



## What Should You Consider When Outsourcing Your Analytical Needs?

This is a difficult question that many companies must address, but often important elements are overlooked. There are many factors to consider, including the **cost/benefit ratio**. Frequently, organizations consider outsourcing a service that could be managed internally. However, due to various constraints; they find that internal resources are over-taxed and struggle to adequately perform the requirements to successfully deliver targeted marketing initiatives.

First, let's take a look at the many **advantages** of outsourcing analytical needs:

1. **Timing:** Companies that specialize in database marketing services have **dedicated resources** that are available to make your analytical needs a priority.
2. **Expertise:** Outsourced organizations may have expertise that includes what marketing strategies your competition is utilizing. Although they will not share this information, they can apply their knowledge to your benefit. Additionally, they can apply their **experiences** from other industries.
3. **Database Marketing Knowledge:** Corporations frequently have Analytical teams with a great deal of mathematical expertise; however this expertise is not always best suited for real-life database marketing applications, which requires a masterful blend of science and art.
4. **Significant Cost Savings:** When taking into consideration the overhead involved for internal resources, such as salaries and benefits, servers, office equipment, analytical experience, etc., taking advantage of an external resource frequently results in using less internal manpower. You will allow marketing savvy experts with access to their own **dedicated equipment** and resources to do the work for you.
5. **Model Retraining:** A truly seasoned database marketing company will constantly revisit your data, making certain that the models reflect current marketplace trends. They can easily set up a data transfer process with your organization to receive sales data, as well as produce **results reporting** and quick **trend analyses**. This will inform you about how your market may be changing, and then your models can be retrained accordingly. Many organizations are too busy with their current workload to stay informed on the marketplace, thus causing loss of market share.

- Timing
- Dedicated Resources
- Expertise & Experience
- Knowledge across multiple industries
- Direct Marketing knowledge versus mathematical model knowledge
- Less expensive than internal resources
- Dedicated equipment
- Model retraining to reflect market trends
- Results reporting
- Data source readily available with credit and demographic info
- Credit data is available to third party that will not be available to end users.
- Models can be built with data not available to end users.
- Cost savings for warehousing at third party and simplification of process
- Less taxing on internal resources
- Constant review and update of technology & security
- Knowledgeable about various audiences
- Willing to do head to head modeling test with internal Analytical team
- Cost/Benefit ratio

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Predictive Modeling

Data Analysis

Data Warehousing

List Sourcing

Data Processing

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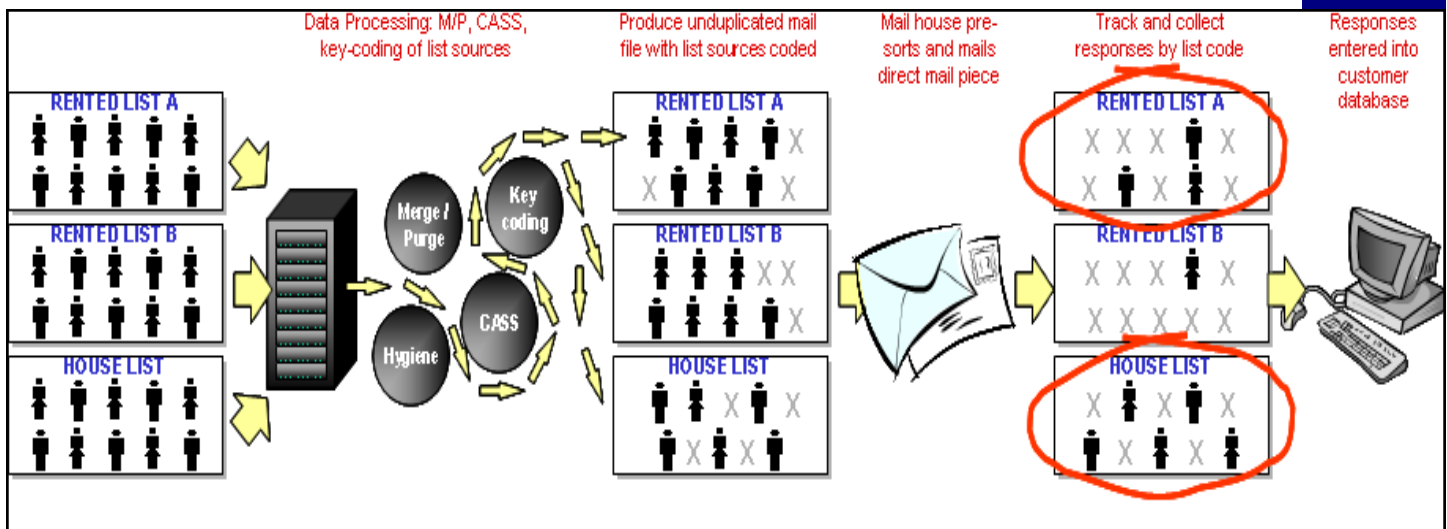
6. **Data Sources:** Many vendors have access to a multitude of data sources. Some are agents of one or more **credit bureaus**. Some also have numerous sources of **demographic data** available to assist with program analysis or selecting marketing campaign files. Often times, credit bureaus only provide credit information to bureau agents that they will not provide to end users. Below is an illustration of a traditional approach to prospect mailings:

- ◆ Compile lists
- ◆ Run internal processing with other internal list sources
- ◆ Hygiene
- ◆ Create a mail file
- ◆ Pay for names mailed for all list sources
- ◆ Pay for matching list files and additional criteria

With this process, you will encounter several disadvantages, including:

- ◆ Long lead times as audience selection decisions must be made early
- ◆ Data may age by the time you utilize it
- ◆ Involvement from significant internal resources to manage this process

Having a third party processor to warehouse your data enables more efficiency for each campaign through quicker analysis, hygiene steps run earlier, and more accurate and faster data mining. *A third party processor is also able to model with data not readily available to an end user.*



Predictive Modeling

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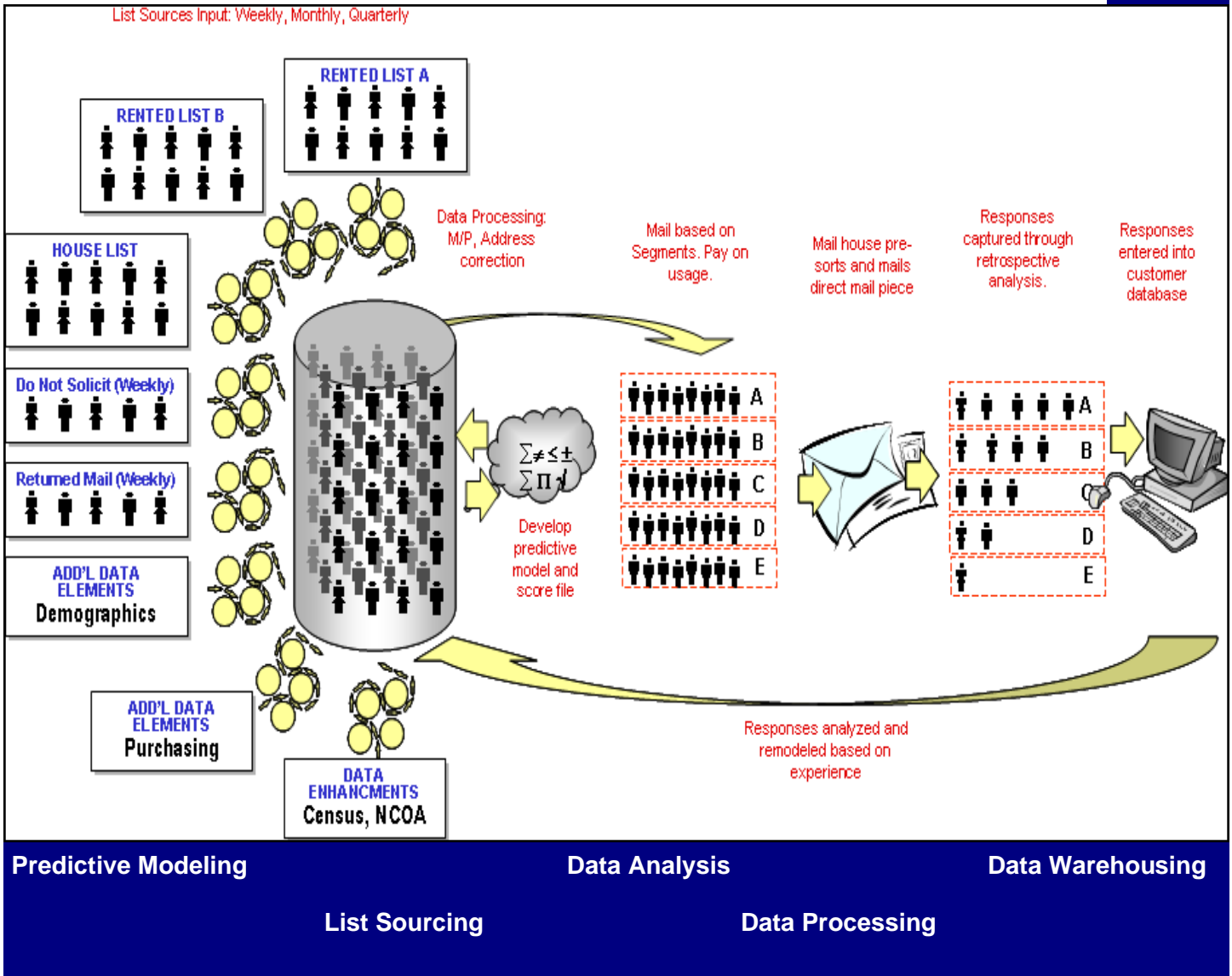
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As opposed to the traditional approach for producing your net name file, you now have a more simplified, and efficient approach with a third party.

- ◆ The compiled list already exists
- ◆ All other internal processing and other list sources will be processed for you
- ◆ All hygiene and NCOA will be completed
- ◆ Model refresh and score appends are done expeditiously and the most qualified recipients are selected.
- ◆ Mail files created
- ◆ Only pay for the names mailed, avoiding costs for multiple lists, and cleansing data
- ◆ Responses and sales can now be analyzed very quickly





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- 7. Technology** with an outsourced partner is constantly being reviewed and updated. Since so much data is being processed on a daily basis, companies find it necessary to stay on top of the latest technology regarding computers, processing software, modeling software as well as servers and security measures. For vendors are in the data business, technology is considered one of their most precious assets.
- 8. Experience with Various Types of Audiences:** If you are looking to do it, chances are, a good database marketing vendor has already done it. For example, isolation of particular demographic populations ranging from interest, income, gender or ethnicity, to education. They will also likely know the best way to address marketing for a Business-to-Consumer, or Business-to-Business initiative by analyzing the data.

Now that we have reviewed the many advantages, a couple of considerations that companies may overlook are the skill sets of their internal teams, as well as the cost/benefit ratio. As discussed earlier, many companies are all about number crunching, and do not necessarily have the database **marketing expertise** required to be successful with their direct marketing initiatives. Some companies, such as DataLab USA, are willing to run an analysis on your data sets and create a results simulation based upon prior campaign selections or unmodeled data. If a company is willing to do a head-to-head test against your internal marketing team, and not charge for the expense, then why pass up the opportunity to investigate the possibilities of improving your campaign performance.

This also leads to the topic of the **cost/benefit ratio**. When considering the overhead that organizations incur when creating a database marketing campaign, they must review the equipment cost, security, salaries, and the many different databases involved to run hygiene and suppressions. Add it all up and compare your internal costs to the cost of outsourcing to a specialized team. The vendor incurs the overhead expenses for you, and charges pennies per name processed. Depending upon the volume and complexity of your marketing efforts, why would you not consider the result?

**DataLab USA will target better results. Ask us how; or better yet, ask our clients.**

**2-Time DMA Analytics Challenge Award Winner  
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