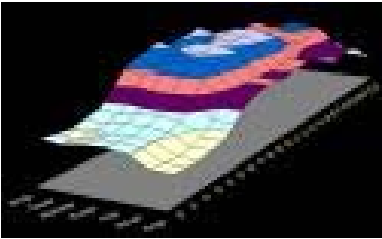




Don't start your RFP before you do a needs analysis by Roy Wollen

Executive Summary

Whether you build a customer database yourself or hire external vendors, the process should be rooted in a thorough needs analysis and business case, which pays off either way you go



Strategic Challenges

Before any Request for Proposal (RFP) process, or its relatives Request for Information (RFI) and Request for Quote (RFQ), begin with a process to understand your own expectations and formulate your definition of success. This will not only pay off before the first vendor presentation, but will build a consensus, solidify senior executive support and serve you well after the solution is completed. Since it's easy to fall in love with a pretty face (i.e., vendor tool demo), this will help you avoid getting swept away and make the decision much more objective.

A well-run process will pay off during vendor selection and negotiation. Envision the future, and then ask internal teams or vendors to tell you how they will get you there.

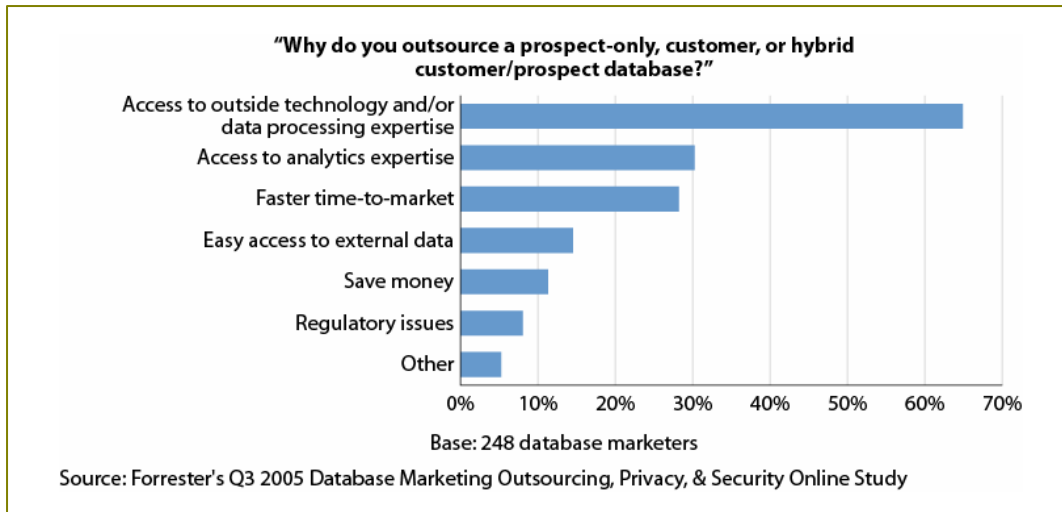
The project should not be:

- A procurement exercise
- A technology showcase and tool demo

The benefit of doing this is to avoid unclear expectations, misunderstandings, mutual disappointment, scope and pricing disconnects. Keep in mind, the team or vendor you choose will be with you a long time.

Why outsource?

Any engagement should begin with a discussion about what you would gain by outsourcing your marketing database in the first place. Research shows that clients do this to access technology, improve quality as well as gain processing and analytical expertise they may not have internally.



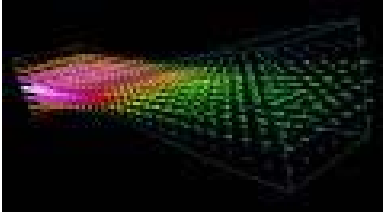
We feel there are 5 things to look for in a marketing database vendor:

1. Expertise in data management
2. Deep experience in multi-channel marketing campaigns
3. Analytical capabilities with a proven track record
4. State of the art client access, technology and tools
5. Strategic consulting and advice

Each of these capabilities has key ingredients as follows:

1. Expertise in data management

- a. Superior data convert and hygiene techniques
- b. Demonstrated skill with both online and offline deduplication as well as customer data integration with internal systems throughout the corporation
- c. Management of customer preferences and compliance
- d. Understanding of external information from affiliates, partners, data appends, demographic overlay, wherever this data is applied in the process
- e. Proven success in both online and offline



2. **Deep experience in online and offline marketing campaigns**
 - a. E-mail compliance, disposition mgmt and deliverability
 - b. Suppression and customer preference management
 - c. Inbound campaign management, real-time marketing solutions, trigger and event marketing
 - d. Promotion response attribution across channels
 - e. Multi-channel response analysis and ROI tools and templates brought to the solution
3. **Analytical capabilities with a demonstrated track record in the multi-channel retail space**
 - a. Inferential statistics (predictive models)
 - b. Data mining capabilities and sound Exploratory Data Analysis (EDA) practices
 - c. Not black box, easy to understand and communicate the value to executive sponsors
 - d. Contact strategy thought leadership
 - e. Customer data (particularly Lifetime value) experience beyond impression, click through and conversion data
 - f. Product analysis and product affinity
 - g. Website analysis, including landing page and demonstrated understanding of dynamic online offers
 - h. Post demand analysis (returns, exchanges, cancels, backorders) and contribution margin assessments
 - i. Search Engine Marketing and Optimization (SEM and SEO) analytics; website analytics
 - j. Click stream analytics (not web analytics, but customer analytics)
 - k. Call stream analytics (see above)
4. **Sensible client access and tools**
 - a. Fast
 - b. Powerful
 - c. Open and interoperable
 - d. Multi-level (sites and individuals)
 - e. Multi-channel
 - f. Updated frequently
 - g. Not expensive
 - h. Integrated into client's systems (e.g., intranet)
 - i. Web based
 - j. Secure
5. **Strategic consulting and advice** that is bundled with the service and doesn't break the bank

Nine steps for success

The process we go through to find a vendor with these capabilities has **9 steps** before implementation. This is much more thorough than other consultants, but will provide longer term benefits both in ensuring success with the winning vendor and within the client organization to achieve consensus before the interviews begin.

- 1) Needs analysis
- 2) Strategy development
- 3) Create RFP
- 4) Collect vendor replies, initiate interviews and scorecard
- 5) Due diligence
- 6) Financial Analysis and ROI assessment
- 7) Risk analysis
- 8) Negotiations
- 9) Vendor selection and contract signatures (including SLA)
- 10) Implementation of the vision
- 11) Ongoing governance and joint management

The nine steps for choosing a hosted marketing database provider

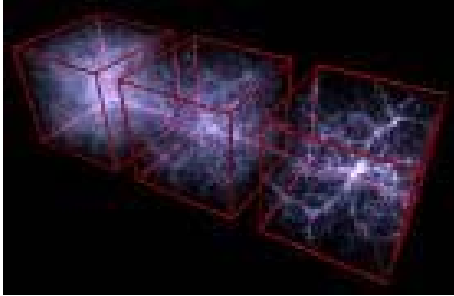
Here are the details for each of the nine, including the subsequent two steps for implementation and ongoing control.

1. Needs analysis

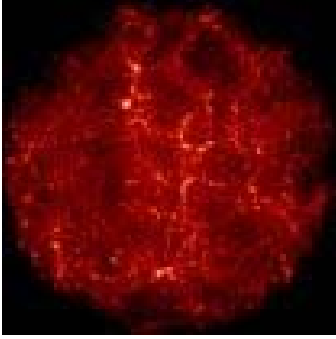
- a. Corporate direction and vision
- b. Pain points for the business
- c. Research into current solution and what works; what doesn't
- d. Documentation of today's process ("as is" state)
- e. Documentation of desired process ("to be" state)
- f. Requirements of the business

2. Strategy development

- a. Sourcing strategy (what's in source versus outsource and why?)
- b. Outsourcing requirements
 - i. Service level objectives and expectations
 - ii. Quantifiable goals for evaluating internal solutions or external vendors
- c. Success analysis
 - i. Formulate definition of success
 1. Process (reduced cycle time, automation)
 2. Analytical CRM (increase repeat purchase, better acquisition response rates, improved retention, reduced



- exchange and cancel rate, reduce web abandonment)
- ii. Financial impact of success
- iii. Part 1 of the business case for benefits sought
- iv. Prioritization: what are we looking for first?
- d. Documentation of client roles and responsibilities
 - i. List of FTEs (people and locations) and the amount of time that will be devoted to relevant work
 - ii. Framework to communicate level of attention vendors can rely on
 - iii. Degree of full service or self service
 - iv. Identification of any dependences
- e. Documentation of flexibility desired
 - i. What is a “duplicate” and how often will the logic change?
- f. Document the appetite for innovation and experimentation
- g. Create scorecard for internal solution or external vendors
- h. Compile secondary research on vendors
- 3. Create RFP**
 - a. Narrate the vision for future
 - i. Describe Roadmap to get there
 - ii. Create RFP for the outsource component
 - 1. Questions to the vendor
 - 2. Examples from the vendor
 - 3. Process templates from the vendor (e.g., show us your template for escalation procedures)
 - iii. Approval by senior management
 - b. Distribute RFP to 4-8 vendors (smaller field is better)
 - c. Special role for incumbent (optional)
 - i. Commitment to knowledge transfer and professionalism if not selected
 - ii. Open mind approach to “rebid” (i.e., look at RFP fresh and propose new thinking)
- 4. Collect vendor replies, initiate interviews and scorecard**
 - a. Narrow the field of vendors to 2
 - b. Scorecard
 - i. Score vendor capabilities with required business needs
 - ii. Domain expertise
 - iii. Strategic Vision
 - iv. Cultural fit
 - v. Service levels



- vi. Technology and tools
 - vii. Capabilities (see appendix)
 - c. What if this vendor wins the business? Will they be able and willing to host the client marketing database (big fish/small pond? Small fish/big pond?)
- 5. Due diligence**
- a. Did we understand correctly? Repeat what we heard back to vendor, clarifications and questions.
 - b. Objective verification: Proof of concept (“show me”, references, proof points)
 - c. Audits: Security audit, compliance audit, escalation procedures run through
- 6. Financial Analysis and Business Case**
- a. Cost of solution (part 2 of the business case)
 - i. Base rate charges
 - ii. Ad hoc charges
 - iii. Cost of migration of data and processes
 - iv. Cost reduction tactics (longer term, deeper engagement, random sampling of information)
 - b. Cost of ownership and ongoing support (long term costs)
 - c. Business case summary: Benefits expected and cost/benefit analysis
- 7. Risk analysis**
- a. Identification of risks
 - b. Identification of risk ownership and interdependencies
 - c. Risk mitigation planning
- 8. Negotiations**
- a. Final terms (pricing, schedule, compliance, legal)
 - b. Service Level Agreement (SLA) with penalties for missed deadlines, poor service, disruption
- 9. Vendor selection and contract signatures (including SLA)**
- a. Legal requirements (including USPS forms, compliance forms SAN, SOX)
- 10. Implementation of the vision**
- a. Develop Charter
 - b. Statement of Work
 - c. Requirements and design
 - d. Scope
 - e. Project plan
 - f. Change management
 - g. Status procedures
- 11. Ongoing governance and joint management**

- a. Expectations for regular meetings, executive sponsor reviews, SLA reporting and adjustments, management reporting (e.g., quality assurance dashboard, cycle time improvements, business-oriented management KPIs)
- b. Expectations for ongoing improvements on service and quality

How long does it take?

The process can be broken down into its components to demonstrate progress. That said, the entire project takes 3-4 months to actually select a vendor as is illustrated in the chart below.

Activity	Duration
Needs analysis and interviews	2-3 weeks
Strategy development	1 week
Create RFP	1 week
Collect vendor replies, initiate interviews and scorecard	2-4 weeks
Due diligence	1-2 weeks
Financial Analysis and ROI assessment	1 week
Risk analysis	2 days
Negotiations	1-2 weeks
Vendor selection and contract signatures (including SLA)	1 week
Total	~12-14 weeks

Get off to a good start

A client should not be satisfied without world class project management to be baked in. Some ingredients to help ensure success include a Project Charter a Project Plan and a Definition of Success with Project Close form to be filled out upon completion and acceptance of the end result.

This helps any team (inside or out) rally around and deliver on the objective. Also, a robust work order or Statement of Work (SOW) ensures that there are no misunderstandings along the lines of:

- Scope
- Changes (procedure for “authors alterations”)
- Status reports (including escalation procedures)
- Error correction

Appendix

External vendor scorecard taken from Forrester Research

CURRENT OFFERING

Technology capabilities	What technology services does the company provide?
Operations and service deliver	How well does the company execute campaigns, programs, and tactics on behalf of clients?
Data and data sourcing services	What data sourcing services and/or assets does the company provide?
Analytical services	How strong are the company's analytical marketing services?
Strategy services	How strong are the company's capabilities for delivering high-level marketing strategy services that span data, analytical, and campaign tactics?
Fulfillment and media services	What fulfillment, media planning, sourcing, and buying services does the company provide to managed database clients?
Industry capabilities	What is the company's vision and track record for serving various industries?
Other capabilities	What other marketing services does the company provide?
Contracts and pricing	What are the terms of the company's client engagements?

STRATEGY

Corporate strategy	What is the company's vision for its managed marketing database business, and what is the growth strategy for getting there?
Focus	How important are managed marketing databases to the company's overall business?
Delivery strategy	How strong is the company's database marketing services delivery strategy?
Customer satisfaction	How satisfied are the company's managed database clients?
Technology strategy	How robust and flexible is the company's technology strategy?
Industry strategy	How strong is the company's industry strategy, and how appropriate is it for the company's size and market position?
Differentiators	How unique and defensible are the company's differentiators?
Channel strategy	What is the company's strategy for partnering with channel partners like agencies?
Outsourcing strategy	Does the company outsource any internal or client-facing functions?

MARKET PRESENCE

Clients	How strong is the company's client base?
Revenues	What are the company's revenues?
Employees	What is the company's employee base?
Industry presence	What is the company's market presence in various industries?

About Database Insight, Inc.

Database Insight, Inc. offers practical advice on how to improve your direct- and interactive marketing by deepening your understanding of your customers.

We offer consulting for direct marketing clients through exceptional people, forward thinking solutions and analytics. We bring to bear 20 years of experience understanding customers via database analysis.

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