If That Data Deal Seems Too Good to Be True, It Probably Is

1st and 3rd party data considerations to maximize demand generation ROI

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Many marketers face the dual challenges of having to perform every day in their demand generation activities while simultaneously continuing to maintain the overall data quality in their systems for themselves and others.

Campaign performance and data hygiene are certainly directly connected, but there are subtleties between them that can create real problems. Marketers need to understand the implications presented by having to work on both maintaining a clean database and maximizing demand generation performance. Quality data acquisition is an important element in the good data hygiene processes necessary to provide a foundation for performance improvement. On the demand generation side, quality becomes even more important because it impacts both data hygiene and critical campaign outcomes.

Although many companies claim to understand the importance of data hygiene, in their efforts to hit demand generation KPIs they commonly continue to undermine themselves with low-quality data. By buying on faith and failing to adequately understand and validate data from 3rd party sources, they risk having exactly the reverse effect of what they're trying to accomplish as a business.

To better understand the problem, let's first do a refresher on the cost of bad data. Then we'll dive into what's really required to make demand gen campaigns and sales prospecting perform the way we want them to.

The urgency of data hygiene

SiriusDecisions has gathered some remarkable statistics showing the aggregate financial impact of poor data hygiene on marketing and sales. Ringlead has calculated that each bad record costs you as much as $100 (Exhibit 1).

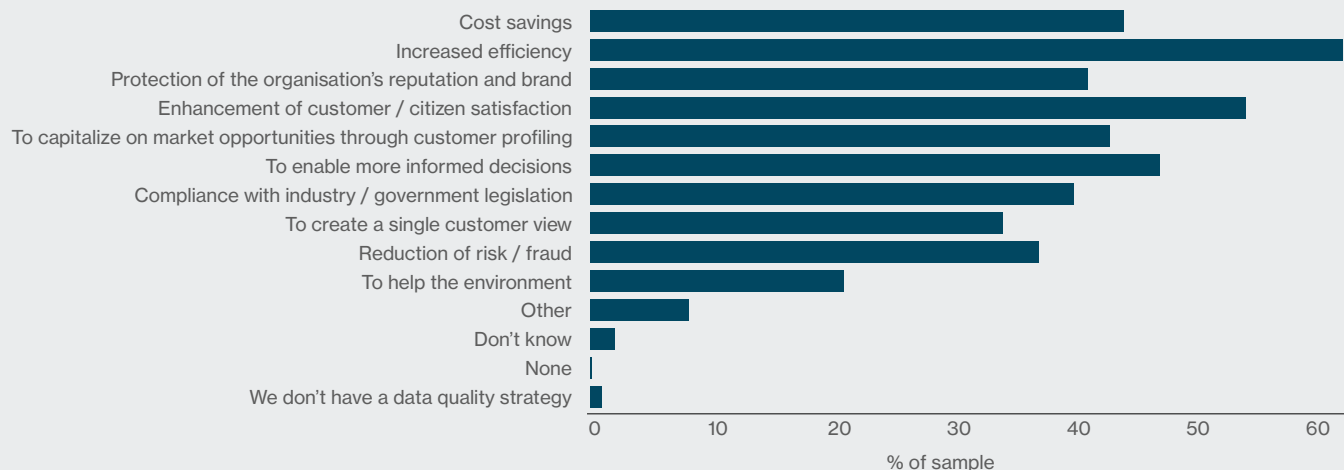**Exhibit 1:**
The Cost of Bad (and Clean) Data[1]

The $100 per bad record is attributed to impacts such as:

- Printing and mailing to bad addresses

- Emailing to wrong addresses

- Losing disgruntled customers

- Taking up extra server space with duplicate records

- Sales conflict over the same leads

- Inability to track lead source

- Incorrect marketing segmentation and personalization

- Unnecessary marketing automation & CRM costs for duplicate records **and much, much more.**

1   Source: Ringlead, https://www.ringlead.com/blog/true-cost-of-bad-data/

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Exhibit 2:
The Cost of Bad Data[2]

Reasons for maintaining high quality records

2   Source: Ben Davis, Ecoconsultancy https://econsultancy.com/blog/64612-the-cost-of-bad-data-stats

And Econsultancy shows that other things like customer service and satisfaction issues can make things even worse (Exhibit 2).

There are many elements that go into keeping your data as clean as possible for everyone's use. Before your marketing department becomes one of the typical offenders, make sure you understand and can properly assess the quality of any source you're considering.

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Quality data augmentation

In their recent study, Signal and Econsultancy discuss at length how important your own 1st party data really is. Only 1st party data can tell you how well you're actually doing at engaging with the targets who are truly interested in what you offer. But that represents only a minute fraction of the total available demand in the market at any given time, which is the fundamental reason why B2B marketers can't risk relying on inbound efforts alone. To build and sustain a healthy funnel, we all need to do outbound.

As we build and maintain our total addressable markets inside our MAP and CRM, we all need to work at pragmatically filling in the gaps that inevitably arise. There are two types of gaps:

1. Profile-related and
2. Behavioral.

Quality data augmentation is critical to success with each, but the variables involved have important differences.

1. Adding quality profiling information

Mark Godley, CRO at HG Data, points out it's "buyer beware" when it comes to data quality. Regarding profiling information, he states, "before you're bamboozled by a fast-talking data vendor who tries to entice you with gigantic numbers, do your homework." You need to ignore the allure of fantastic numbers and instead make sure that:

- The vendor is willing and able to be transparent about how they got the information. (Think about how critical this is in light of GDPR!) While some suppliers have clear and distinct methodologies, many more are simply acquiring lists created by others and shopped to middlemen on the wholesale data market. **You need to know if they're an aggregator-reseller or an originator.**

- The vendor listens to and can deliver on your specific needs. A vendor that says "yes" to everything you ask for may be counting on you for an act of faith: It's highly unlikely that everything on your wish list can be delivered. Market realities don't ever adjust themselves to your desires. If what you're asking for is unrealistic, your vendor should tell you and be able to explain why. No matter how much you or your constituencies want big numbers of qualified accounts and "leads," real business results depend much more on quality than on volume. **You should look to providers who openly share what they know about the total demand activity that they can show is actually occurring in the market.**

- The vendor can show you a sample and demonstrate the quality they provide. Of course, you need to be 100% sure that the sample is randomized, or else you might be in for a major bait-and-switch. **You need to know how often the data is refreshed and whether or not it has been validated.**

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2. Adding quality behavioral information

Most firms know that their own 1st party data and demand gen efforts can't capture enough of the available leads out there. Whether it's discovering demand within the accounts you already have represented in your database or among a set of different accounts you've never penetrated, few organizations have a strong enough engine to get all that work done. To make matters worse, many teams operate within a KPI context that hasn't evolved much in years.

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So it's no surprise that an entire industry has sprung up to provide "leads" to eager marketing teams operating with rigid cost-per-lead (CPL) KPIs. Unfortunately, the CPL concept was created to guide investment in marketing programs overall, not to be used for lead purchases from outside suppliers. Once it escaped from being an internal benchmark, a strong connection to quality seems to have gotten lost.

Somehow, CPL has evolved from a historical measure of how much it costs to generate a lead on your own (a lead that would have to meet all your data hygiene standards) to something you buy from a 3rd party, often with no real investigation of the profile information quality (not to mention the so-called behavior)!

The pitfalls of false positives

To effectively acquire behavioral data—specifically, contacts showing, by their behavior, that they have a propensity to buy—you've got to start by following the guidance about quality profiling data mentioned in section 1 above. You must not buy leads that will add non-responsive "deadweight" (as TechTarget's EVP, Bill Crowley, calls it in this blog) to your database—or worse, overwrite the cleaner information you already had. And that's only the start.

If, as noted above in Exhibit 1, $100 is the true cost to you per bad contact, consider how and where the issues noted apply when you buy leads without doing your homework: In the near term, a lot of that cost is generated downstream of your team, within the sales organization. Long-term, you'll be feeling its impact in both declining email performance and in a weakened relationship with sales as they lose faith in the lead numbers and lead quality you've been reporting. That's because many of these leads are "false positives," created, in the best case, by lead-like-behaviors coming from accounts where there actually isn't any real intent to purchase.

Good contacts with good, high-quality behavioral data require much, much more

When you're using good hygiene processes to build out and maintain your TAM, provided you're accessing quality suppliers, you put yourself in a good position to avoid a lot of the $100 cost that Ringlead pointed out.

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In B2B tech marketing especially, there are a number of highly reputable firms that focus on specific types of data obtained in easy-to-understand and validate-able fashion. As referenced above, HG Data stands out for its technographics information. DiscoverOrg has shown its contacts to be very useful, especially for sales organizations.

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Recently, Radius looked to David Raab, the highly respected data guru, to fairly evaluate their holistic approach in "How to Solve the B2B Data Quality Crisis." This is good, yet with respect to demand generation, filling in title gaps and other profile data only gets you over the first barrier of wasted cost due to bad data. It can't prevent you from excess spending due to chasing business where there is none to be had.

This is where high-quality, 3rd party purchase intent data comes in. With so much "intent-speak" being bounced around right now, it would be easy to assume that everyone's talking about the same thing. Just as with profiling data, that couldn't be further from the truth.

- **High-quality behavioral data is directly observed.** Just as you know what actions within your marketing automation truly qualify a lead, you should expect to be able to understand exactly what actions are qualifying a 3rd party "lead" that's truly right for you.

- **High-quality behavioral data is relevant, recent and frequent.** A lead from a single download can be valuable (especially if it is reinforced by other indicators) and things like crowdsourced ratings, job changes, acquisitions and the like can be directionally useful. But real purchase intent is best read from multiple behaviors. These behaviors must be associated with purchase-decision-support content, and this should be consumed by several or many identifiable individuals at a specific account.

- **High-quality behavioral data starts with the account and then identifies the active buying team members.** Although there are a variety of methods being used to identify behaviors at the account level, few providers are able to give you the contact information of the actual individuals displaying purchase intent behavior. Note that if you don't have this information, you will have to use whatever you can to try to locate the team. That will create a lot of trial-and-error cost. As we explained in our "Beyond Predictive" webinar with SiriusDecisions, to maximize efficiency and effectiveness, you need to know who is in market when, and what they're specifically interested in about the products you sell.

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Whether for marketing or sales, better outcomes begin with accounts and active demand

If you're able to stay up-to-date with the work SiriusDecisions continues to do around the Demand Waterfall, you know that in 2017 they came out with the Demand Unit Waterfall (Exhibit 3). In this work, they explicitly call out the importance of understanding and populating your TAM (they call it "Target Demand") and, within that, being able to concentrate marketing efforts on the subset showing "Active Demand."

A proper data acquisition and maintenance process is the best way to do the work necessary to be able to target your addressable market ("Target Demand"). To truly maximize your demand capture, you need to add in a reliable and reputable source of additional "Active Demand." Defaulting to poorly verified, low-quality sources to satisfy an outmoded CPL KPI is likely to increase costs and decrease impact on both the top line and overall ROI for all the reasons discussed here and more.

About TechTarget

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