



Sales & Marketing
Solutions

Gaining a More Profitable Understanding of Your Business Customers: Corporate Households and the D-U-N-S Number

White Paper

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All customer data in this document is fictitious.

Introduction: Understanding Your Most Important Asset

As leading B2B organizations evolve from a product/service focus to customer-centric operations involving CRM and ERP systems, many face a significant impediment to revenue growth and ROI: the fundamental difficulty with collecting, validating, updating and integrating information on their most important asset — their customers.

Why the difficulty? There are many contributing factors, including mergers, acquisitions and name changes; multiple contacts per company; disparate and disconnected operational systems that do not cooperate well; and (despite all of the above) executives and managers who require accurate and meaningful reports in a matter of hours, not weeks.

Consider that in today's B2B environment, a company with 100 employees and \$50 million in revenue may often manage more than 10,000 customer and prospect records. Numbers like those reveal how the transition to B2B CRM requires a comprehensive understanding of customers that far exceeds that of any previous era.

Customer Relationship Management (CRM) can be defined as: Aligning business strategy, organization structure and culture, and customer information and technology so that all customer interactions can be conducted to the long-term satisfaction of the customer and to the benefit and profit of the organization.¹

But to even begin attaining this ideal, organizations must first master the basics: customer information. We propose three simple questions ("The Big 3") that can generally assess an organization's customer awareness and potential for generating new revenues through CRM activities:

1. Exactly how many customers do we have?
2. Exactly how many products/services does each customer own/purchase?
3. How effectively and efficiently can our customers contact us, and do we "remember" these contacts across our organization?

Why are the answers so critical? If we can't count our customers, we probably can't identify them. If we can't identify them, how can we quantify their purchasing? Or offer the right

product at the right time and right place? Or determine their profitability or our risk exposure? Or start realizing ROI on our CRM infrastructure?

This white paper will examine how leading B2B organizations are using a "corporate household" view to more confidently answer The Big 3 and dramatically improve their CRM efforts. It will also outline a technology framework for deploying the corporate household across an organization, and it will examine the D&B D-U-N-S® Number as an effective solution for establishing and maintaining corporate households — and CRM effectiveness — in today's dynamic B2B space.

Defining and Leveraging Corporate Households

When it comes to understanding customers as individual organizations and as related entities — or corporate households — a comprehensive customer profile accessible across the organization is an essential first step in B2B CRM success.

When creating such profiles, determining whether a customer is really a single organization or simply one member of a larger corporate household is a vital distinction. Often, examining each customer independently is necessary; in other cases, a more comprehensive picture of the organization is required. We call this a "household view."

In a household view, a group of related organizations is actually considered as a customer in its own right. Such households can be defined as "economic decision-making units," where decisions are often influenced by multiple members of the unit. Not surprisingly, when you factor in all members, these units often possess considerable buying power. The key is to recognize it.

For example, consider a fictitious European entertainment company with a publishing division and a music division. Within the music division, imagine there is a U.S. subsidiary that has several divisions and branches, as well as a distribution company and multiple recording labels. (See figure 1.)

When interacting with this kind of multi-layered household, a sales department will want to know each of the divisions independently, but credit/collections may want to focus on the relationships among them. In all cases, all departments need to understand what happens to the household when it makes an acquisition, forms a partnership or divests itself of a distributor.

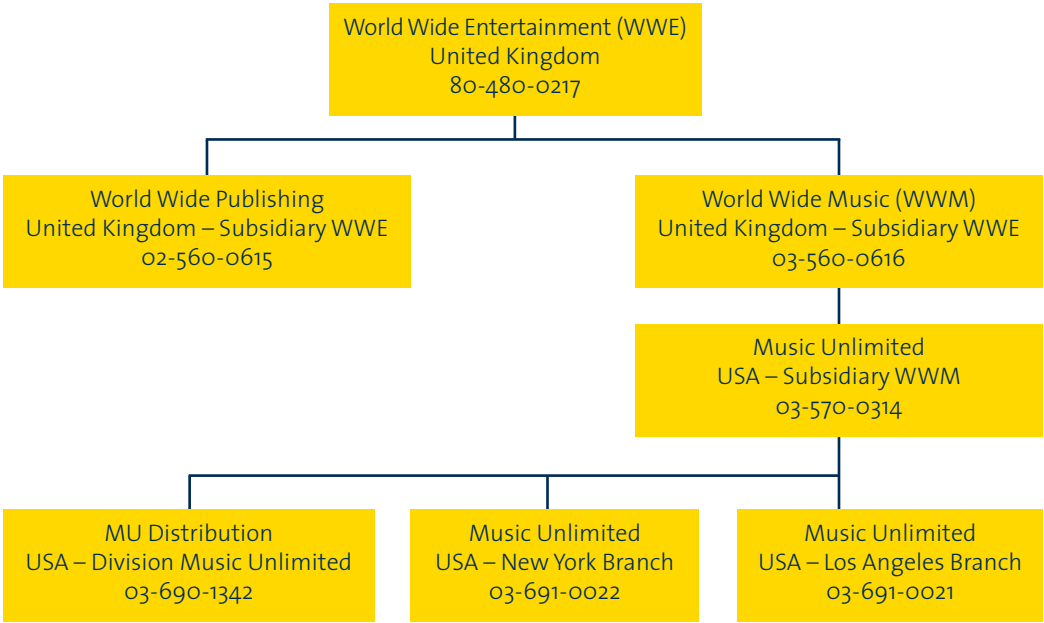
For instance, if a company sells to the New York branch of Music Unlimited and to World Wide Publishing but not to World Wide Entertainment, profitability and lifetime value can vary substantially depending on which sales relationship is used to base the calculations. This is why recognizing relationships

¹ Claudia Imhoff, Jonathan Geiger and Lisa Loftis, "Building the Customer-Centric Enterprise," John Wiley & Sons, 2001.

between subsidiaries, divisions and branches is critical to the household view.

Specifically, consider sales and service processes. Because there are typically multiple contacts within any corporate household, the chances are good that an organization will have multiple personnel calling on multiple divisions at any one time. The challenge is to ensure that any one prospect does not receive duplicate or conflicting offers. More than a few sales (or worse, customers) have been lost because two representatives unknowingly called the same member of the household on the same day.

Figure 1: B2B Data Integration – The Corporate Household



Deploying the Corporate Household View Across the Organization

Corporate household views are most effective when they are both relevant and accessible to an entire organization. This means they should include information on profitability, marketing and risk analysis, as well as sales and service activities, and should be accessible to many types of data systems.

To facilitate such integration, an advanced architecture is essential — one that identifies components that can be reused across multiple projects and that illustrates, conceptually, the key points at which systems need to share information.

The Corporate Information Factory (CIF), depicted in figure 2, provides such a technology roadmap for B2B organizations. Let’s take a look at the three primary components and note where customer information and the corporate household view come into play.

“Business Operations” (on the left side of figure 2) are the core operational systems (i.e., billing, product or policy, order entry, call center, sales force automation, etc.), the day-to-day business processes. Information enters these systems and flows through a data-acquisition process into the rest of the CIF, where it is used to make strategic and tactical decisions.

“Business Intelligence” (on the top and right side of figure 2) consists of the data warehouse, data marts and associated analysis tools. Business Intelligence components can calculate corporate

household value, predict future behavior based on past activity, calculate profitability and optimize the supply chain.

“Business Management” consists of the “Operational Data Store” (ODS) and its associated “Transaction Interfaces.” The customer profile is a good example of a Business Management ODS implementation. As the single point of access for all customer information, this section of the CIF could become the primary storage and maintenance vehicle for the corporate household view and customer demographic information purchased from a third party such as D&B.

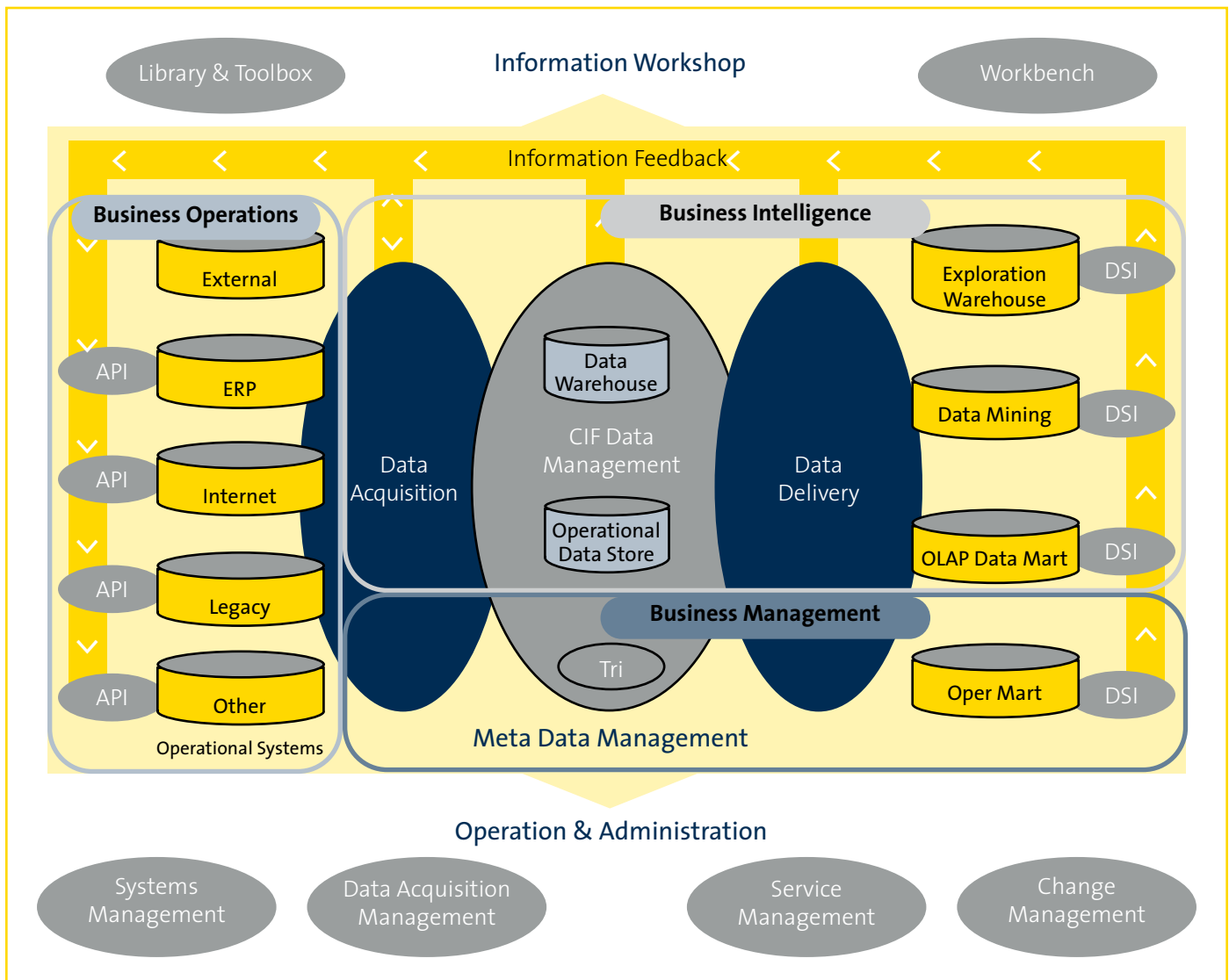
Integrating Business Intelligence and Business Management in a framework like the CIF enables B2B organizations to achieve the “closed-loop” information flow that makes analysis actionable. Profiles can be placed into the operational data stores and accessed in real time across an organization. And, responses from participants in the corporate household can be delivered to the warehouse and marts to help tune predictive analysis.

In summary, we can say that a comprehensive corporate householding scheme has three primary functions. It must:

1. Assign a unique, constant number to each member of the household.

Different locations of the same businesses require different numbers (e.g., the New York branch of Music Unlimited should have a separate number from its headquarters, Music Unlimited). Uniqueness is required in part because at times only the individual member of a corporate household is of concern.

Figure 2: Corporate Information Factory⁴



Once assigned, the household number should not change unless the organization itself changes (e.g., merges with another organization). In fact, even if a merger occurs, there should be a way to track activity under the original household number as well as the post-merger number. In marketing terms, this is sometimes referred to as “constant household key” capability — a capability often essential for preserving a historical view of interactions with a particular household.

2. Identify and display the relationships between household members.

This function is both critical and challenging. While the relationship, for instance, between Music Unlimited and

MU Distribution may be relatively easy to identify (thanks to identical address and phone number records), not all relationships in our fictitious corporate household are so easily linked. World Wide Entertainment and Music Unlimited are located in different countries, have different corporate names and offer very little to indicate that they are related.

3. Ensure that member and relationship data are accurate.

Mergers, acquisitions, expansions, corporate spin-offs, divestitures and name and location changes occur frequently in the B2B world. To achieve full value from your corporate household view, you must update the information in as timely a fashion as possible.

The Concept Made Concrete: The D-U-N-S Number Solution

Now that we have identified the desired characteristics of a household view architectural scheme, let us consider a leading methodology for turning plan into action: the D&B Data Universal Numbering System (D-U-N-S).

The D-U-N-S Number is based on a unique, non-indicative numerical system created and maintained exclusively by D&B and applied to every business in the D&B global databases. There are currently more than 77 million D-U-N-S Numbers assigned. The U.S. government and more than 50 industry and trade organizations — including aerospace, iron and steel and utilities — use the numbers as key identifiers for EDI transactions.

The D-U-N-S Number corresponds well to the effective household identifier described above:

- The D-U-N-S Number identifies all individual members in a corporate household uniquely. No two businesses ever receive the same number.
- Once assigned, the D-U-N-S Number will not change. The number is retained through relocations, discontinuances, consolidations and mergers and acquisitions. D&B maintains a historical repository of records of firms that are out of business or have been de-listed because D&B cannot confirm operations or contact information.
- Any business with separate and distinct member operations can be identified using the D-U-N-S Number. This includes single and parent locations, headquarters, subsidiaries, branches and divisions. Business types that can be covered include proprietorships, partnerships, corporations, government bodies and self-employed doctors, lawyers and contractors.

Hierarchy Explained: Defining the Relationships

Leveraging the D-U-N-S Number system, D&B can define various types of relationships between corporate family members through a rigorous program of data collection and updating. Using our fictitious corporate household from figure 1 as illustration, let's look at the relationships defined in D&B methodology:

The **Global Ultimate** is the uppermost responsible entity within the corporate family tree. World Wide Entertainment is the Global Ultimate in figure 1 and has D-U-N-S Number 80-480-0217.*

A **Domestic Ultimate** is the highest-ranking subsidiary member within a specific country. Music Unlimited is a Domestic Ultimate with D-U-N-S Number 03-570-0314.

A **Headquarters** has branches or divisions reporting to it and is financially responsible for those branches or divisions. If Headquarters is more than 50% owned by another corporation, it will also be a Subsidiary; if it owns more than 50% of another corporation, it is also a Parent. Music Unlimited is a Headquarters because it has branches and divisions reporting to it.

A **Parent** is a corporation that owns more than 50% of another corporation. A parent can also be a headquarters if it owns branches. World Wide Music is a parent with D-U-N-S Number 03-560-0616, as it owns more than 50% of Music Unlimited.

A **Subsidiary** is a corporation more than 50% owned by another corporation and using a different business name from its parent company. By this definition, figure 1 contains numerous Subsidiaries, including World Wide Publishing, World Wide Music and Music Unlimited. Single location Subsidiaries are those that have no other member reporting to them. World Wide Publishing, with D-U-N-S Number 02-560-0615, is an example.

A **Branch** is a secondary location of a Headquarters. A Branch has no legal responsibility for its debts, even though it may pay its own bills. Music Unlimited Los Angeles and New York, with D-U-N-S Numbers 03-691-0021 and 03-691-0022 respectively, are examples.

A **Division**, like a branch, is a secondary location of a business. However, a Division carries out specific business operations under a divisional name. Divisions appear similar to branches in the D&B information. MU Distribution, with D-U-N-S Number 03-690-1342, is an example.

Data Integration with the D-U-N-S Number

Perhaps the most critical characteristic of a corporate household scheme is the ability to maintain the completeness, accuracy and currency of the member relationships and associated data. To this end, D&B conducts a continuous multi-faceted collection process that increases the breadth and depth of information collected, ensures integrity and minimizes redundancies. Contributing to this process are:

- Four telecenters using predictive dialer and scripting technologies to update every record at least once annually. To accomplish this, more than 100 million calls are made annually.

*Note that all D-U-N-S Numbers illustrated in figure 1 are fictitious.

- Seven satellite offices accommodating special requests and conducting investigations as requested by D&B customers.
- One facility adding and updating bulk data, such as public filings, trade and Internet data. Bulk updates number more than 195,000 daily.
- Remote consultants investigating and updating data on the highest exposure businesses — those of most importance to the credit community.

In addition, D&B contacts every new business before adding it to a file and conducts targeted “bull’s-eye” calling campaigns to enhance coverage of key data elements and corporate household relationships. D&B information sources include courthouses and public records, business principals, news sources, payment and banking data and other third-party data.

Benefits of D-U-N-S Number Data Integration

1. Improve your prospects — and your awareness of them

By identifying links between members, the D-U-N-S Number can help identify all of your corporate household prospects (and assign legal ownership and accountability) or screen for best prospects and business pitfalls. Organizations use the D-U-N-S number to learn about slow payers, assess opportunities using available predictive tools and form strong relationships with the most promising prospects.

Companies also leverage the D-U-N-S Number to monitor and anticipate significant events affecting key customers or to locate new customers around the globe. Almost 77 million businesses around the world have a D-U-N-S Number.

2. Enhance records with additional information purchased from D&B

D&B clients routinely append information to files to improve marketing campaigns and prospects for new business. Beyond company address and phone, data available from D&B includes executive names, number of employees, sales volume information, financial statements, trade experiences, credit scores generated from accounts receivable data and historical payment information, suits, liens, judgments, UCCs and more.

3. Identify “Hidden” Revenue Opportunities

When you’re able to view complete corporate households, you have a means of assessing your penetration into corporations, and identifying your best opportunities to sell more deeply into those organizations. For example, if you have a successful relationship with one member of a corporate household that has

several members with similar business needs, those other members are highly qualified prospects. Or you may be able to leverage your relationship with a single household member to sell to the larger parent organization.

These are powerful benefits on their own. But the D-U-N-S Number also allows you to move beyond understanding individual corporate households to accurately assessing your penetration into specific industries or geographical areas. It then allows you to identify and target corporate households within those industries and areas that best match the profiles of your best existing customers.

4. Make big gains in small business

First the good news. In a recent study on CRM technology, a well-known firm concluded that with 640,000 mid-market companies (25 to 500 employees) and 5,100,000 small-market companies (no more than 25 employees) the small and mid-market will soon become one of the most critical CRM segments. How critical? The study predicts CRM technology spending in this segment could dwarf the \$14 billion spent by the larger organizations.²

Now the not-so-good news. Despite the potential, small- and mid-sized organizations pose a significant technology challenge to companies doing business in the B2B space. First, they are often too small to be included in the corporate or business customer base, and they prove an awkward fit when grouped with the retail or individual customer base. Emerging markets are also extremely volatile; obtaining timely and accurate information about continually changing participants can be quite difficult.

D&B addresses these challenges with the most comprehensive information on small businesses available today. D&B aggressively pursues the addition and maintenance of small businesses records in the D-U-N-S Market Identifiers (DMI) file (which contains approximately 17 million U.S. marketing records.³) When doing so, D&B uses standards defined by its Small Business Administration group to accurately identify small businesses records. D&B clients can clearly identify corporate households by matching retail customer names against the small business owner names in third-party files.

5. Eliminate Duplicate Customer Records

Many organizations use the D-U-N-S Number to integrate data across multiple sources and, in the process, eliminate costly duplicate records. How effective is the D-U-N-S Number in this manner? Consider that many commercially sold record-matching software packages use the number as a matching field. D&B also offers a suite of customer information management services that help clean, integrate, organize and enhance data.

² “Aberdeen Group Market Viewpoint,” Volume 14 /Number 6, November 5, 2001.

³ As of February 2002.

Summary: Realizing Full CRM Potential

If turning knowledge of customers into action is key to a CRM strategy that is both profitable and satisfactory to customers, then identifying and leveraging corporate households is the vital first step in the process.

CRM-savvy companies use household views to accurately calculate profitability, lifetime value, credit assessments and risk exposures for each business customer. But a comprehensive understanding of B2B customers based on relationships between members is, in itself, not enough. To realize the full benefit, corporate household views must be distributed across the enterprise using an architecture such as the Corporate Information Factory (CIF) to guide the technology.

With the D-U-N-S Number and associated services, D&B offers a unique and comprehensive solution for building, maintaining, distributing and leveraging the corporate household information that helps B2B organizations realize the full potential of their CRM investment.



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