

# The Impact of Maintaining Correct Customer Contact Data

Maintaining accurate contact data is a critical component of business success. Poor data on your customers can have a significant impact on the bottom line, in some cases may spell the difference between profit and loss. This white paper will look at the causes of poor data quality and suggest specific strategies and procedures for keeping customer clean.

## THE ISSUE OF INCORRECT CONTACT DATA

Whenever you communicate with customers or prospects, your success depends on having the correct contact information for those individuals or organizations. The most efficient way of ensuring that the data you have on your stakeholders is correct is by validating it when you collect it. Unvalidated information has less value as it may be more difficult to use and update, and in some cases may be completely worthless to your business.

Capturing and validating data in real time can often be difficult. Imagine a scenario at a busy brick and mortar shop where a cashier is trying to enter a customer's info at the register. The customer ends up with a less than optimal experience, and the customers in the queue behind them become

frustrated due to delays. The cashier does their best to enter the information, but because they are busy and being rushed they can often enter incomplete or incorrect information.

Email addresses add another level of complexity to data collection. A single individual may have multiple email addresses, and some even have dummy addresses to catch unwanted email advertisements. Some email addresses may be shared among several people. Add to this the fact that email addresses have a strict syntax, are limited to specific domains, and are often spoofed, and the result is that many organizations will have high rates of incorrect and unusable data.

Capturing correct data is only the beginning. Every year, the Post Office receives over 40 million change-of-address forms. It's estimated that there are roughly another 25 million moves that aren't reported. In addition, every year there are 2 million marriages, 1 million divorces, 4 million births, and 2.5 million deaths. Effectively, 1% to 2% of the population of the U.S. will see their contact data change in some form every month. So even if you collect perfect data on your customers when you collect it, within a year a large portion of that data may be inaccurate or outdated.



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## THE RESULT OF INACCURATE DATA

Poor data carries financial costs. First, there are the direct cost of failed communications with customers and prospects. If you're using direct mail to communicate with customers, this would include the cost of printing and mailing your materials. Each failed letter mailing can cost \$.35. For flats the cost can be much larger, over \$1.00 for large catalogs or magazines. And this are just the cost of the postage, it doesn't include the cost of materials and labor for printing each undeliverable piece. For large mailings, the cost can be significant.

Often these costs can be hidden. If a mailer is using Standard Mail, any undeliverable mail will simply be recycled. The mailer will never be notified of which pieces were not delivered, or even how many pieces were destroyed. The USPS reports that over 4% of all mail is undeliverable due too poor address quality—that's a direct 4% of an organizations printing and mailing budget that simply disappears.

Poor address quality also results in lost opportunity costs. Not only are you wasting printing and mailing costs, but when your mail isn't delivered to the recipient you are losing sales. Those customers cannot purchase from your organization if they aren't receiving your marketing message.

Let's look at an example of how this works. A retailer with a customer list of 1,000,000 individuals sends out a monthly catalog mailing, where the cost of printing and mailing is \$.50 per catalog. The retailer sees a response rate of 2% on each mailing and the average order is \$50.00 with a 60% margin. (See Figure 1.)

The cost of each mailing is \$500,000, and the retailer gets 20,000 responses per mailing. Each response generates an average of \$50.00, so there is \$1,000,000 in revenue generated. The total profit from each mailing is an average of \$100,000.

How much is wasted? Assuming the average of 4% is correct, that would mean that 40,000 of the entire run was undeliverable. At cost of \$.50 a piece, this

**Figure 1.**

Contacts	1,000,000
Cost per catalog	\$.50
Response Rate	2%
Average Order	\$50.00
Margin	60%

Cost per Mailing	$1,000,000 \times \$0.50 = \$500,000$
Responses per Mailing	$1,000,000 \times 2\% = 20,000$
Revenue Generated	$20,000 \times \$50.00 = \$1,000,000$
Profit per Mailing	$(\$1,000,000 \times 60\%) - \$500,000 = \$100,000$

Wastage per Mailing	$1,000,000 \times 4\% = 40,000$
Cost of Wastage per Mailing	$40,000 \times \$0.50 = \$20,000$
Orders Lost to Wastage	$40,000 \times 2\% = 800$
Revenue Lost to Wastage	$800 \times \$50.00 = \$40,000$
Profit Lost to Wastage	$\$40,000 \times 60\% = \$24,000$

**\$24,000 Lost Profit/Mailing X 12 Mailings per Year = \$400,000 Lost Profit**



means that \$20,000 of the cost of the mailing is simply wasted.

The cost of lost opportunity is even worse. If those 40,000 pieces had reached their intended targets, the company would have seen on average another 800 orders. Those orders represent another \$40,000 in revenue and \$24,000 in profit. If those mailings had reached their intended recipient, the company would have seen an increase of nearly 25% in their total profit for each mailing. In this scenario, over the course of the year this would amount to nearly \$400,000 in pure profit.

For organizations with large customer lists or frequent mailings, the costs can be even greater. If an organization is mailing weekly, or has a database with several million contacts, the lost business on mailings can really begin to add up.

## **IS THERE A SOLUTION?**

The answer to this question is an unequivocal YES! There are a number of solutions available to mailers that will allow them to accurately capture customer information, and then keep that data clean in the future.

One of the most important steps in ensuring the quality of your customer data is address validation. There are a large number of solutions available, but the most comprehensive and accurate system is a CASS Certified™, which is based on U.S. Postal Service address data. Depending on the software used, CASS systems can be used to clean and verify data as it is entered into your system, or used as a

batch process to validate your existing databases at regular intervals. CASS is available as standalone software, callable APIs, cloud-based services, or in SaaS configurations, so a solution can be customized to fit the needs and capabilities of nearly any organization.

Address correction services can also include a number of additional capabilities, such as delivery point validation, the ability to append apartment numbers, residential or business address identification, and the capability to convert rural route into standard address formats. The addition of one or all of these capabilities to your address validation routine will further increase the accuracy of your customer data and ensure the highest rates of delivery.

Once customer information has been entered into the database and your address validation system has ensured it is correct, your job still isn't done. Updating your data at regular intervals should be an integral part of your data regimen, including the regular use of change of address processing. This should start with the inclusion of a USPS certified NCOALink® system. However, there are some estimates that claim that up to 40% of people who move do not file a change of address with the post office, so depending on the size or composition of your database you may want to consider the addition of a proprietary change of address system. These systems compile data from a number of sources, and may be able to further reduce the number of incorrect addresses that fall in that 40%.

Other services that might be included in the process are suppression flagging such as deceased/prison suppression or opt-out services such as DMAchoice. For large or active databases, organizations might want to consider duplicate identification or merge/purge services. These can be included in the core of the data quality system and are often needed to ensure high levels of data quality.

For large organizations with multiple business divisions that use multiple databases or CRM/ERP systems, incorporating a data hub or data management system to synchronize data across the organization is often a good idea. Not only does

the use of a data hub synchronize data across the enterprise and prevent data silos, it ensures that an organization has an accurate 360° view of the customers—an essential piece for effective targeted messaging.

This list isn't comprehensive—there are any number of other services that can be included in a data quality program such email or phone append, demographic data, or geocoding services. But these are the core components that will allow you to capture and maintain complete, correct, and current customer data, and they will allow you to utilize your customer data to maximum potential.

## Anchor Software Solutions Overview

Anchor Software LLC was established in 2000 to provide comprehensive software solutions for direct mail, direct marketing, data quality, and other related applications. Anchor Software prides itself in delivering comprehensive, products and services designed to meet the needs of our customers that allows them to stay in the forefront of dynamic and highly competitive marketplaces. Anchor's product line includes 60 separate solutions, with over 2000 products installed.

### Postal Processing • Data Quality • Document Design

#### Postal Processing

- CASS™ Certified Solution
- USPS NCOALink® Certified Interface Solution
- PAVE™ Gold (Presort) Certified Solution
- Intelligent Mail® Barcode (IMb) Solutions
- International Address and Data Quality

#### Enterprise-Level Data Quality

- MDM and Golden Records
- Real-Time Address Validation
- De-Duplicate Files
- Enhance Addresses
- Deceased/Prison Suppression
- GeoCoding

#### Document Design

- High-Speed Printing and Document Preparation
- Transactional Document Design

### Customer Support – Always get a live person when you call!

Anchor Software offers 24/7 customer support and you will always get a live person. Not only will we assist in solving software issues but we will also help with the use of our software!

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