

The Real Cost of Bad Data: The 1-10-100 Rule

By Bud Walker

Customers are the foundation of your business. Ensuring that you have accurate information to reach them makes sense and will save you money. Imagine a scenario where you have many helpdesk personnel submitting address information from live callers to a database. Did you know that up to 20 percent of this contact data is flawed when saved?

In fact, industry analysts have studied the long-term costs of inaccurate data entry. Their conclusions about the real cost of bad data are eye opening. They systematically studied costs from point-of-entry to the shipping of products, invoicing, and aggregation of customer statistics for data mining..

It was determined that it costs on average \$1 to verify the contact information when it is originally submitted to the master database. This works as a safeguard and does not allow the address entry to be saved until it is parsed and compared against the U.S. Postal Service national database, thus ensuring clean addresses right from the start. This \$1 includes the address validation solution, as well as the cost of the hourly employee, and the cost of running the computer equipment for each record.

When the address solution was implemented in batch to cleanse and de-duplicate contact data after submission, it was calculated to cost around \$10. The explanation is that some addresses were usually entered so malformed that no intelligent validation software could correct the address. These were simply dead entries and could not be counted as sales leads or billable customers.

The experts also took into account the additional costs of computing time, transforming the data from proprietary formats, and the setup time to process each new batch.

Finally, the cost of doing nothing was shown to be \$100 per record. Due to misplaced shipments, returned mail and lost marketing opportunities, it simply costs too much money not to have a solution in place to verify, cleanse and guarantee that you have valid customer contacts.

Another benefit of real-time address validation is to enhance or enrich your customer data. By appending valuable information like the ZIP+4, latitude and longitude, county name, FIPS, delivery points, carrier routes, MSA, PMSA, and more, you can pinpoint customers, send out targeted mail campaigns, and earn postal discounts. In addition you can mine important lifestyle and segmentation data to increase sales.

The bottom line is this: It's cheaper to implement a cleansing solution at the beginning of your data collection chain. So budget for it as a necessary cost of doing business.

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