

# Customer Database Best Practice

Contributed by Business Best Practice  
Thursday, 16 November 2006

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## Customer Database Best Practice

### Introduction

Organisations are increasingly using databases to manage customer relationships to increase both sales and customer satisfaction. A database can help you identify key trends and important information such as your most and least profitable customers. This is often called Customer Relationship Management (CRM), and it plays an important role in many small business' sales and marketing strategies.

This guide will help you to understand both how to use a database for marketing and the concept of CRM. In particular, you will learn what kind of information your business should collect in a CRM database and how to integrate it with other company systems.

The guide also outlines the practical steps in getting a database started, such as what sort of system to acquire, how to find the right supplier or solutions provider and how to develop your customer database.

{mospagebreak title=Database Marketing and CRM - The Benefits}

### Customer Database Best Practice Database Marketing and CRM - The Benefits

Understanding what and how your customers buy from you is essential to the success of your business.

The benefits of this are:

- increased sales to new and existing customers through better timing, identifying needs more effectively and cross-selling of other products
- effective marketing communications, through a more personal approach and the development of new/improved products/services
- enhanced customer satisfaction and hence customer retention
- increased value from your existing customers - and reduced cost-to-serve

An effective marketing database and Customer Relationship Management (CRM) system will enable you to analyse the data, to find out who your most profitable customers are and what characteristics they share. You will then have a clear idea what sort of person or organisation to focus your marketing on. It may, for example, be possible to group customers according to geographic area or your own promotional and sales efforts.

An effective marketing database and CRM system will also help you to communicate successfully with your customers by identifying similar groups of customers to target by a particular method, such as telephone, direct mail, email or face-to-face. You might, for example, want to reward regular, profitable customers with targeted special offers, or you might want to target customers from whom you haven't had business in the past year. It can also measure the effectiveness of your marketing so that you don't waste time and money on customers who aren't responding to your promotional campaigns.

CRM is a sales and marketing issue, not a matter of IT. It is about developing a strategy and a set of tools for improving

your customer knowledge, which is supported - not led - by the technology.

See also our guide on the Benefits of CRM

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{mospagebreak title=Set-up a CRM System}

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Set-up a CRM System

There are a number of practical issues to consider in terms of introducing a marketing database or Customer Relationship Management (CRM) system:

- you will need to estimate the likely scale of the system
- you will have to strike a balance between your requirements and your available budget
- you should consider the need or the benefit of integration with other company systems

Learn about the benefits of CRM.

There are a number of choices when setting up a computer-based database. You could create a simple system yourself, perhaps by using a software package such as Microsoft Access, which could fit in with your current computer systems. This is the least expensive option.

Buying off-the-shelf software, perhaps one of the leading CRM packages specifically designed for smaller businesses, is another option. Software companies like Oracle, Navision, SAP, Peoplesoft, Microsoft, Onyx and Pivotal offer applications that integrate with existing accounts and transaction processing packages.

Scaled-down versions of off-the-shelf software, offered by most of the major application providers, may be suitable for smaller businesses. See the page in this guide on how to choose a supplier.

You could commission bespoke software. Consultants and software specialists can customise or design a software solution and integrate it with your existing software and/or your website. This is more appropriate for larger and more complex businesses.

Or you could opt for a managed CRM solution. Rather than buy a software package, many companies offer a service where they own the software and you buy the use of it, normally for a period of time. The supplier, often called an Application Service Provider (ASP), would normally provide expertise to develop and maintain the database. Some suppliers also provide specific CRM services such as data mining - the analysis of patterns and relationships of data within a database.

Learn more about ASPs at the Achieving best practice in your business section of the DTI website.

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{mospagebreak title=Compiling Your Data}

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Compiling Your Data

You can use information already held about your customers - whether on manual or computerised systems - to build a database.

Your accounts system may contain information such as:

- invoices
- letters
- existing customer lists

Consider what kind of information would be useful. This might be:

- contact information, eg company name, address, telephone and fax numbers, and names and job titles of relevant contacts
- what they have bought from you, when, and from which salesperson - so you can identify what they seem most likely to buy and then plan your sales and marketing efforts
- their service history and any complaints
- their account history, to assess whether they pay on time, and how profitable they have been - some customers may not actually be very profitable

Together, this information should give you an idea of who are your best and worst customers, and what they buy from you.

You might include areas such as the response to previous promotions. Your purpose is to establish the "how" and "why" of responses or sales.

The next stage is to decide an appropriate structure for your data.

If you are selling to business markets, you could compile information about:

- what they do - industry sector, public or private sector, turnover, number of employees and location
- their buying behaviour - how they place orders, their size and frequency
- names of contacts within a company

If you are selling to consumers, you could compile information about:

- your customers' buying behaviour, including product usage and brand loyalty
- their age, gender, occupation and approximate income

When compiling information, check that you have complied fully with legal requirements, particularly those of the Data Protection Act 1998. You can learn about the Data Protection Act 1998 at the Information Commissioner website.

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{mospagebreak title=Developing the Database}

Customer Database Best Practice  
Developing the Database

A good marketing database will include details of prospective as well as existing customers. People who enquire about your company should be included and "flagged" for approach in the future.

Only a percentage of the general population will buy your products or use your services. If you focus your marketing on them, your efforts will be more successful. Aim too widely with your marketing and you risk spreading your resources too thinly.

Not all customers have the same needs. It makes sense to build up a profile of your customers and group them according to their different requirements. This will give you a good idea of how likely they are to purchase what you are offering.

Having established this customer profile you should consider looking for additional prospects from outside "lists". Lists of potential customers are held by brokers whose names you can find in local or marketing directories. Or you could become a member of the Direct Marketing Association.

You can specify exactly what type of person or organisation you want on your list, in terms of the:

- size and type of the organisation - if you are selling to businesses
- age, sex, income or lifestyle - if you are selling to individual customers

Lists are usually offered for:

- rent - one-off use only
- sale - providing unlimited usage

If the list is rented, most organisations forbid you from adding the names on the list to your database, except when you have received a response to your approach.

You should therefore consider making a generous offer to your prospective customer to encourage them to respond.

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{mospagebreak title=Keeping the Database Accurate}

Customer Database Best Practice  
Keeping the Database Accurate

Data hygiene - the principles and practices that serve to maintain accuracy in computer data - is crucial for an effective Customer Relationship Management (CRM) system. It is a good idea to "clean" your database regularly.

Wrong data is not only wasteful of your budget, but can adversely affect your company's image through:

- wrong addressing
- duplicates
- personalisation errors

Inadequate data organisation reduces the ability to communicate to the right customer.

Advanced data tagging and enhancement technology and services can provide the highest possible standards of data accuracy and consistency.

By adopting such methods, you can:

- Improve efficiency - businesses that do not employ data capture tools at the point of customer contact often suffer from capturing records which are misspelled, incorrect or are missing important details.
- Ensure compliance with your legal obligations, particularly those relating to the Data Protection Act 1998 and electronic marketing. Consumers can opt out of receiving marketing by telephone, fax, post or email, and it is important that people who have opted out are removed from your database.
- Improve campaign effectiveness - inaccurate data can result in the proposed message not reaching the targeted recipient, although you will still incur the cost of delivery.

If the information you have on record changes frequently, you might consider automating your update procedures, perhaps by means of integration with other systems.

Keeping a customer or prospective customer file up to date will invariably help with marketing costs, improved response rates, better targeting and more accurate communications by telephone, fax, post or email.

Learn about the Data Protection Act 1998 at the website of the Information Commissioner.

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{mospagebreak title=How to Choose a Supplier}

Customer Database Best Practice  
How to Choose a Supplier

The main decision when choosing a supplier will depend on the type of solution required. You have a number of choices:

- general database software
- off-the-shelf customer databases
- consultants
- database bureaux
- Application Service Providers (ASPs)

It's a good idea to try to quantify the anticipated benefits of improving Customer Relationship Management (CRM) for your business. It may help to calculate how it will affect revenues, profitability and the cost of servicing customers. Fundamentally however, this is an investment in your business rather than a cost. The return on that investment can be not just increased sales, but satisfied customers who feel that they are being treated as individuals.

You can also set a budget and research appropriate solution providers. This might be done by carrying out a cost-benefit analysis.

You might wish to bear the following points in mind:

- what the cost is per user or per licence
- how many software licences you need
- if buying a product, what the cost is of updates and in-house support costs
- if renting a service from a supplier, the set-up and subscription fees

You could find out about the most commonly employed solutions:

- within your industry
- adopted by similar sized companies in other sectors

You might find it helpful to prepare a brief. This could simply be a statement of your aims and objectives, rather than an attempt to solve detailed problems. Take into account the data you already have and the format it is in.

You might decide to target two to four potential suppliers, and request proposals from each.

Be prepared to invest time and money in the process.  
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