

Marketing with  
Legacy Data  
White Paper



## Marketing with Legacy Data

### White Paper

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*"Recent research shows that a rise of five per cent in customer retention could result in an 80 per cent rise in profits. With ever-increasing competition this means that organisations are under greater pressure to retain their customers. But what can organisations do to make sure this happens?"*

*"Good customer relations are central to customer retention and that relies on a good understanding of customers' businesses and the selling opportunities that exist within them. The key to effective 'customer retention' is Data Services from Ithaca Solutions. These can exploit existing customer data to bring early benefits and avoid customer wheeling".*

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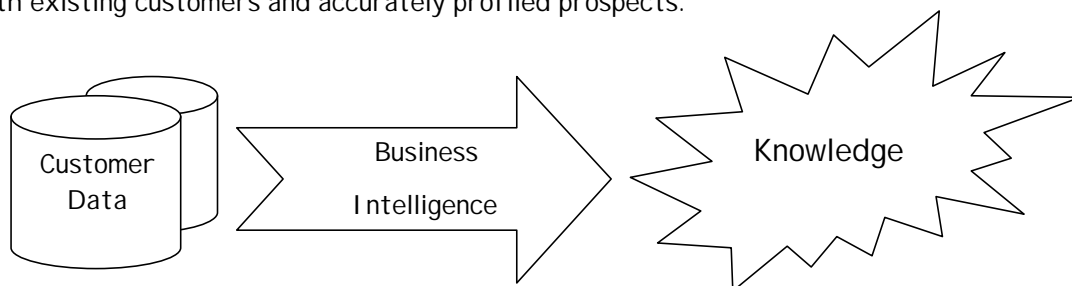
## Background

Evidence shows that, in a free market, companies can lose 45-50 per cent of their customers every five years (*Source: Marketing Direct article, April 99*). Similar research shows that a rise of as little as five per cent in customer retention could result in an 80 per cent rise in profit (*Source: Datamonitor*). The conclusion is that companies that achieve the best levels of customer satisfaction are the most profitable ones.

In some cases such as Utilities, experiences of customer relations have been in a captive market but, with the opening of competition, they must ensure they protect the existing customer base while at the same time growing the business through effective marketing campaigns.

How does an organisation retain its customers? Good customer relations practised through customer care systems are central to customer retention and this process relies on a detailed understanding of customer profiles and the selling opportunities that they offer. Customer profiles within the existing customer base can also be used as a template to identify good business opportunities emerging from new supply opportunities or in unfamiliar geographic areas. Increased customer care helps stop customers changing supplier (so called "customer wheeling") and companies that achieve high levels of customer satisfaction are generally the most profitable.

**Business Intelligence** gives the organisation the ability to convert *data* into *knowledge* allowing marketing and sales operations to change from reactive to proactive marketing to both existing customers and accurately profiled prospects.



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## Opportunities within existing data

Customer *data* and the inherent *knowledge* is one of an organisation's most valuable assets. Organisations pay high prices to acquire *knowledge* about their market, competitors, customers and prospective customers. Often overlooked is the *knowledge* already held by the organisation, lying hidden within *data* in existing IT systems. Combining data from various sources from within an organisation can often extend the *knowledge* by more than the sum of its parts. When data from outside the organisation is included, the resulting *knowledge* can be used to exploit new opportunities, by creating customer profiles that then lead to accurately targeted marketing initiatives and sales campaigns.

Some of the current business opportunities and issues for any business in today's increasingly competitive market include customer retention, targeting new customers, the impact of IT on Mergers and Acquisitions, and cross-selling services. All require effective analysis of existing and potential customers, their profiles and characteristics.

### Customer Retention

There is much evidence of the cost benefits of 'keeping existing customers' against 'acquiring new customers'. This evidence has led to urgent initiatives within organisations to retain customers. Which customers should be targeted for retention? This can be viewed in terms of which customers are the most profitable or are most likely to be lost through targeted campaigns from competitors. To discover the category of customers most at risk or, put another way, those most attractive to competition, organisations need to analyse customer *knowledge* using modern data analysis and mining tools and then generate counter marketing campaigns to retain these 'at risk' customers.

Despite differing views on what constitutes a 'good' customer (is it profitability, consumption, cross-selling potential etc?), the essential element is the ability to reveal which customers fall into which category. If you can answer each question above in terms of customers, then you are more easily able to make decisions about which customers to target. A similar view on the same theme raises the ethical question of what to do with the 'not so good' customers (of great interest to industry regulators) who can quickly erode the tight margins that business operates on. Does the organisation actively discourage them or attempt to turn them into good customers?

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## Targeting New Customers

The complement to customer retention is generating business through new customer development. When operating outside the existing customer base, businesses often have little knowledge about their potential customers and must rely on other means of acquiring the knowledge.

Often, externally produced knowledge is not available in sufficient detail to accurately target prospects. The result is that profiles of 'good targets' have to be built from the existing customer base and then overlaid on a bought-in marketing database for the target area, for example, socio-economic data, demographic data, or credit rating information. This approach assumes that existing customer knowledge can be accessed, analysed and fully understood.

## Mergers and Acquisitions

One of the main business drivers of a company is the need to achieve economies of scale through increasing market share. The easiest and quickest way to increase market share is through mergers and acquisitions. Realising the resultant benefits from the economies of scale may not be so easy, particularly where large existing (legacy) IT systems are involved.

Given a merger of two companies with legacy systems which have been running for 10 years or more, it is very difficult to use the data to either reduce overheads or increase profits. What you would like to do is have one system which works for all but to get to that requires analysis of the system, the data and the business processes (a long job). Therefore there has to be a better way to exploit what you have just bought. Although the end-game may be unclear or it may be an all-encompassing system, it is better to try and find quick wins. Although there may be many, one could be the combining of the customer data (name, address, billing history) to produce market intelligence based on real data. This is not to minimize even a trivial-sounding migration as name, address and billing history, but it would be simpler than a full-blown migration.

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## Cross-selling Services

As organisations explore new ways of increasing revenue from their existing and new customers, many are offering more than one service and, more radically, many are turning to less traditional markets and diversifying their business activities. The cost of entering into these alternative markets has to be fully analysed to understand the return on the business investment.

Issues like 'what services will be attractive to which customers?' and 'what is the likely take-up inside and outside my area?' must be answered before a business case is made. As with attracting customers from outside the historic area, analysis will start with the existing customer base, the results will be piloted on a small sample to confirm take-up and then extended to the remainder of the target customers.

## Constraints

The common theme to all of the above issues is accurate and effective analysis of the business's customer base or a 'Business Intelligence' process. Many organisations typically find Business Intelligence difficult to achieve for a number of reasons:

- ❑ Data that provides the knowledge is buried under old legacy IT systems making **access** difficult
- ❑ A multitude of source IT systems arising from existing stand alone systems and duplicate systems resulting from mergers/acquisitions have led to fragmented data in different formats
- ❑ Older legacy systems typically operate on data that is of questionable quality
- ❑ Where mergers and acquisitions have occurred organisations have duplication of data for the same customer (e.g. to sell gas and electricity) - each will have different formats and standards

The key to liberating this *knowledge* is **Data Services** from Ithaca, to unlock the data embedded in the various formats and systems and produce a unified customer-focused view from which effective analysis can be achieved.

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## Steps towards Business Intelligence

Unlocking data involves several, potentially time-consuming, steps that will impose further pressure on already hard-pressed IT staff:

### Analysis

Step 1. Analysis of what data exists and where

Step 2. Analysis of how that data meets the requirements for customer analysis, often exposing gaps and questionable data quality in the data that does exist

### Strategy Definition

Step 3. Defining a strategy to acquire missing data and cleanse poor quality data

Step 4. Defining a strategy to resolve inconsistencies in data that is duplicated across many systems (or often in the same system)

Step 5. Defining a strategy to move the data to an environment where it can be presented in a customer-focused fashion for analysis

Step 6. Optionally, defining a strategy to achieve some long-term goals of operational economy by consolidating data into one operational system that may be the best existing system or a fully remodelled customer-focused system.

Ithaca's **Data Services** have been designed to help in all the above areas to define and implement strategies to convert *data* into *knowledge*, working in partnership with the client. Ithaca offers a technical solution which gets you to the end of step 5 rapidly. Even being here you will be able to generate outputs that will help in Step 6 and also generate enough early benefits to help fund Step 6.

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## Ithaca Data Services

Ithaca Data Services include Data Analysis, Data Quality, Data Duplication and Gap Analysis; Business Intelligence and supporting data; Data Consolidation and Migration Strategy.

### Data Analysis, Quality, Duplication, Gap Analysis

Analysis of the business data is a pre-requisite to all other steps. Therefore Ithaca's experts analyse each system supporting the business, document the results and highlight where quality issues, duplication and gaps exist. Each issue has a resolution, taking into account: -

- a) requirements of the legacy system that may be disturbed by re-introducing cleansed data;
- b) the customer-focused warehouse into which the data will be moved.

### Business Intelligence and Supporting Data

For the organisation to be capable of customer segmentation and profiling offered by modern **On Line Analytical Processors (OLAP)** reporting tools (specifically designed to efficiently trawl through and aggregate vast volumes of data), firstly the customer data must be placed in an environment suitable for analysis which is typically a data store designed for a 'customer-centric view' i.e. a data warehouse. The warehouse contains a large volume of fine-grain data fed from legacy operational systems (typically refreshed or updated daily by automated processes). The challenge for IT departments is identifying the correct legacy data, ensuring its accuracy, filling gaps and moving it into the warehouse. The task is further complicated by multiple legacy environments arising from mergers and acquisitions.

The data analysis service is aimed at defining the most effective strategy to: -

- a) design the data required for analysis;
- b) map operational data to feed the warehouse;
- c) migrate the required data;
- d) ensure the appropriate configuration of OLAP tools to provide access to the data.

### Data Consolidation and Migration Strategy

One of the ultimate objectives from a merger / acquisition is for the business to operate a single system to support its business activities - highest profile activities being customer billing (relationship management) and asset management. Achieving this objective require 'Analysis' and 'Strategy Definition' (above) to be complete and to then move data from legacy systems into the chosen IT system. This will usually be phased and will be dependent on functionality and data mapping between systems, production of missing data, data

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cleansing and last, but certainly not least, changing business requirements. Only when this exercise is complete can the business realise the full potential of the merger/acquisition in terms of reducing its operating costs.

## Contact

If you would like to talk further about how Ithaca can help you determine a workable strategy to realise some or all of the above contact us at:

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