

Data, Disconnected

Communications Firms Take the Necessary Steps to Build
Greater Accuracy into Their Customer Management Processes

WHITEPAPER:
COMMUNICATIONS



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ABSTRACT

Building Greater Accuracy into Customer Management Processes

CUSTOMER DATA, AND THE QUALITY OF THAT DATA, IS A COMPANY'S MOST IMPORTANT ASSET. WITH EVERY INTERACTION, CUSTOMERS ARE PROVIDING CRITICAL INFORMATION. AND WITH RISING COSTS, IT'S MORE IMPORTANT THAN EVER TO CAPTURE THIS DATA ACCURATELY AND COMPLETELY, IN A TIMELY MANNER AND IN A CONSISTENT FORMAT, WHILE MAKING SURE THAT ALL PARTIES UTILIZING THE DATA HAVE A COMMON UNDERSTANDING OF WHAT IT REPRESENTS.

THIS WHITE PAPER FOR THE COMMUNICATIONS SECTOR EXAMINES HOW INACCURATE DATA CAN IMPACT CUSTOMER RELATIONSHIPS, AND HOW IMPLEMENTING A MULTI-PHASE PROCESS CAN HELP FEED CLEANER CUSTOMER DATA INTO ENTERPRISE SOLUTIONS TO MAXIMIZE RETURN ON INVESTMENT.

IN AN ENVIRONMENT LIKE TODAY, WHEN COMPANIES NEED TO BETTER CONNECT WITH CUSTOMERS, THE ROLE OF DATA QUALITY HAS NEVER BEEN GREATER.

Accurate Data Matters.

Accurate data matters. When customers misdial, even by a single digit, they may reach the wrong party or no one at all. For telecommunications companies, however, the cost of poor data quality can be much greater: poor investment decisions, lost customers, missed opportunities and regulatory penalties.

In years past, IT directors have waded into the waters of data quality—often without making a great impact. But recent events are causing communications firms to revisit their approach:

- The importance of cross-sell and bundled packages has heightened the need for accurate customer profiles
- Increases in the cost of postage, labor and print materials have added to the pressure for more effective communications
- More aggressive competition necessitates a need to prioritize investment decisions, from retail distribution to network expansion
- Regulatory challenges—including new penalties—require near-perfect customer data

Once the province of IT and data stewards, business owners and executives now have a greater appreciation for the value of information assets and are willing to work more closely with data managers to make the necessary changes. This white paper, developed by Pitney Bowes Business Insight, provides a timely overview of today's best practices, including:

- The underlying cause of poor data quality
- How customer data affects profits in the communications industry
- What successful companies are doing today

Pitney Bowes Business Insight is uniquely positioned as a leader in the field of customer data quality. For over 25 years, the company has served as a valued resource to the communications industry, providing practical, forward-looking solutions that make it easy to manage data, reduce costs and boost overall profitability. In an environment like today, when companies need to better connect with customers, the role of data quality has never been greater.

Disconnected Data: The Cause.

Organizations are driven by activities, information and results—captured across your enterprise in the form of data that is changed, updated and edited so frequently it seems alive. In a similar vein, poor customer data can act like a virus and hold you back. In many companies, the underlying problems have gone unchecked for many years.

Bad Starts

Data entry errors by both employees and customers, along with inconsistent definitions for common terms, contribute to the data quality problems in your organization. Few companies take any action to address data quality upfront. Such actions would ensure that only high-quality information enters your database from the start. Equally as important, it would help you understand the value of a customer in real-time at the point of sale.

Most companies deal with these upfront quality issues in ways that are ineffective. Many, for example, have “point of use” systems that cleanse data in batch processes. Common instances include postal address corrections during mail production or running a product penetration analysis for a marketing campaign. The problem is that the back-end data remains unchanged. The updates are lost, the quality of data erodes and information assets lose even more of their value with each passing day.

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Poor Maintenance

Few companies maintain data in a systematic way. In the real world, customers move, their household situations evolve, they change their product mix, add and delete services and modify their preferences. Rarely are these changes captured consistently across organizations, and without a proper maintenance program, data quality degrades over time.

When individuals do address data quality, they often utilize different tools for each application. Inconsistent business rules are applied in one-off exercises, making it virtually impossible for anyone to assess the validity of any data on file.

Misguided Approaches

In many communications companies, data quality is the responsibility of the IT department. While IT most definitely must play a role, the fact remains that poor data is not an IT problem—it's a business problem. Every customer experience, every decision and every touch point depends on high-quality customer data. Marketing needs to understand the true extent of a customer relationship, but data quality also plays an important role in service optimization, network planning, customer service and operations. A team approach, where business users own the rules and IT owns the applications, can help ensure that data is always fit for use.

Enterprise data quality, however, does not require a "boil the ocean" project, and some groups have difficulty getting initiatives off the ground because they over-scope early efforts. By working with a team that understands the value of high-quality data in an area that can make a measurable business impact, you can often gain the early traction needed.

Data Quality Ranks Among Top Priorities for a Good Reason.

Building greater accuracy into your customer management process is not an exercise of principle—it is one of profit. Few initiatives can have such a wide-ranging impact across the entire organization as efforts to improve customer data quality.

In recent years, communications firms have realized significant revenue growth and expense saves when IT and business units have come together to overcome the inefficiencies associated with data errors.

Effective, Timely Communication

One data field known for poor quality is a customer's address. It is also one of the most costly errors, as address errors affect billing, service delivery and customer relationships.

Addresses can be complex. A suffix on a street name (north or south), postal codes and apartment numbers may be irrelevant for some customer addresses, but vital to others. Addresses can change: while street name changes are less common, hundreds of thousands of ZIP+4[®] codes change each year. Most importantly, your customers and prospects move.

Over 40 million Americans change their address annually, which makes it difficult for companies to maintain a high-quality mailing list. In the United States alone, nearly 10 billion mail pieces are Undeliverable-as-Addressed each year and many more become delayed. For companies in the communications industry, poor data quality can lead to:

Delayed cash flow. As invoices are not received in a timely manner—if at all. This not only delays revenue, but also increases costs for collections and risk management

Customer dissatisfaction. When individuals do not learn of changes or new offers, this increases the volume of calls coming into your customer care sites

BUILDING GREATER ACCURACY INTO YOUR CUSTOMER MANAGEMENT PROCESS IS NOT AN EXERCISE OF PRINCIPLE—IT IS ONE OF PROFIT.

Higher postage. Under the latest United States Postal Service® (USPS®) standards that became effective in November 2008, failure to maintain accurate, up-to-date mailing addresses could cost companies as much as nine cents or more per piece mailed

Increased return mail costs. With the total costs of returned mail at around \$7.00 per piece or more, some companies have saved millions by tackling data quality head-on

Given the fluidity of address information, effective communication with your customers and prospects can only be maintained through a coordinated, ongoing data quality initiative.

CASE IN POINT: Shenzhen Telecom issued over two million customer bills per month, often with incomplete or unclear information, and the company's customer service center was flooded with complaints. Today, Shenzhen Telecom's customer service calls have dropped 43%—from 200,000 to 114,000 per month—greatly relieving pressure on front-end service departments and resulting in indirect savings in company operating costs.

Quantifiable Revenue Growth

As competitive pressures rise in today's tight economy, communications firms are leveraging data quality initiatives to boost sales and revenue in three distinct areas:

Target Marketing. While address information is critical for communications, it also essential for effective targeting. With high-quality data, you can take advantage of customer intelligence tools—including location intelligence software—that goes beyond “who” and “where” to provide rich demographic and behavioral data, including purchase habits. This can help your marketing team pinpoint pockets of opportunity in more cost-effective manners.

Distribution. Given the cost of retail space, economic pressures and a competitive landscape that constantly evolves due to mergers and new entrants, the need to re-examine distribution networks has never been greater. Accurate customer data provides the means to forecast sales, evaluate alternative site options and improve results in under-performing stores. In business-to-business environments, accurate data is also making it easier for communications carriers to optimize sales territories by measuring product penetration across markets—increasing both productivity and share.

Cross-Sell. Today's customer relationships are increasingly complex, as companies not only encompass traditional local and long-distance telephone service, but also wireless communications, high-speed Internet access and entertainment. Understanding true household relationships and product penetration can make the difference between a standalone relationship and making a triple- or quad-play.

CASE IN POINT: Austar United Communications recognized a need to create a single “address” and “household” universe that would enable it to accurately identify and profile customers and prospects. Today, the company has lifted direct mail response rates by 10% using street segment profiling to identify good prospects, and has cut churn rates for these new customers in half.

Regulatory Compliance and Fraud Protection

Increasingly, data quality is coming under closer scrutiny by state and federal regulators, as new laws provide for sharp penalties:

Assign Tax Jurisdictions. The Mobile Telecommunications Sourcing Act (MTSA) is one of several regulations that impact how communications firms must assign and collect taxes from their customers. Incorrect tax jurisdiction assignment could subject companies to class-action lawsuits or fines—and high-quality customer data is essential to alleviating these risks.

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Red Flag Regulations. As of November 1, 2008, communications firms that bill customers for services provided are subject to the FTC Red Flag Rules and must implement a written customer protection program. This program must be designed to detect a “red flag”, which is a pattern, practice or specific activity that indicates the possible existence of identity theft.

Central to compliance is your ability to examine core components of data with confidence, so you can detect, prevent and mitigate the effects of identity theft. The statistics are compelling:

- 70% of telecom fraud can be traced to weakness in carrier subscriber processes
- Bad address data was found to be the key indicator in 90% of fraud cases
- And perhaps the most important stat of all, up to 10% of bottom-line profits can be lost due to subscriber fraud

CASE IN POINT: Alltel Wireless had been inaccurately taxing customers, losing revenue and dealing with penalties and even lawsuits as a result of improper tax management. By upgrading data quality efforts, the company was able to determine locations and cross-reference to accurate tax jurisdictions. This even helped with the company's own tax bill, as Alltel Wireless found that 40 percent of its sites listed in the city tax jurisdiction were in county zones. Avoiding city taxes in these sites resulted in dramatic cost savings.

Network Optimization

Your infrastructure represents your largest investments and quality customer data drives better decisions. Customer insights and the ability to identify the communication habits of your most profitable customers—what services, when used, where located—enables you to identify and prioritize network opportunities.

CASE IN POINT: Cellular South has been rapidly expanding coverage areas and improving its wireless network by adding cell sites. With improved data quality and location intelligence, the company can now analyze a location before making an infrastructure commitment, such as placing a tower or offering new services in a specific geography. The same technologies also allow Cellular South customers to view online maps that detail quality of coverage and the location of the closest retail locations.

Five Best Practices That Are Making a Difference.

While data quality initiatives come in various sizes, nearly all effective programs encompass these five domains:

1. Data Profiling

There's an old saying that you don't know what you don't know—and that is certainly true in data quality. Documenting the state of your data quality program can help you garner the executive attention required to move forward, as actual data quality often falls well short of expectations.

Even in companies that have written standards, you will likely find that the rules in place were not consistently applied. Required fields may be populated, for example, but a proper analysis will indicate when uncooperative data entry clerks or privacy-conscious customers entered false data. Sequential Social Security Numbers (123-45-6789) and phony email addresses (mickeymouse@goofy.com) are common problems.

Misuse of data fields is equally problematic, as individuals may key in departments into a name field (Dear Mr. Accounts Payable) or delivery instructions into an address. Data profiling is easy, cost-effective and can be an eye-opening experience.

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2. Data Governance

Your data governance team will define the rules around what makes your data “fit for use”. Guidelines need to be established for completeness, formats and relationships. Some issues will be easy (i.e., how to express dates) but others will require a good understanding of your business objectives. How you define a household, for example, could affect your cross-sell strategies.

Across many IT initiatives, executive sponsorship sometimes begins and ends with program funding. Data governance, however, requires a more active role. Executives from corporate and lines of business need to consistently reinforce a mindset that data is a living asset that needs to be managed. Executive sponsorship must extend beyond the launch and include ongoing oversight of target metrics.

Policies and guidelines should be written in plain English, so their intent is clear to the front-line data users. The level of data quality that is acceptable—expressed in numeric terms not generalities—must be defined. And the technology platform you select must be capable of bringing data governance to life in ways that promote self-service and self-governance throughout your enterprise.

3. Back-End Clean-Up

While data entry is the source of many data quality problems, it is more effective to correct and update your existing data assets before fixing your front-end process. On the one hand, you'll achieve a bigger payoff for your investment, as existing customer data drives so many systems and business processes. More importantly, good back-end data is essential to front-end data quality, as you will need to compare new customer data against your existing profiles in order to identify new customers, returning customers and changes in household relationships.

You can use your data governance rules and data profiling results to develop a cleansing process that makes sense for your business. While this may be a one-time effort, the rules you develop will support your ongoing maintenance programs.

4. Interactive Processes

With a foundation in place, you will want to safeguard your investment in data quality by taking steps to keep data errors from entering your system. You can apply the same rules already in place through interactive, front-end input applications that support data entry done by customers, call center reps and outside sales. At these important junctures, you can validate and resolve ambiguities while the only true expert—your subscriber—is still involved.

5. Maintenance

Customer data can begin to lose its value in short order, as new addresses, alternative phone numbers, new relationships, preference changes and updated rules take effect. According to PricewaterhouseCoopers, customer data degrades at a rate of 2% a month, or nearly 30% a year. A well-enforced data maintenance program can help ensure that the information being used is accurate and up-to-date.

Getting Connected: The Value of Pitney Bowes.

Building accuracy into your customer management process provides value across an entire customer lifecycle. With expertise in data integration, customer address quality and the most advanced innovations including location intelligence, Pitney Bowes offers the insights, tools and applications that can help your company achieve more.

Today, in communications companies across the globe, IT professionals are providing their business groups with forward-thinking ideas and pragmatic tools that are changing the economics on customer acquisition and cross-sell. Operations are finding easier ways to detect fraud and manage compliance. And service groups have taken steps to reduce cost volume, while increasing customer satisfaction.

FIND OUT HOW YOU CAN BETTER CONNECT WITH YOUR CUSTOMERS THROUGH DATA QUALITY INITIATIVES. CONTACT US TODAY AT 1.800.327.8627 OR VISIT PBBUSINESSINSIGHT.COM.



UNITED STATES

One Global View
Troy, NY 12180
1.800.327.8627
pbbi.sales@pb.com
www.pbinsight.com

CANADA

26 Wellington Street East
Suite 500
Toronto, ON M5E 1S2
1.800.268.3282
pbbi.canada.sales@pb.com
www.pbinsight.ca

EUROPE/UNITED KINGDOM

Minton Place
Victoria Street
Windsor, Berkshire SL4 1EG
+44.1753.848200
pbbi.europe@pb.com
www.pbinsight.co.uk

ASIA PACIFIC/AUSTRALIA

Level 7, 1 Elizabeth Plaza
North Sydney NSW 2060
+61.2.9437.6255
pbbi.australia@pb.com
pbbi.singapore@pb.com
pbbi.china@pb.com
www.pbinsight.com.au