

WHAT B-TO-B MARKETERS ARE REALLY DOING WITH THEIR DATABASES

BY BERNICE GROSSMAN & RUTH P. STEVENS
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EXECUTIVE SUMMARY

B-to-B marketers are using their databases for a wide range of marketing applications. The leading uses are prospecting, campaign selection, inquiry management and querying. Marketers also conduct modeling, import and export data and use their databases for campaign response tracking. This paper reveals the results of a survey of 192 marketers on what they really do with their databases.

As a business-to-business marketer, do you ever wonder what your colleagues and competitors are doing? Most of us are operating in fairly competitive environments, and business marketers are usually quite closed-mouthed about their marketing strategies, and what's working for them.

When it comes to database marketing, in particular, there is a general dearth of information about what's going on, and who's doing what to whom. So we decided to do some research to find out exactly what B-to-B marketers are actually doing with their databases.

Many observers believe that B-to-B marketers lag behind their consumer counterparts when it comes to database marketing. This is an understandable assumption, based on the realities of the B-to-B marketing environment:

- B-to-B files tend to be relatively small, which can limit the ability to do split testing and data modeling.
- B-to-B data degrades more quickly than consumer, leading to more uncertainty in analytical operations.
- Business marketers tend to use one-off campaign strategies, rarely setting up the

kind of controlled campaign programs that support ongoing data-driven testing and analysis.

- B-to-B data is complex and harder to work with.
- B-to-B files tend to contain incomplete records. For example, products might be shipped to an address called "Loading Dock," and a billing address might refer to "See Judy in Accounting." A modeling challenge, to be sure.
- Much of the data design and architecture has focused on consumer data, at least so far.
- Many B-to-B firms still have trouble closing the marketing loop—connecting campaign touches to revenue results—so ROI analysis can be spotty.
- Firms that distribute through third parties—resellers, distributors, agents and the like—may have extremely limited access to transaction data at the end-user account level.

Given these factors, you might expect that the latest predictive models and the coolest new analytical techniques are exclusively the province of consumer marketers with huge files and plenty of statisticians on hand. Boring old B-to-B

marketers, you might think, don't do much more with their databases than campaign selection and, if you're lucky, some profiling of best customer segments.

But what if business marketers are being characterized unfairly? We decided to find out what's really going on with business marketers. In June 2007, we conducted a survey of 192 business marketers, to identify the ways they are using their databases. The results were eye-opening.

First of all, the range of applications is as broad for B-to-B as it is for consumer. Business marketers are doing everything you can think of.

Second, the number one database marketing application reported by our sample was prospecting, which we take to mean pre-sale cultivation of suspects and inquirers. With long sales cycles and complex buying processes, it's fitting that marketers would use their databases to nurture and build pre-sales relationships.

We conclude that business marketers are—wisely—using their databases to drive business results.

HOW THE SURVEY WAS STRUCTURED

Our survey asked six questions:

1. Do you have a B-to-B marketing database?
2. If so, where is it managed?
3. If in-house, what kind of database is it?
4. What do you use your database for?
5. What industry are you in?
6. How many employees are in your company?

We were tempted to ask more, for example, probing on the size and nature of the data, the level of resources business marketers are investing in database management, how the database is structured, and the kinds of software platforms in use. But we knew that a longer questionnaire would reduce response, so we decided to keep it simple, and reserve these other areas for future exploration.

KEY FINDINGS

WHERE IS THE DATABASE MANAGED?		
	Response Percent	Response Count
In-house	85.64%	155
Out-sourced	14.36%	26
Answered question		181
<p>Only 6% of respondents said they did not have a database. Of those with a database, the vast majority (86%) maintain it in house, and 14% outsource its management. This finding is what we expected, given that business marketers are so focused on creating and nurturing a sales pipeline. Furthermore, because the B-to-B sales cycle is long, and involves many parties on both sides, connecting to the in-house operating system is often essential to tracking the effectiveness of marketing campaigns.</p> <p>When we looked at the data based on company size, we noticed that larger companies (1000-9999 employees) were somewhat more likely (91%) to maintain their databases in house. But the largest companies (10,000+ employees) reported the same level of in-house management as the average. So we cannot say definitively that size matters in the question of out-sourcing the database.</p>		
LEGACY SYSTEM VERSUS MODERN DATABASE		
	Response Percent	Response Count
A legacy operating system with limited reporting	41.21%	68
A flexible marketing database designed for querying and campaign management	58.79%	97
Answered question		165
<p>Of those who manage their databases in house, 41% are using legacy systems and 59% claim to have a flexible database designed for querying and campaign selection.</p> <p>In this arena, size does matter: Companies with 1000-9999 employees reported using legacy systems at a significantly higher rate (57%) than the average. Companies with more than 10,000 employees, on the other hand, reported significantly lower use (25%) of legacy systems.</p> <p>So it appears that smaller companies are using newer tools. Everyone needs robust systems for campaign management and closed-loop results reporting. Large companies are either building robust systems in house, or, if they run into the inevitable problems marshalling resources internally, are throwing up their hands and seeking outside solutions.</p> <p>When companies consider the “buy versus build” decision, they frequently find that it is more economical to buy externally and bring the system in house. This is especially true in the case of CRM systems.</p>		

KEY FINDINGS

DATABASE USAGE

Prospecting was the leading application reported by business marketers, a finding that will no doubt surprise consumer database marketers, who rarely find it profitable to bring prospects into their databases. This is because prospect lists are typically rented on a one-time basis, and are easy to rent as needed for acquisition campaigns. In

B-to-B, however, a prospect name takes much longer to convert to a sale, and the value of that customer tends to be much higher. So business marketers find it effective to move prospects along the sales cycle using database-driven communications

	Response Percent	Response Count
Marketing to prospects	80.11%	145
Campaign target selection	70.72%	128
Contact or inquiry management	61.33%	111
Query	60.22%	109
Export data (e.g., to your mail house, or email vendor, or to a co-op database)	57.46%	104
Campaign response tracking and analysis	44.75%	81
Import data (e.g., from in-house sources, like operating system, sales force automation system, or from your website)	44.20%	80
Customer profiling	42.54%	77
Capture data about end-users	36.46%	66
Perform data hygiene/record deduplication	31.49%	57
Segmentation for product development purposes	29.28%	53
Identify multi-buyers	28.73%	52
Data append or enhancement from 3rd party supplier, like D&B, InfoUSA or Experian	28.18%	51
Campaign strategy planning	27.07%	49
Identify unique buyers at a site	18.78%	34
Lifetime value (LTV) analysis	14.92%	27
RFM	13.26%	24
Modeling to predict campaign response	13.26%	24
Modeling to predict sales or purchase	12.15%	22
Predictive modeling using regression	9.94%	18
Predictive modeling via cluster analysis	8.29%	15
Modeling for winback or reactivation	8.29%	15
Predictive modeling using tree algorithms like CHAID or CART	7.18%	13
Modeling to predict defection	6.63%	12
Other (please specify)	4.42%	8
Answered question		181

KEY FINDINGS

Other observations from these results:

- It's no surprise that nearly half (45%) of respondents said they use their databases for campaign response tracking and analysis. Most B-to-B campaign responses come in without key codes, so data matchback is an important tool for campaign tracking.
- The fact that 61% of respondents say they use their databases for inquiry management reflects the criticality of pipeline management in B-to-B.
- The relatively high rate (45%) of profiling is probably a result of the high cost of a sales call. Marketers seek to segment customers and prospects by potential, to reduce unproductive use of sales resources.
- We are concerned that only 31% of B-to-B marketers seem to be focused on data hygiene. The volatility of business data, and the opportunity cost of missing or incorrect contact information requires constant vigilance and aggressive maintenance.
- We are gratified that so many modeling and analytical techniques are in use among B-to-B marketers. At the same time, the relatively low rates of model usage reflect the difficulty of campaign replication in most business marketing situations. Since campaign conditions change so rapidly, modeling is less used to predict campaign results, and more for understanding the nature of the customer file.

APPLICATIONS BY COMPANY SIZE

This table lays out the top three database applications reported by companies of various sizes. Where there was a tie, both applications are listed.

Total (#)	>10 (%)	10-99	100-999	1000-9999	10,000+
Prospecting 80	Prospecting 88	Prospecting 77	Prospecting 81	Prospecting 72	Profiling 92
Campaign 70	Campaign 58	Campaign 72	Campaign 76	Campaign 72	Prospecting 92
Query 60	Inquiry 51	Query 62	Query 71	Inquiry 69	Targeting 92
		Export 62		Export 66	Query 83
					Export 83
					Hygiene 66
					Segmentation 66

Prospecting, profiling, querying and campaign selection were consistently reported across companies of all sizes. Large companies appear to place a higher value on data hygiene and are more likely to perform segmentation. We suspect

that the importance of data export among large companies is reflective of their ability to pay for off-site data hygiene whereas smaller companies may have to rely on their sales force to correct data errors.

KEY FINDINGS

APPLICATIONS BY INDUSTRY

The top three data applications sorted by the top industries participating in the survey.

Total (#)		Services (%)		Mfg/Distrib		Tech/IT	
Prospecting	80	Prospecting	89	Inquiry	81	Prospecting	95
Campaign	70	Campaign	71	Campaign	71	Campaign	75
Query	60	Inquiry	54	Prospecting	66	Query	66
				Export	66	Inquiry	66

While all industries named prospecting as an important focus area for database marketing, technology firms reported an unusually strong interest in this application. Manufacturing

companies placed the highest value on inquiry management; perhaps the maturity of the industry means that each lead needs to be treated with special care.

FIRMOGRAPHIC PROFILE OF THE SAMPLE: INDUSTRY

	Response Percent	Response Count
Business services	35.96%	64
Technology/IT	13.48%	24
Manufacturing/distribution	11.80%	21
Financial services	5.06%	9
Mail order/ecommerce/catalog	5.06%	9
Publishing	4.49%	8
Pharmaceutical/healthcare	3.37%	6
Industrial	2.81%	5
Education/training	1.69%	3
Government/institution	0.56%	1
Other (please specify)	15.73%	28
Answered question		178

FIRMOGRAPHIC PROFILE OF THE SAMPLE: COMPANY SIZE

	Response Percent	Response Count
Fewer than 10	35.96%	45
10-99	13.48%	47
100-999	11.80%	42
1,000-9,999	5.06%	32
More than 10,000	5.06%	12
Answered question		178

Services, IT and manufacturing were the leading categories among our respondents. Company size, as reflected by number of employees, was fairly evenly spread.

KEY FINDINGS

CONCLUSION

This research shows that B-to-B marketers are using their databases in a wide variety of ways, with particular concentration on prospecting, campaign target selection, contact/inquiry management and querying. We would expect sophisticated modeling applications to continue to grow in the sector. Clearly, customer information and marketing databases are an essential element of the B-to-B marketing toolkit



BERNICE GROSSMAN is president of DMRS Group, Inc., a marketing database consultancy in New York City. She is past chair of the B-to-B Council of The DMA. Reach her at bgrossman@dmrsgroup.com



RUTH P. STEVENS Stevens consults on customer acquisition & retention, and teaches marketing to graduate students at Columbia Business School. She is the author of *The DMA Lead Generation Handbook*, and her new book is *Trade Show and Event Marketing*, now available at Amazon. Reach her at ruth@ruthstevens.com

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“Our Data is a Mess! How to Clean Up Your Marketing Database”
(October 2005)

“Keep it Clean: Address Standardization Data Maintenance for Business Marketers”
(February 2006)

“Outsourcing Your Marketing Database: A ‘Request for Information’ is the First Step”
(March 2006)

“Enhancing Your B-to-B Database with Data Append”
(November 2006)

“15 Thorny Data Problem That Vex B-to-B Marketers, and How to Solve Them”
(November 2006)

These papers are available for download at www.dmrsgroup.com and www.ruthstevens.com
