Billion Dollar Database

by Steve O'Keefe

On March 20, 2015, *The Wall Street Journal* reported that a single customer rewards database was valued at over $1 billion by creditors in a bankruptcy case.

One billion dollars for a glorified Excel file. *One billion dollars* for a single customer relationship management (CRM) database. *One billion dollars*, not for sales, but for what's left over *after* the money and the products or services exchanged are long gone. *One billion dollars* for information most businesses consider so worthless they don't bother to collect it.

This particular billion-dollar database has records on 45 million customers. That's roughly $22 per person in the database.

What is your database worth? If someone paid you $22 per contact on your phone, how much would you make? If you kept tabs on every person or company you've interacted with over the years, then multiply that number by $22, what's the total? How do you build a database so good it's worth $10, $15 or even $25 per record?

The company with the billion dollar database is Caesars Entertainment, a network of nearly 50 gambling establishments. This is no ordinary database. It's Caesars' Total Rewards loyalty program. It was designed by Caesars' CEO, Gary Loveman, a former Harvard University professor.

Caesars Total Rewards captures 80% of customer interactions with the brand. The program knows:

- what size room or number of beds you prefer;
- how many people usually travel with you;
- who those people are;
- what foods you like to eat;
- what beverages you prefer;
- how much time you spend gambling each day;
- what games you play; and
- how big your average bet is.

The system is designed to provide members with real-time perks to keep them happy and gambling. Members build points quickly and redeem them quickly, unlike so many loyalty programs where customers store up points for long periods of time before cashing them in all at once.
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At one time, I had a database of 29,000 journalists' email addresses. I successfully sold these contacts for $1/each—about half the price being charged at the time by Bacon's/Cision/Gale's. The entire database was worth about $5,000 ($0.17 per record) because you could legally build something close to it using Bacon's/Cision/ Gale's/Gebbies and similar media databases on the market.

The database was worth quite a bit more than $5,000 to me, however, because I mailed to the names several times over the course of a year. About 4,500 of the contacts in the database are hard to find and therefore more valuable. Those are the *online media contacts*—bloggers, ezine editors, podcasters, webmasters, online talk show hosts, and so forth—that are poorly represented in traditional media databases.

I've thought of publishing these 4,500 contacts separately as *The Directory of Online Media Contacts*. One publisher offered me $7,000 for the rights. That's $1.55 per contact.

My 29,000-record database has atrophied from years of disuse. It's not worth anything anymore. The smaller database of online media contacts still has value, and I'm still chasing the idea of vending these contacts through the Orobora website. (Stay tuned!)

Imagine if that big media database was worth $22 per record like Caesars'. That would put the value of my 29,000 contacts at $638,000 — enough to comfortably retire (at any age). My smaller database of 4,500 online contacts would be worth $100,000. That's an asset worth trying to protect and sell.

What would it take to turn your database, the *residue* of all your ordinary transactions, into a million dollar asset?

The first way to boost the value of your database is to use it! A good database is a living thing, and will fall apart if not regularly and vigorously exercised.

My media database deteriorated at a rate of about 25% per year. I sent about 200 news releases for clients each year; each release went to about 750 media contacts. We averaged about 100 bounces per release, for a 13% bounce rate. That's close to the 10% average bounce rate for PR firms using Constant Contact.

Our most recent mailing at Orobora had a bounce rate of 20 emails per thousand. That's 2% — squeaky clean by industry standards. I would love to keep it that clean, but I don't mail often enough to keep the bounce rate that low.

Every time you use your database, it's like flexing a muscle. The database expels the natural decay and takes in fresh members. Smart data analysis will tell you how much it cost to get those members and how much they can be expected to contribute to your profits each year.

The database muscle grows as you use it, adding data and cleaning debris. Once I had an employee who tried to put a copy of every email he received into the sender's record in the contact database. While the emails do contain granular data about each person, the strain on the database from the all these emails became crippling. We would open the file, then go out for coffee to give it time to load.

If you do a good job with your database and feed it, exercise it, and groom it, it could grow to be worth many thousands or even millions of dollars by the time you retire or sell your business.

If Caesars Entertainment stops maintaining its rewards database, that billion-dollar asset will be worth dog doo in four short years.

Database management begins with data collection. Are all the people interacting with your organization being added to your database? Things you should be tracking include:

- phone numbers from your call log;
- email addresses crossing your server;
- connections and views from LinkedIn;
- Facebook likes and friends;
- Twitter followers and re-tweeters; and
- subscribers to your newsletter.

Some CRM systems, such as Caesars Total Rewards program, add financial information to this database. You might not feel comfortable pouring financial data into a contact database, especially if the data is stored in the cloud. One reason Caesar's database is worth a billion dollars is that the company guards it like Fort Knox.

There are workaround configurations that segregate data into separate databases that are merged for analysis. One portion of the data may be in the cloud and another piece onsite or in a private cloud, but the whole database is never together in one place at one time.

Regardless of what business you're in, a robust database of contacts is an asset worth developing. By installing and using a good contact management or customer relationship management system, you will be building a database of considerable value to those who want to continue your work. It's like depositing 17-cent contacts today and taking out 22-dollar contacts ten years from now. Not a bad rate of return. If you need help setting up a system like this, let's talk!