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James Lawson investigates the dropping rates for business data, and finds that suppliers appear to be increasingly polarised, either chasing cheap volume deals or offering more added value services.

## BARGAIN BASEMENT DATA

**R**ates for national lists of business data have never been lower and it's a great time to be a volume b2b mailer. Tales abound of companies handing over data for free as long as they get other work as part of the deal, and prices as low as £30 per thousand for bulk sales with open-ended net deals appear to be commonplace. According to Lisa Armstrong, sales manager at Corpdata, "You can now buy volume b2b data at £25 per thousand for a 12 month lease with updates thrown in."

### Dropping fast

Simon Lawrence, joint managing director of Information Arts, speaks for many. "There is still downward pressure on the list rental market and it's a short term game," he comments. "Many brokers are selling exactly the same data and they are all prepared to sell each other short."

This has a predictable effect on rates. "If you're buying over 100,000 records, people will go straight in at a low price and they can only go down from there," says Armstrong. "Clients can then go to other suppliers and the final price bears no resemblance to

an industry ratecard."

But on the face of it, these ever-dropping rates seem to defy the laws of supply and demand, given that b2b mailing volumes are now at an all time high (1293 million items in 2002 according to Royal Mail). And this doesn't include prospect data used in other channels such as telesales or the growing amount of email data now bought for prospecting use. Some explain this contradiction by pointing to the increased use of in-house data and systems for upsell and cross-sell work; the recent closure of Draft Data was blamed on more companies taking their b2b operations in-house.

"I think it's a flat market overall," comments Richard Lloyd, director of b2b marketing at Experian. "We're certainly growing by taking share, not by expanding the market, or at least not by much. We're almost always pitching against incumbent suppliers. Mailing volumes may be up but the data is often coming from a client's own database, so cold data volumes remain roughly static. I see it remaining that way for the next year, then single digit growth for the next 12 to 18 months."

There is a certain degree of irony in the fact that better targeting that may now be hurting the data industry. Although almost all DM suppliers in both the business and consumer sectors will pay lip service to the concept of more intelligent use of data, when it comes to the bottom line, shifting large volumes of lists and printing direct mail items is usually where the money is.

If, in a relatively static market, more clients are deciding to mail 3000 brochures instead of 20,000 leaflets to a more tightly selected prospect list for a better overall return on investment, it looks like there can only be one trend for those relying solely on bulk data sales and that is downwards. Certainly now there is general agreement that there are simply too many brokers out there chasing a fixed amount of business.

"It costs nothing to set up as a broker, all you need is a phone," says Armstrong. "The market is saturated and they are struggling. Sometimes the price is very low because the broker is going out of business or there is a price war. Big companies like Viking are laughing, but there's really only a few doing true mass mailings out there now. A lot have now gone down the analytics side, spending half on analysis and half on data."

Steve Cook, managing director of Wegener Business Data singles out Yell Data, D&B and Thomson Directories licensees as some of the worst culprits in dropping rates, competing against each other for orders. He also claims that some suppliers are offering



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data for free in order to gain contracts for analysis and other services. "There is oversupply, too many players, clients are not selecting on quality and there is less investment in the data," he says.

But Mary Whately of Thomson Directories firmly denies that Thomson holds any responsibility for the actions of its brokers and claims that rates have remained stable – though these are the rates charged by Thomson to licensed brokers rather than what the end customer pays. Brokers can pass on whatever percentage of their profit margin they want to in order to close a deal – something that all data owners permit.

"We're very much positioned as wholesalers and cannot control the prices that our resellers are charging," Whately says. "I don't think we have too many resellers – we haven't put any new resellers in for the last 18 months. We concentrate on our quality, it's of

paramount importance to us."

But regardless of the efforts data owners do make to maintain their quality, many data buyers appear to be happy with increasing levels of bad data; Armstrong reports that clients that are perfectly content to accept a five per cent goneaway rate.

### Worse before better?

And a new UK-wide file is hitting the market now. Using telerecsearch run from India, this file is now being built by Blue Sheep and sold by Corpdata – though it is intended as much as a base for client research and analysis as a volume prospect base. With only a small number of key data owners supplying over 300 resellers, the end result may well be the disappearance of many brokers and even some consolidation in the ranks of the data owners. A number of brokers have already gone out of business and the second trend appears to have started already with Experian's acquisition of Yell Data last month.

To add to the woes of the business data vendors and brokers, there are also increasing reports of fraudulent use of data by client companies, sometimes subtle, sometimes overt. Whately thinks that much of the downward pressure on rates has been driven by the sale of cheap CDs which in some cases contain pirated b2b data covering the whole of the UK. "People stealing databases really is an industry issue," she says. "It's often dotcom players. We've recently taken one to court and won."

And clients can be far from blameless too. As well as asking no questions as to the provenance of cheap CDs, some are pushing the boundaries of accepted behaviour. Though holding bought-in data as an in-house suppression file is just about tolerated in both b2b and b2c, some clients are now using fresh data within the merge and purge process to validate older records on either decayed (and cheaper) prospect lists or in-house files. If a match is made, then it indicates that the older record is still current and the fresher data will not then be needed for the net mailing file – meaning less volume for suppliers like Corpdata.

"Because our data is very new, it can effectively be used as a free verification file against older and cheaper data," argues Armstrong. "When they do a dedupe, we are effectively updating their data for them. Where you are in the dedupe order really affects the value of the order."

On the bright side, one area of the marketplace where prices do appear to be holding up is in the sale of niche lists. Though Wegener Business Data, Corpdata and FT Data all report downward pressure on prices, rates for these lists appear to be firm overall due to the premium put on the named individuals in specific job functions – such as car fleet purchaser or IT buyer – that these data owners offer.

"On the whole, we're having no problems as we



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Lisa Armstrong, sales manager, Corpdata.



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Kate Amos, product manager, FT Masterfile.

offer senior decisionmakers, as opposed to Thomson or Yell who are more geared towards the SME market," says Kate Amos, product manager for FT Masterfile. "Our product is very different to other companies, there's less volume, but high quality in terms of decision makers. If people are looking for volume then sometimes we can't service them."

"Where you have a niche over and above the normal universes, it comes with a different price tag," says Armstrong. "People still try to knock you down though! We get people asking to pay £60 per thousand and we just say no. We lost the ICL account to a competitor who gave them the data free for a year. We've struggled through the last year or two but have stuck to our guns."

### Slower adoption?

In the light of these low rates, those contemplating moving to better targeting, in-house file enhancement and more intelligent use of business customer information for management decision making may well stall because prospect data prices are so low.

"People are never encouraged to look at their own data because they can get it cheap off the shelf," says Cook. "Look at the current business client profile – is this what we want? Is there an overdependence on certain market sectors? Is the sales force structured correctly? We really want to be talking to senior managers as well as direct marketing managers and driving the strategy and communication in the rest of the organisation. If their eyes glaze over then give up and sell them some data."

But according to Cook, whether data is exploited

for tactical DM campaigns or to inform business decision making at a higher level, very much depends on the client's own sophistication and understanding. He gives the example of one client company that initially wanted to profile and target business prospects in the conventional way, but ended up looking much deeper into its overall strategy because, "the analysis threw up so many strategic issues." "We ended up with a four hour presentation to the board," he says.

Classic applications for business data outside of direct marketing include sales territory planning (see boxout), but there are other areas where it can add to analysis such as helping estimate footfall in outlets to be located in business districts.

"By looking at the number, location and, crucially, the type of people, you can answer questions such as 'where should Prêt à Manger put its next site?'" says Cook. "It's not just about richer data, it's about how you use it strategically."



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Mary Whately, Thomson Directories.

There certainly is a great and growing desire amongst both suppliers and clients in the b2b sector to add value to business data and uptake of added value services does appear on the rise at some detriment to bulk data sales – as discussed above. Agency LBM now offers its portfolio of prebuilt business models alongside its data sales, Experian's recently-launched Commercial MOSAIC segmentation is recording its first client wins and Blue Sheep is working with Oxford Economic Forecasting (OEF) to provide business growth and decline forecasts. This latter service aims to allow businesses to base their prospect selection for marketing on industrial performance forecasts rather than rely on extrapolating historical data. The system is based on a scoring index provided through OEF that attributes a value to each Standard Industry Classification code (SIC), based on forecast economic growth potential over the next twelve months.

Using Companies House information to link data on directors of small businesses gathered through consumer methods such as lifestyle surveys to national lists is also now better understood and gaining much wider application. To do just that, Information Arts now offers its SME-focused Business DNA file (Decisions, Needs and Attitudes) alongside its GIC (Geodemographic Industry Classification). This brings together multi-sourced business and consumer

## Business and consumer data for sales territory planning

Following its takeover by Barclays, The Woolwich needed to integrate the Barclays intermediary sales team with the existing Woolwich sales team. To do this required data on the independent financial advisors who are the intermediaries selling to end consumers, reliable market potential data and had to cause minimal disruption. The Woolwich used CACI's FieldForce Planning services and GIS-based territory optimisation software, together with the same supplier's mortgage market database which provides information on total mortgage market potential by postcode sector.

"One of the main issues is 'is the data capable of being geocoded?'," says Ian Thurman of CACI FieldForce Planning. "The Woolwich was a mixture of b2b and b2c data – you're calling on IFAs but there's a consumer endpoint. It allows the evaluation of the salesperson in financial services: what is the mortgage market in that particular sector and what are they actually selling? Not just in absolute terms but also in terms of the potential. Often the stumbling block is data on the total market. For example, in FMCG, finding out what is sold to independent stores is next to impossible."

The combination of accurate data and efficient territory planning has already delivered, allowing The Woolwich to focus on areas outside its heartland, and go for growth. One area of the south east not previously identified as offering high potential and not actively covered by a sales person is now delivering mortgage advance increases of over 200 per cent.

information to paint as clear a picture as possible of the UK's SME sector.

Simon Lawrence points to a recent new telco client that is looking to market a new product to the SME market as evidence of the growing demand for more intelligent b2b marketing and business planning. "We're working in the context of 'prospect management' rather than just 'data,'" he says. "There is still downward pressure on the list rental market and it's a short term game. We typically deal with board level directors as well as with DM people."

### Split down the middle

Lawrence confirms that more clients are looking harder at how their market composition and how their overall marketing strategy should be formed – but also supports Cook's view that there is a huge contrast in how different clients approach their use of business data. He gives the example of FedEx which is using Information Arts' GIC to optimise site location.

"Companies like FedEx are asking themselves, 'if we could start in the UK again with a clean sheet of paper, what would we want to do?'," he reports. "Over 85 per cent of their business comes from within 30 miles of their distribution station so they want to quantify the effects of moving existing locations and where they should open new ones. I don't think that intelligent people like them are discouraged by cheap data – the work they have done recently brought a 700

per cent return on investment."

Lawrence also cites Vauxhall and Dell as examples of businesses very much at the other end of the spectrum, reliant on bulk prospect mailing to keep the level of new business up. "Dell mails five million pieces a month to UK businesses and their whole strategy is driven by response. If they reduce their prospecting volumes, then they reduce their sales. They love dirt cheap data but even they are concerned."



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The business data and services marketplace appears ever more split: at one side you have high volume and low cost data, on the other, the higher margin analysis-driven targeting approach that looks for better and more predictable returns. Though there will always be a demand for volume b2b data, as companies increasingly adopt the latter approach, many brokers will want to be buyers rather than sellers. ■

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ORIGINALLY APPEARED IN

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