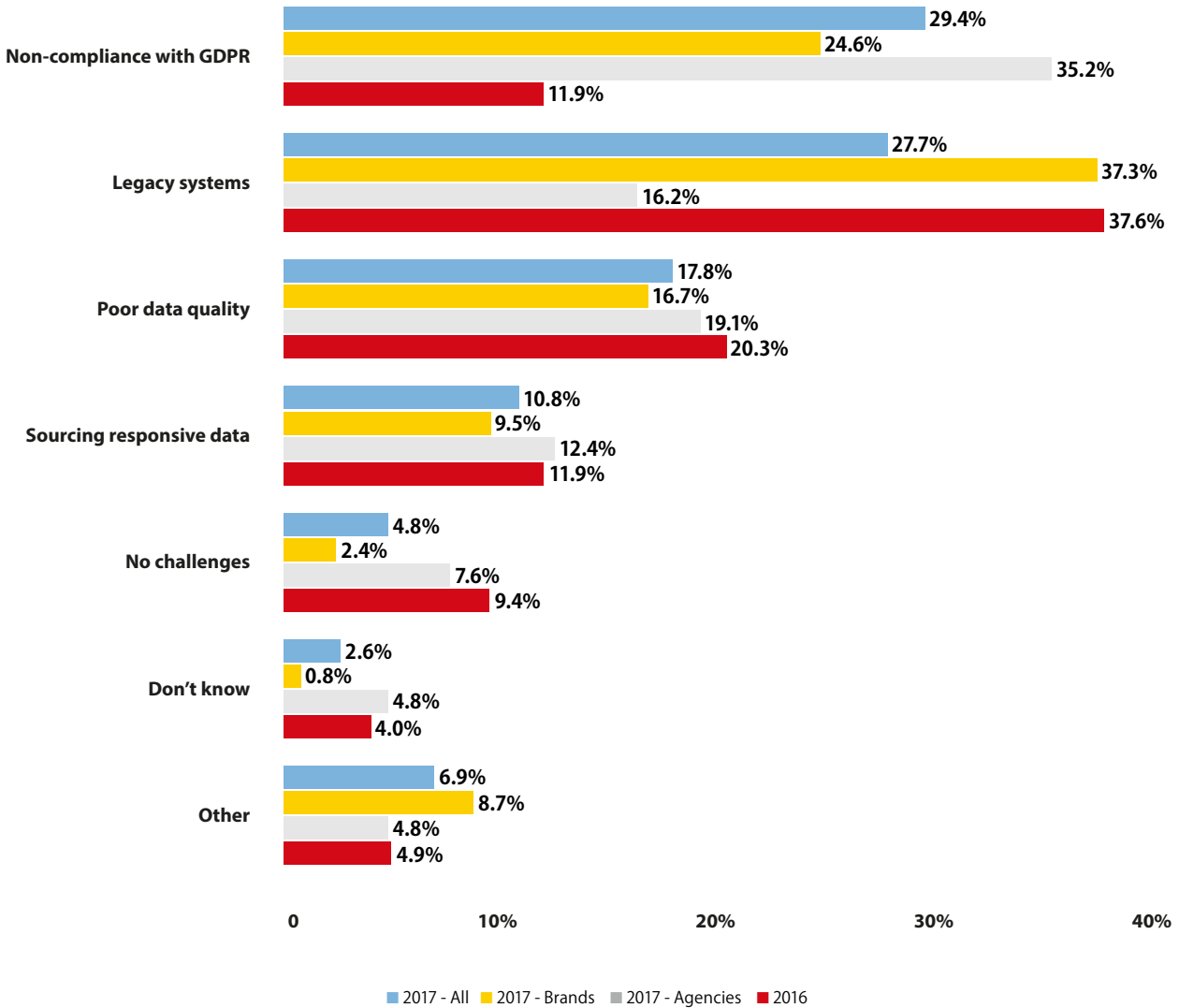
The mechanics of marketing fall into the second tier of factors, with personalised content (4.4) and timing (4.3) nearly tied in importance. Marketers are able to adjust each of these according to strategy and objectives, but need the right quality of data and analytics to do so. Creative design (4.0) and contextual data (3.8) then come into play, but are influencers, not leaders of marketing performance.

### The use and management of customer data





## 2.2 - Customer data management challenges



Overshadowing all other concerns about the management of customer data, GDPR compliance is now the number one issue for marketers as a whole. With a startling 242 per cent increase year-on-year in the number who cite this as a challenge, nearly three in ten (29.4 per cent) expressed worries in 2017, up from just over one in ten (11.9 per cent) in 2016. GDPR fears have even outstripped legacy systems (27.7 per cent) which used to be the dominant challenge.

For brands, it is worth noting that legacy technology

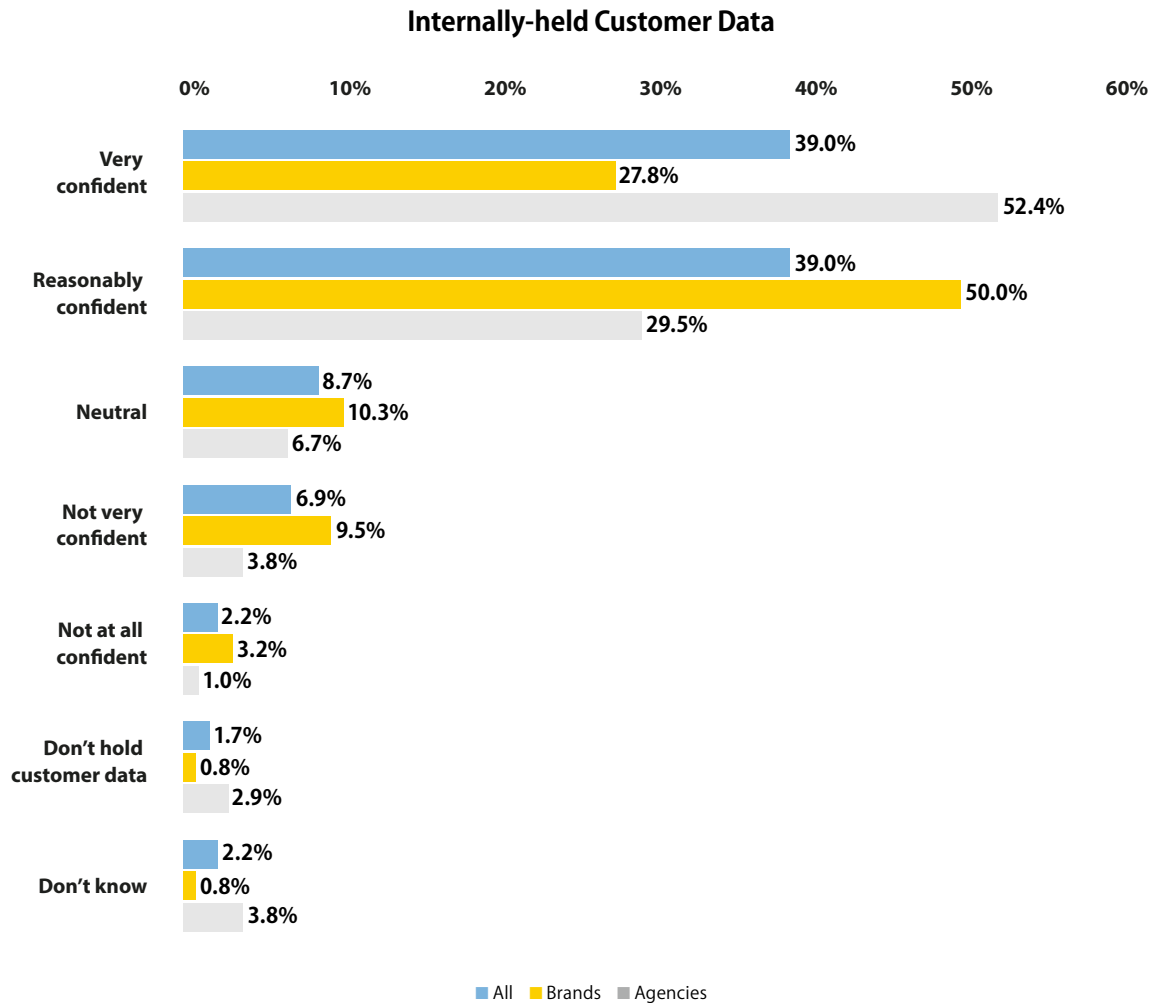
worries them more than compliance (37.3 per cent v 24.6 per cent), while for agencies, the situation is reversed (16.2 per cent v 35.2 per cent). This reflects the fact that brands have to deal with customer data management systems, while agencies are more often handling third-party data.

In light of these two major issues, it is not surprising that only 4.8 per cent of marketers now say they face no challenges, down by half on the 9.8 per cent with no challenges in 2016.





### 2.3 - Confidence in GDPR data compliance



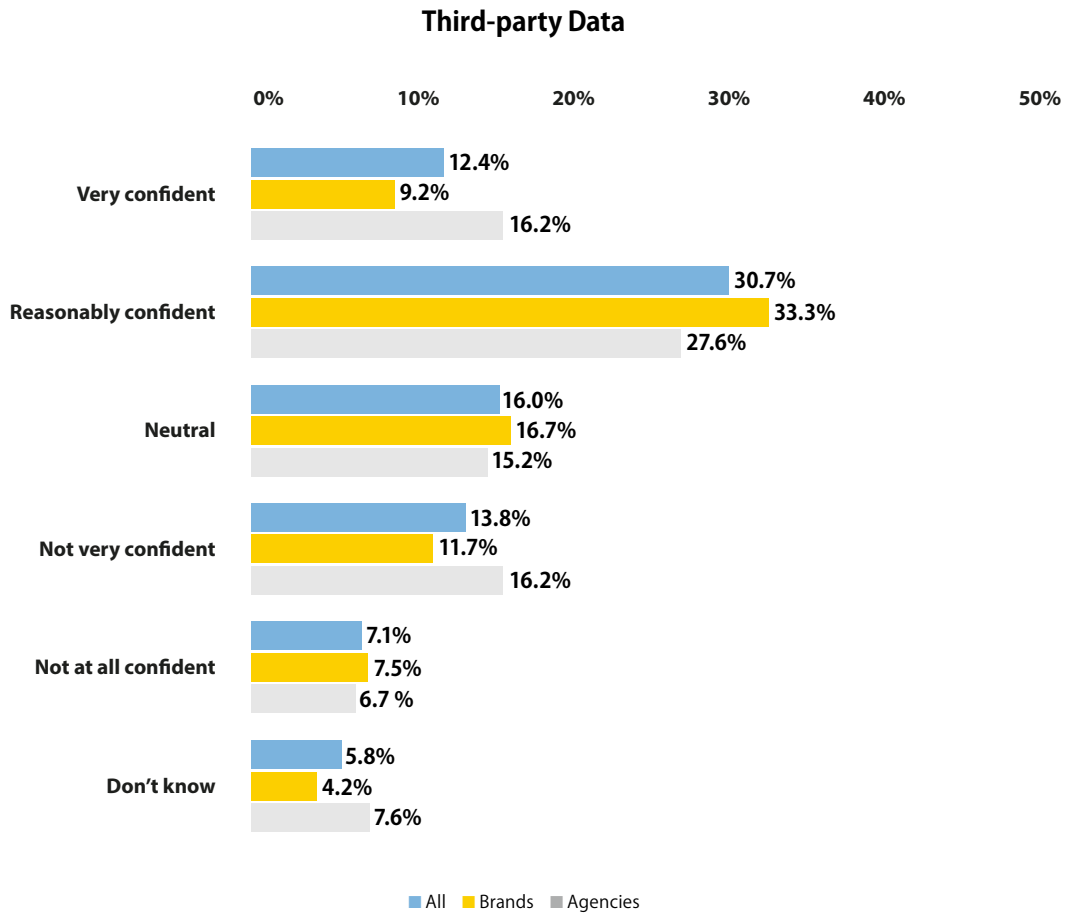
The challenges of GDPR compliance and the different concerns of brands and agencies are most visible in the confidence each expresses about customer data. While it is encouraging that 78 per cent of marketers overall are very or reasonably confident that their

customer data will be compliant, the split reveals a more nuanced picture. Among brands, the highest confidence level is expressed by only 27.8 per cent - half the level found among agencies (52.4 per cent).





### 2.3 - Confidence in GDPR data compliance



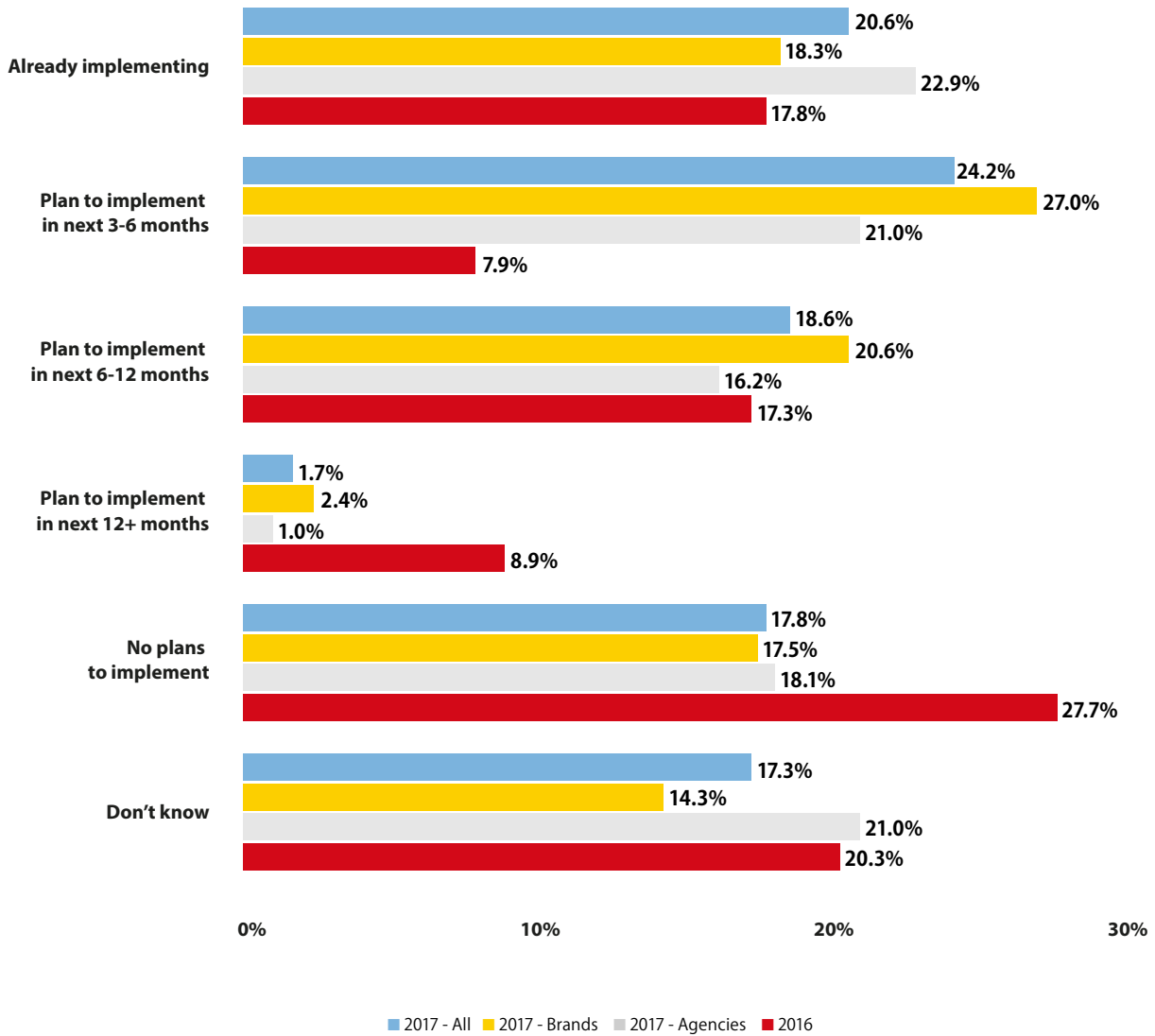
When looking at third-party data, confidence levels are much lower with 43.1 per cent of marketers overall very or reasonably confident it will be compliant. Agencies are nearly twice as positive about this as brands, with 16.2 per cent very confident that third-party data

will meet GDPR demands compared to 9.2 per cent of brands. Proving they are right, especially once enforcement begins, may prove to be a different - and more difficult - matter.





### 2.4 - Implementing strategies to repermission customer data



One of the major barriers to ensuring data is GDPR compliant is the nature of the permission which was originally gained. Marketers can only use customer and third-party data if the purpose for which it was needed was clearly outlined and accepted - anything outside of that purpose will not be compliant. Many organisations did not explain - or have not recorded their explanation - and so need to revisit this permission.

Repermissioning strategies already in the field have increased, with 20.6 per cent of marketers overall already implementing them, up from 17.8 per cent last year, led by agencies (22.9 per cent). Many more

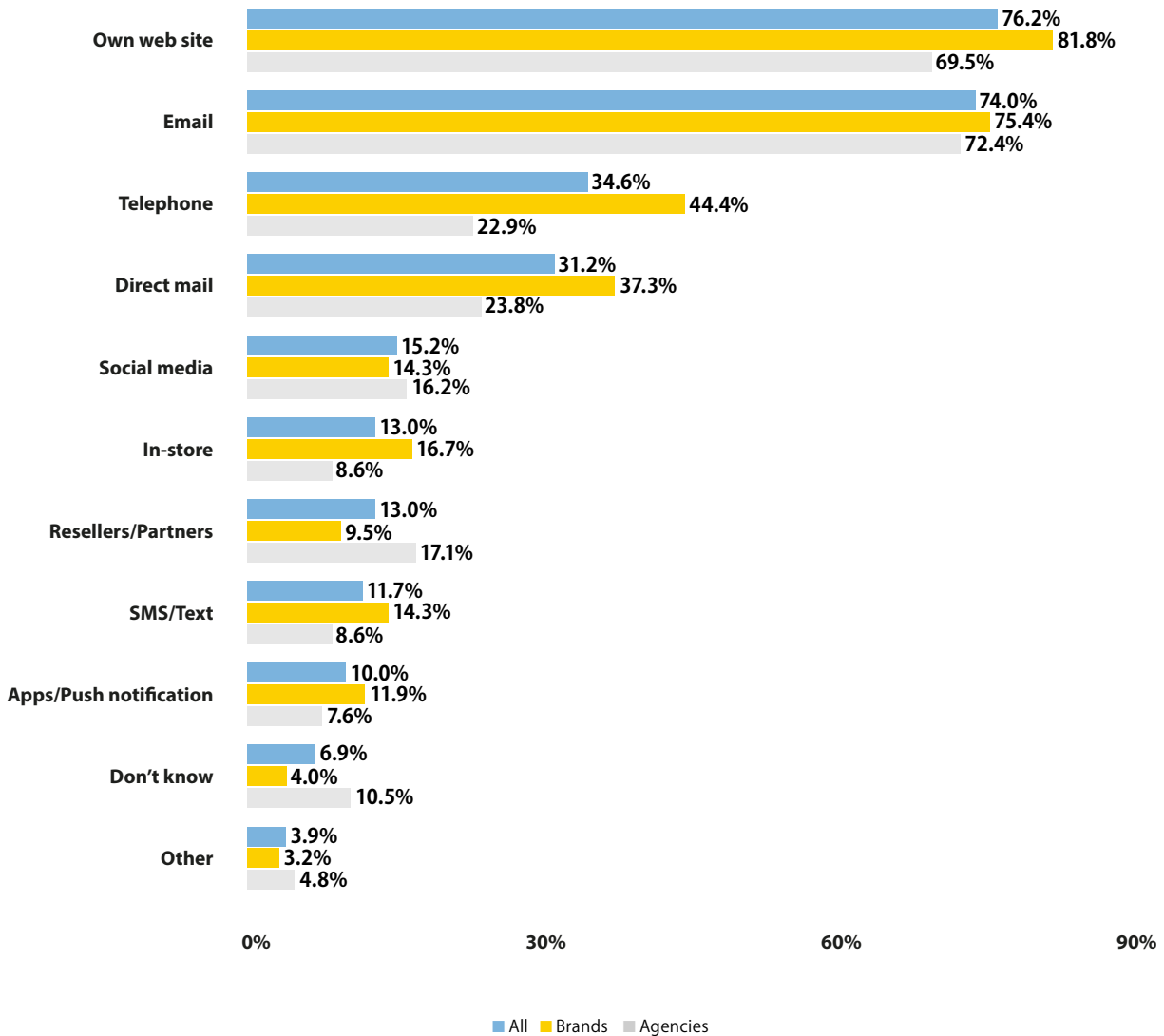
campaigns will be launched in the next three to six months - one quarter of marketers (24.2 per cent) say this will happen, whereas last year only 7.9 per cent were at this stage. This reflects the increasing urgency as the deadline for GDPR enforcement approaches.

By contrast, there has been a ten point drop in the number of marketers with no plans to repermission their data, down to 17.8 per cent in 2017 from 27.7 per cent in 2016. As marketers examine the data they control and use, it is clear a growing number have discovered they need to capture more compliant consent from customers.





### 2.5 - Channels used to repermission data



While capturing fresh permission from customers may be a necessary part of a GDPR-compliance programme, it brings with it a risk that the strategy used may itself not be compliant. Across all marketers, 74 per cent are using email to repermission data. Recent fines levied by the Information Commissioner's Office have underlined that, if an organisation does not already hold a consent which includes making contact again to refresh that consent, then email may not be used.

By contrast, using the company's own website, as planned by 76.2 per cent of all marketers, is low

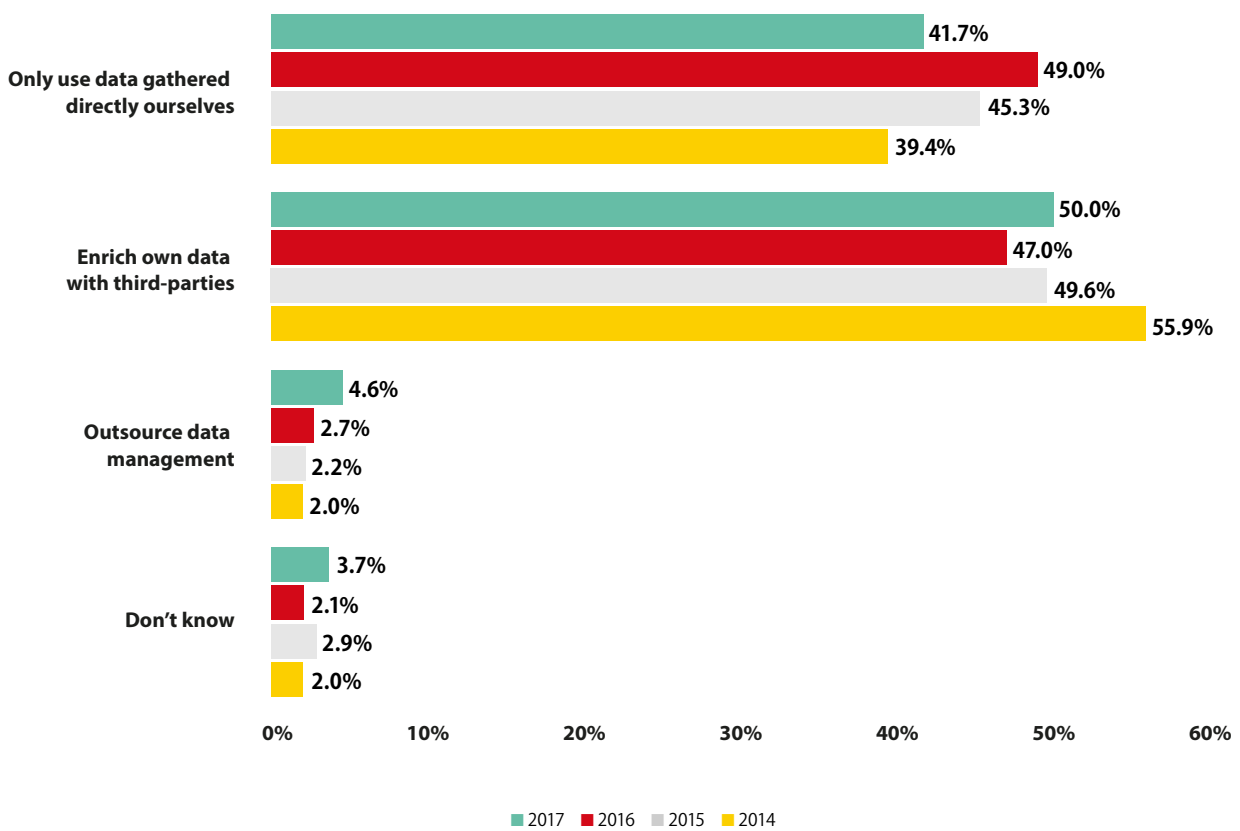
risk since customers actively visit and can then be solicited to reaffirm their consent. It is notable that brands have a much greater likelihood than agencies to use telephone (44.4 per cent v 22.9 per cent) or direct mail (37.3 per cent v 23.8 per cent). The phone can include inbound calls from customers where there is no prior consent required, while direct mail operates on an opt-out basis (and will continue to do so under the GDPR). De-risking repermissioning strategies through the right choice of channel is therefore a critical decision.





# Section 3 Collecting and managing customer data

## 3.1 - Sources of customer contact data



The shift away from third-party data and increased reliance on directly-sourced customer contact data appears to have checked. Fifty per cent of all organisations now say they enrich their own data with third-party variables. By contrast, four in ten (41.7 per cent) only use data they have directly gathered themselves, down significantly year-on-year and nearly back to 2014 levels.

In the light of repermissioning strategies being used

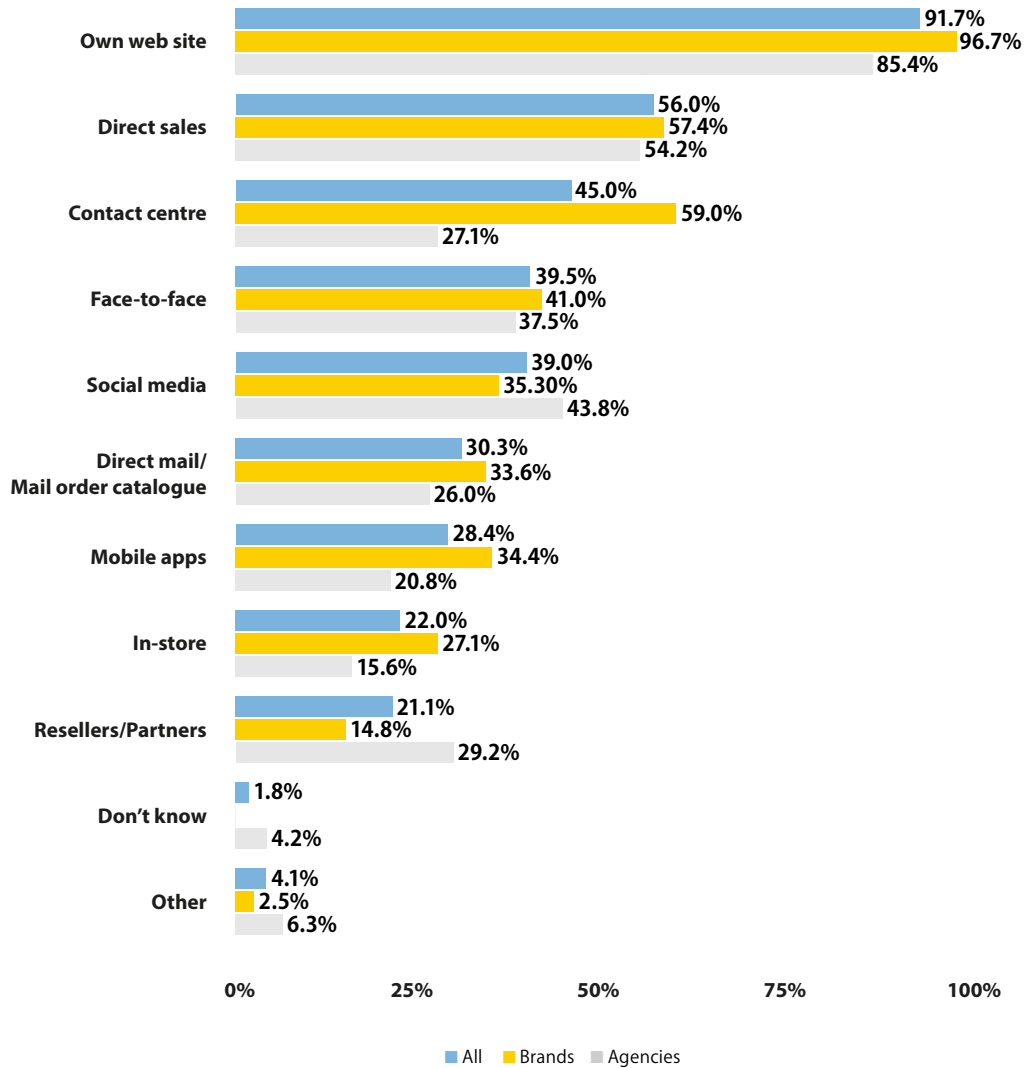
- and the role played by email especially - it may be that marketers are making use of external sources to regain consent now, ahead of any loss of available external data post-GDPR. Given the efforts made by the more reputable and trusted data providers to ensure they have third-party data sharing consent - and bearing in mind the increased level of activity about to be seen - those organisations that have already enriched their customer data in this way look to be ahead of the field.







### 3.2 - Channels used to collect customer contact data



Given the reliance on directly-captured customer contact data, owned channels are clearly critical with the web site in prime position for nine out of ten marketers (91.7 per cent) and direct sales in second place for the majority (56.0 per cent).

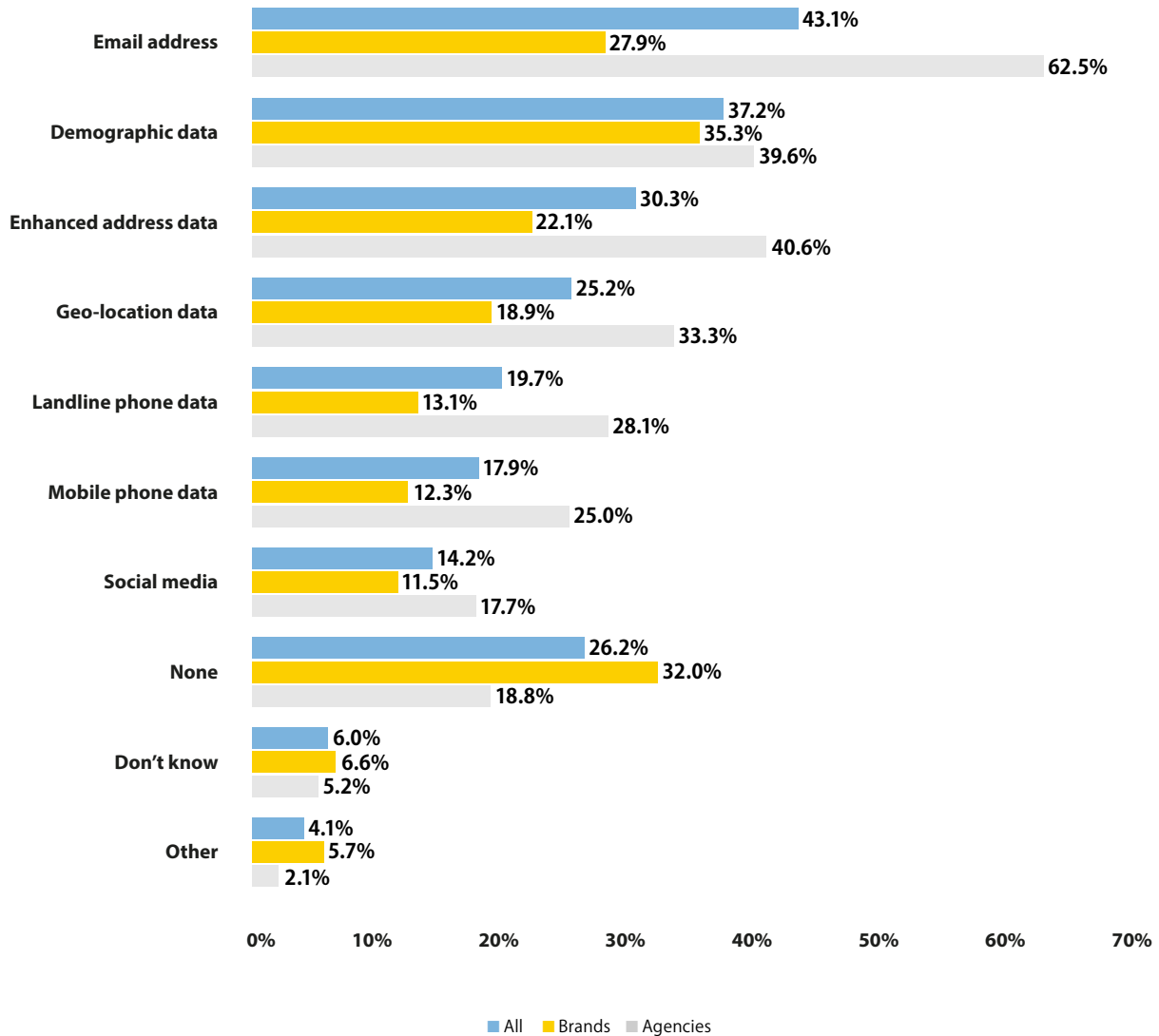
There are important differences between brands and agencies in the channels used. While six out of ten

brands (59.0 per cent) can use their contact centre - making it the second most important data source - less than half this level of agencies (27.1 per cent) access customer contact data in this way. Agencies are more likely to use social media than brands (43.8 per cent v 35.3 per cent) and twice as likely to capture data via partners (29.2 per cent v 14.8 per cent).





### 3.3 - Types of third-party data used for enrichment



The differences between brands and agencies in their use of third-party data are most visible in the variables which each uses to enrich customer contact data. While email address is the most common overall (43.1 per cent), more than twice as many agencies use this variable compared to brands (62.5 per cent v 27.9 per cent). It seems likely that agencies are being tasked with prospecting and repermissioning campaigns

where this aspect of contact data is not directly available.

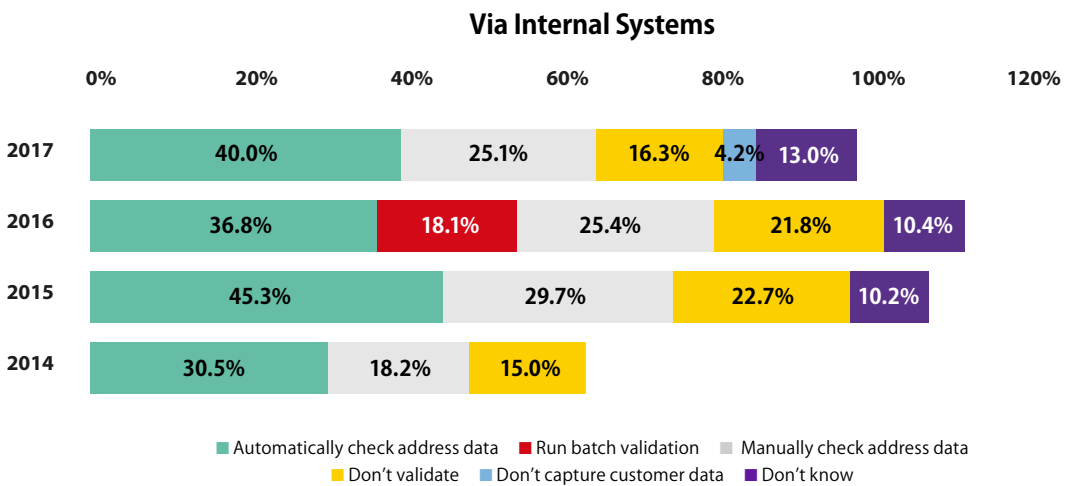
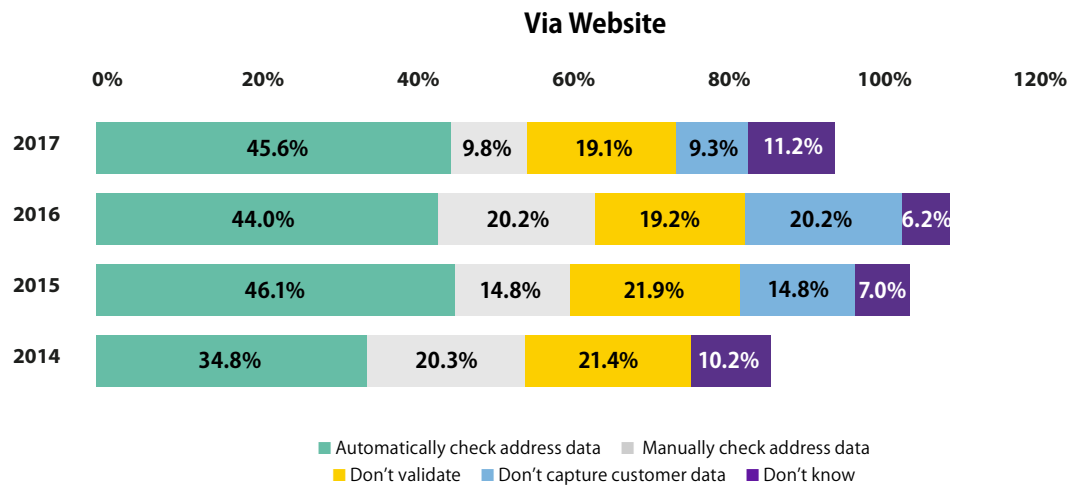
For brands, demographic data is the most-used overlay (35.3 per cent), although nearly as many (32 per cent) say they do not use any external enrichment. But for agencies, nearly every type of extra data enhancement is more heavily used than it is for brands at a rate of nearly two-to-one.





# Section 4 Dealing with data quality

## 4.1 - Validation of customer contact data



With the web site at the front line of customer contact data collection, it is surprising that one in five marketers (19.1 per cent) do not validate the addresses which they are capturing - a level virtually unchanged over the last four years. What has shifted is both the importance of this channel - less than one in ten (9.3 per cent) are not capturing customer data online, down by half from one in five (20.2 per cent) last year - and the elimination of manual checking - also down by half to one in ten (9.8

per cent) from one in five (20.2 per cent) year-on-year.

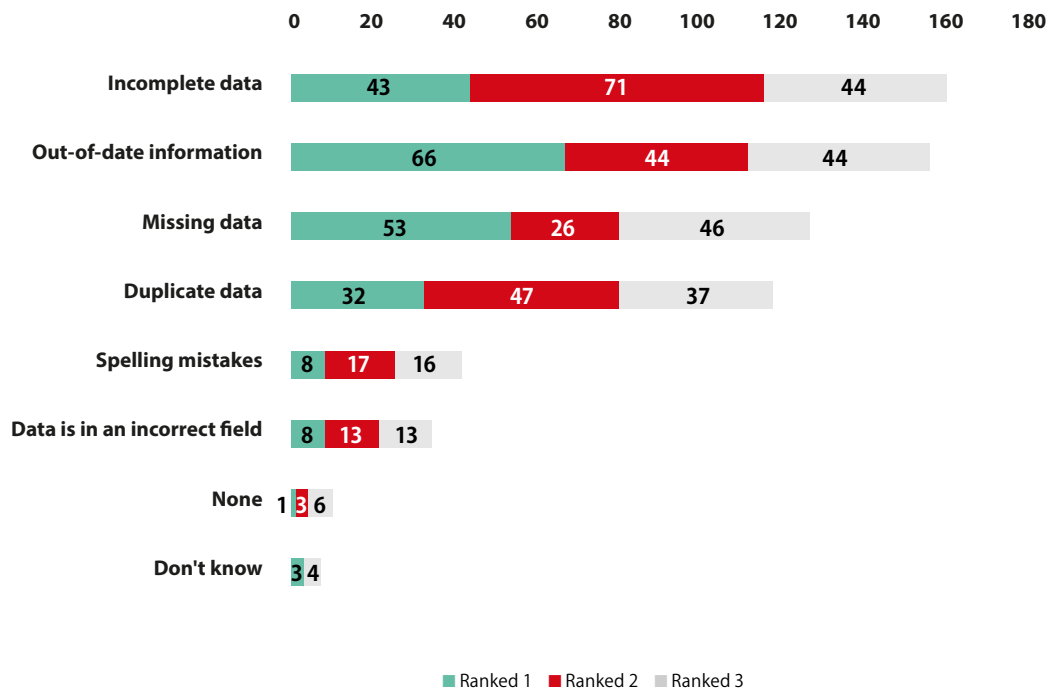
Where this data is entering internal systems, such as CRM, there has been no such drop off in the use of manual checks, but 16.3 per cent are still saying they do not validate the customer data captured. Although this is down five points year-on-year and back to 2014 levels, it is still risking an unnecessary data quality issue which four in ten (40 per cent) have eliminated by using automated validation at the point of data capture.

### The use and management of customer data





### 4.2 - Contributors to poor-quality customer contact data



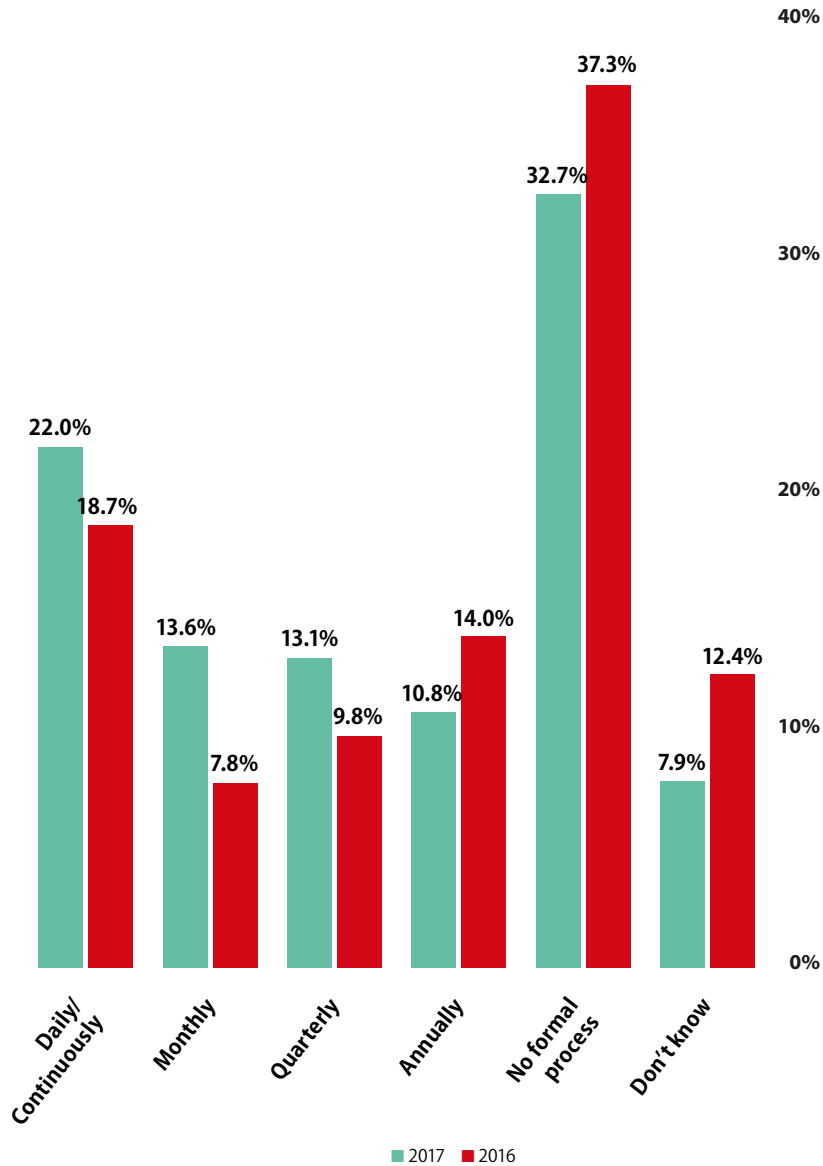
When ranking the top three contributors to poor-quality customer contact data, basic errors compete for top place, with out-of-date information ranked first by most respondents, but incomplete data scoring higher when second and third ranks are included. Missing data comes in

second place when looking at all three rankings. Although duplicate data scores in fourth place overall, technical problems are in general ranked much lower, with spelling mistakes and data in incorrect fields identified well below other data quality issues.





### 4.3 - Frequency of data cleansing



However important marketers claim data quality to be, one third (32.7 per cent) still have no formal process for cleaning customer contact data. Even though this is down nearly five points since last year, this still leaves a sizeable group exposed to data quality issues from the point of collection right through to the point of usage.

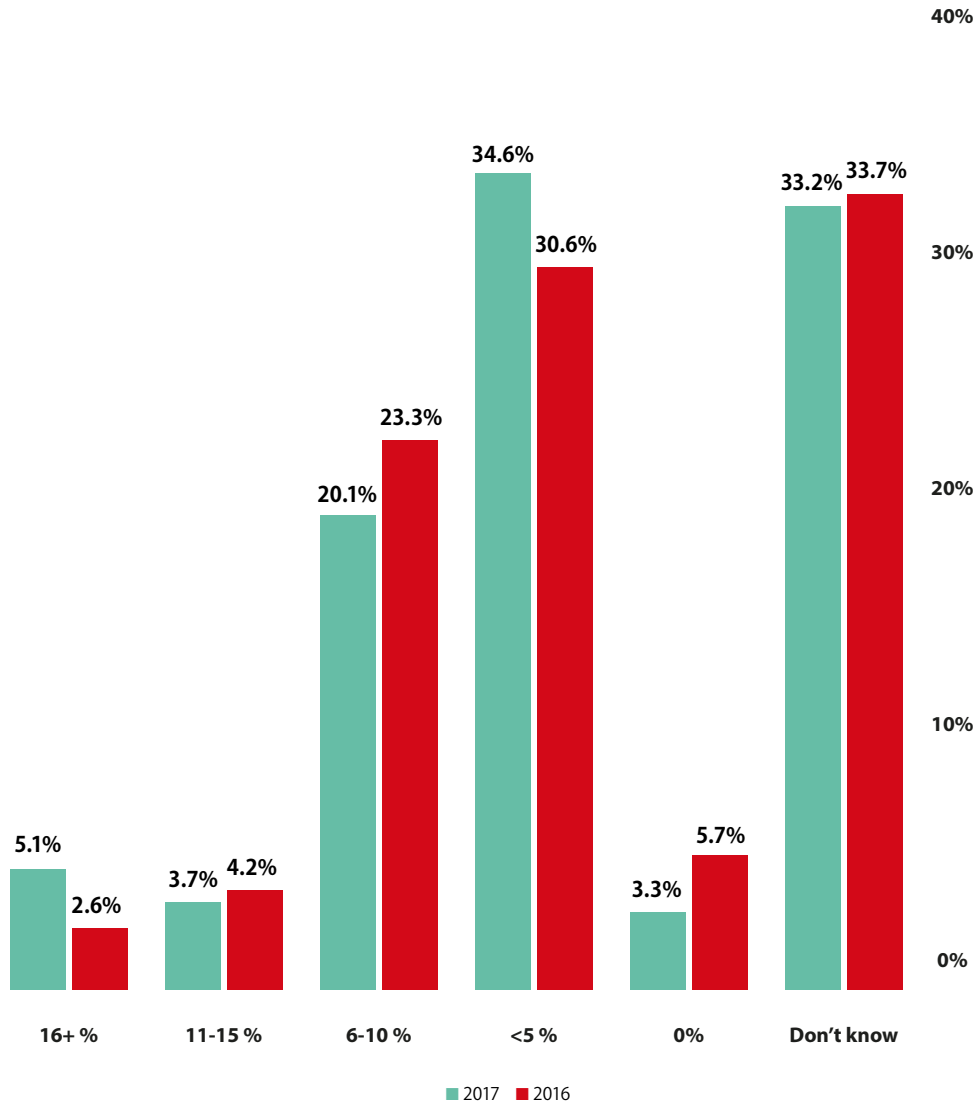
By contrast, over one in five (22 per cent) now clean data continuously or daily, up slightly year-on-year,

with a near doubling in those cleansing data every month - up to 13.6 per cent from 7.8 per cent. This means nine out of 20 marketers have the benefit of clean data that has been recently checked. Given the emphasis placed by the GDPR on keeping data up-to-date and accurate, these organisations are more likely to have compliant data to work with than those who are leaving it to chance.





#### 4.4 - Cost of poor-quality customer contact data as a percentage of annual revenue



The impact of poor-quality customer contact data (as well as not having the appropriate permissions) adds up across the organisation each time a customer-facing function wants to contact customers. This can be hard to calculate - one third admit they do not know the full cost - but only a tenth of that number (3.3 per cent) believe there is no cost at all.

Respondents estimated the average cost of poor-quality customer data at 5.6 per cent of annual revenue in 2017, just slightly lower than the 5.9 per

cent figure revealed in 2016.

While a wide range of factors contribute to this issue, it is clear that improving data quality would also improve marketing performance, particularly as the quality of contact data is cited as having the most positive impact on marketing campaign response and conversion rates. In turn, marketers should witness visible returns on investment from campaigns and healthier contributions to the organisation's bottom line.





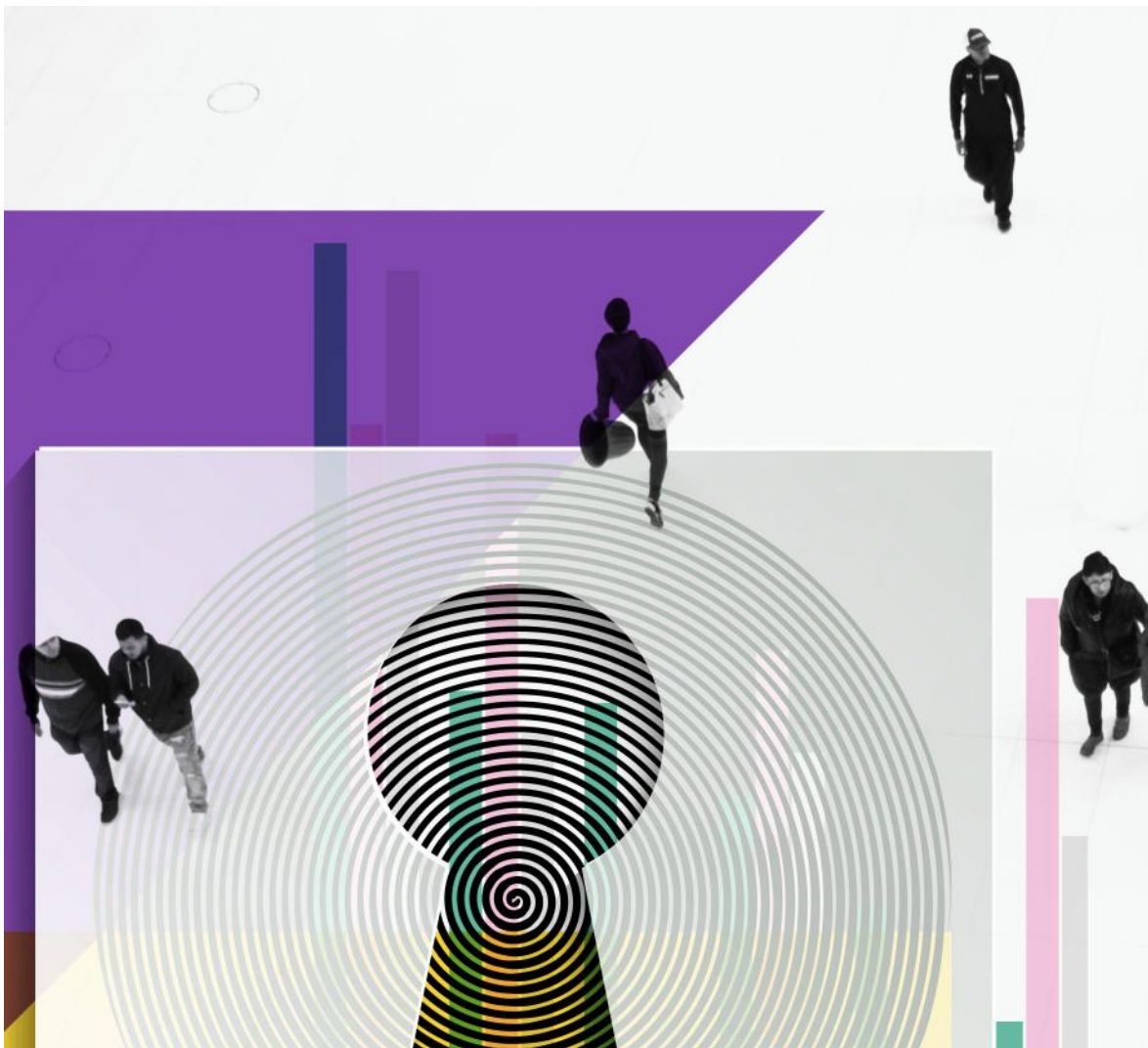
# Methodology and sample size

Responses to this survey were collected via an online self-completion questionnaire served to registered members of the DataIQ community and customers of Royal Mail Data Services during May to July 2017. A total of 281 complete responses from both brands and agencies were included for analysis in this report.

Consumer-facing brands made up 52.3 per cent of the sample, with marketing/media agencies and other

service providers making up the remaining 46.7 per cent. Findings have been split by these two groups to show differences in their use and management of customer contact data.

Findings have also been included from previous years' research. In 2016, there were 272 respondents, in 2015 there were 185 and in 2014 there were 226 responses.



The use and management of customer data





## About Royal Mail Data Services

Royal Mail Data Services is the specialist data business of Royal Mail Group. We're committed to helping our customers build data-driven businesses to improve business performance so we're constantly developing new contact and address datasets as well as new ways for businesses to source, capture and use data. Every day we're providing businesses of all sizes with a combination of contact and address data, data insights and analysis, and data quality management services. Our customers work with us for so many different reasons. To improve the performance of their marketing and customer communications campaigns. To tap into the sales and customer retention opportunities presented by using our unique home and business mover data. To reduce their costs of using inaccurate or out-of-date address data. To enhance their customers' experiences by delivering more personalised, relevant communications and interactions. To improve the overall quality of their customer data. And these are just a few examples.

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## About DatalQ

DatalQ aims to inspire and help professionals using data and analytics intelligently to drive business performance across their organisation and in every industry sector.

Specifically, DatalQ helps business professionals to understand the benefits of adopting data-driven strategies, develop compelling business cases, implement best practice, ensure they comply with data regulation, and understand how to use the latest tools and technology to deliver sustained business improvement.

DatalQ achieves this by providing essential insight, help and know-how from proprietary research, analysis, best practice and comment from industry leaders and data experts. All made easily available through high-quality events and digital channels.

Our unique community of business decision-makers and influencers – working across functions in FTSE 100, large and mid market organisations – is growing rapidly as a consequence of this unique focus.

Importantly, DatalQ provides the bridge for ambitious vendors, agencies and service providers to influence this hard-to-reach and unique community.

DatalQ is committed to championing the value of data-driven business and best practice through focusing on the success stories of data-driven professionals with initiatives including the DatalQ 100 and DatalQ Talent Awards, plus many other events and programmes.

We contribute actively to trade and government bodies, including the DMA, IDM, PPA, techUK and UKTI.

**For the latest information on how DatalQ can help your organisation go to [www.dataiq.co.uk](http://www.dataiq.co.uk)**

**For information on how to become a commercial partner to DatalQ, call Adrian Gregory or Adam Candlish on +44 (0)20 3829 1112 or email [adrian.gregory@dataiq.co.uk](mailto:adrian.gregory@dataiq.co.uk) and [adam.candlish@dataiq.co.uk](mailto:adam.candlish@dataiq.co.uk)**

