

# The Cost of Dirty Data

Improving data quality can return significant dividends.

By Michael Sebastian

**W**orking in the collection industry in this economy isn't easy. There is more demand for your services but fewer people paying their debts. Add the post-holiday activity, and time simply isn't your friend. You need quick results. The success equation has changed: reach a lot more people to collect the same amount of money. The cost of bad contact information means it takes more time to reach people. So do you increase staff or improve existing resources?

Hectic schedules sometimes prevent us from seeing the obvious, like one of your most valuable assets—your data. Accurate information is the lifeblood of the collection business. So how good is your information? If the experts are correct, your business may be subsisting on a diet of missing, incomplete and otherwise bad data.

The Data Warehousing Institute (DWI) estimates the cost of bad or "dirty" data exceeds \$600 billion annually. Another study indicates that 2 percent of contact records become obsolete each month, costing a firm 15 percent to 20 percent of its operating income. The actual cost of bad data may never be known, but it's safe to say it is significant enough to warrant your attention.

Ignoring the data problem is a poor business strategy. First recognize that bad data is a business problem you can tackle—regardless of your technical deficiencies. Smart collection professionals approach technical projects with a business focus. There are plenty of technical people who can help you get to your business goal. It's critical to distance yourself from technical discussions if you are responsible for business results. So with your business hat firmly in place, consider the following suggestions for improving your data.

### **Make Your Data a High Priority**

Do your employees and data

providers know the importance of your data? If you aren't serious about your information, they probably won't take it seriously either. Look at your data as the raw material you use to run your business and insist on using the best you can afford.

### **Have a Business Focus**

It's amazing how very smart business people treat technology-related problems as somehow different. Bad data is a *business* problem, so be aware of your conversations with technical people. It's all too easy to take the conversation in directions that aren't relevant to your business questions. If you ask technical people for the time, they may be determined to explain how to make a clock. Those of us who live in the technical world can get immersed in computer jargon, endless acronyms, special handshakes, etc. Keep the conversation on business outcomes. Ask a lot of seemingly naïve questions. If your technical services provider insists on giving you technical answers, speak with a supervisor or find another data provider.

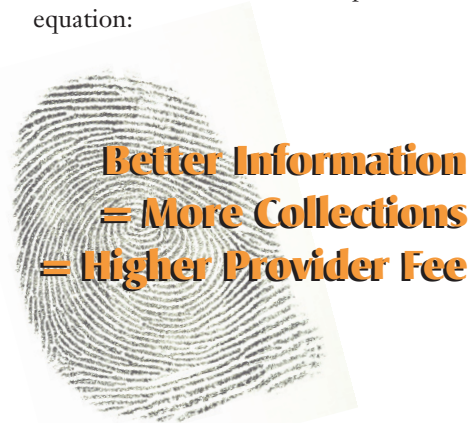
### **Establish Data Accuracy Metrics**

You don't need to spend a lot of time or money on complex measurement systems, but have a system or process in place that allows you to easily understand the quality of your data. This could be as simple as surveying employees at a team meeting. What is their estimate of correct addresses or phone numbers? Is it 80 percent? 50 percent? 20 percent? Who in your organization can answer this important question?

### **Partner to Succeed**

A data provider who isn't willing to take some risk has very little incentive to dig into the issues with you. Anyone can sell data; you need someone who can help you see the big picture. Try developing business relationships that makes sense for you and your data

provider. Is there a way that your data provider can offer guarantees on its quality, perhaps base the fee on your increase in collections? This could help both of you—you recover more money and your supplier's commission increases. Remember this simple equation:



This might not always be possible, but it is always worth a discussion. You might ask why a data provider wouldn't consider such a potentially lucrative agreement.

Above all else, remember that technical problems must tie to business results. Otherwise, why are you doing them? Don't get sidetracked by protracted technical discussions that waste valuable time and don't add to your bottom line. In this economy, you need every advantage you can find. Information is your raw material. Make sure you're using the best you can afford and regularly checking the quality of this valuable asset. In this corporate environment, partnering with a competent and dedicated data service provider could mean the difference between surviving and thriving. **cm**

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