

January 12, 2011

The Forrester Wave™: US Database Marketing Service Providers, Q1 2011

by Dave Frankland
for Customer Intelligence Professionals



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Epsilon, KBM Group, And Targetbase Lead A Strong Chasing Pack

by **Dave Frankland**

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EXECUTIVE SUMMARY

In Forrester's 90-criteria evaluation of US database marketing service providers (MSPs), we found that Epsilon, KBM Group, and Targetbase led the pack because of their analytical and strategic approach to the business, coupled with broad capability and strong delivery. Allant, Acxiom, and Merkle give chase in a closely run race, and Harte-Hanks and Quaero show signs of progress if they can extend the success they have in pockets throughout their client base.

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NOTES & RESOURCES

Forrester conducted services evaluations, interviewed more than 40 client references, and conducted an online survey with 137 client companies during Q3 and Q4 2010.

Related Research Documents

["Customer Intelligence Trends To Watch In 2011"](#)
November 4, 2010

["The Intelligent Approach To Customer Intelligence"](#)
October 16, 2009

["The Forrester Wave™: Database Marketing Service Providers, Q4 2007"](#)
November 2, 2007

DATABASE MARKETING SERVICE PROVIDERS ARE A KEY PARTNER FOR CI PROFESSIONALS

Database marketing service providers (MSPs) help Customer Intelligence (CI) professionals capture and manage data about their customers as well as analyze the data and apply the insights in customer interactions. CI pros turn to MSPs for support to:

- **Reduce reliance on internal IT.** Customers tell us that a primary driver for outsourcing their customer database is to bypass their IT department — reportedly ensuring dedicated and focused support. The VP of customer knowledge at a retail bank told us, “When I worked with my IT group, I had to submit requests in triplicate and never knew when they would be fulfilled. As a customer, I have a dedicated team that is paid to respond to my needs. It’s not that our IT department didn’t care, but they didn’t have any real skin in the game — I never felt like a customer, I felt like a nuisance.”
- **Improve the efficiencies of their direct marketing.** A big proportion of the MSP value proposition remains centered on direct marketing, specifically on reducing costs as well as increasing response rates. Many MSPs continue to derive a big percentage of revenue from building customer repositories and cutting lists for direct mail and email. While this might not represent the sexy side of the industry, the revenues and margins ensure that the MSPs continue to come back for more.
- **Provide marketing expertise.** Unlike an in-house IT department, MSPs live and breathe marketing. MSPs understand how to architect a database that enables marketers to better understand and communicate with their customers. Most also provide consulting services and program support to help marketers improve their outbound communications and customer interactions. Many customers tell us that one of the things they like best about their provider is that they understand the intersection of marketing, technology, and consumers, helping them build effective data-driven marketing programs.

Stakes Are Getting Higher For MSPs

In the 2000s, traditional service bureaus — responsible for data hygiene and processing — evolved to become database MSPs by hosting and managing databases as well as layering on additional services such as analytics and consulting. However, they continued to largely focus on improving the efficiency and effectiveness of marketing campaigns. Today, we see the need for additional focus points and expect MSPs to evolve beyond direct marketing campaigns to support a broader CI remit, including:

- **Enterprise Customer Intelligence.** The value and influence of CI extends far beyond marketing. But many MSPs are not only stuck in marketing mode, they’re stuck in marketing campaign mode. MSPs must start to think differently about the customer knowledge and insight that they generate. How? By helping clients use CI to deliver customer experience, improve customer service, enhance product development, and transform business operations and strategy.
- **Digital and addressable media.** MSPs like to sing their own digital praises, but when we scratch beneath the surface, it’s hard to find much depth beyond email capabilities. MSPs can help CI

professionals contribute to the success of interactive marketing by using customer knowledge to create relevant email, deliver real-time offers in online channels, and optimize media buying. We hear plenty of MSPs saying the right things but find little digital substance beneath the PowerPoint presentations.

- **Intelligent interaction with empowered customers.** Empowered consumers determine when and how they interact with firms and brands. They decide what is relevant and will react boldly and openly when companies fail to treat them as they wish to be treated. This requires marketers — and their service providers — to evolve their interaction capabilities and enable intelligent interactions irrespective of where the interaction takes place and who initiates the dialog. For MSPs, this requires enabling inbound channels with customer knowledge and not just the outbound media.

US DATABASE MARKETING SERVICE PROVIDER EVALUATION OVERVIEW

To assess how well US database marketing service providers meet the evolving needs of the market and stack up against each other, Forrester evaluated the strengths and weaknesses of top MSPs across a range of business, marketing, and technology criteria. After examining past research, user need assessments, and vendor and expert interviews, we developed a comprehensive set of evaluation criteria and evaluated vendors against 90 criteria, which we grouped into three high-level buckets:

- **Current offering.** Forrester's criteria to assess the strength of an MSP's offerings are weighted toward the enterprise customer. We evaluated each vendor against five groups of criteria: data sourcing, database management, analytics, execution and fulfillment, and services and support.
- **Strategy.** We compared the strategies of each company with the needs of the CI professional, industry trends, and Forrester's forward-looking vision of the Customer Intelligence market to assess how each vendor is positioned to enable future success. We examined corporate strategy, management team, industry strategy, global strategy, partner strategy, and customer feedback.
- **Market presence.** To determine current market presence for our evaluation, we combined information about each vendor's database client base, revenues, and employee base to support the strategy and service delivery requirements.

Service Providers Have Extensive Capabilities And Experience

In considering which vendors to include in our evaluation, Forrester invited more than 50 companies that build, manage, and host marketing databases to provide us with details about their services. Ultimately, only eight vendors met our selection criteria. Seven of these — Acxiom, Allant, Epsilon, Harte-Hanks, KBM Group, Merkle, and Targetbase — were featured in previous Forrester Wave™ evaluations. This year, we added Quaero to our evaluation and excluded three companies — Experian, FICO, and Infogroup — that had been featured in the most recent Forrester Wave of MSPs.¹ Each of the evaluated vendors maintains a combination of (see Figure 1):

- **Breadth and depth of managed database customers.** Our selection criteria included market share. To be included in this evaluation, vendors had to show that they supported a substantial number of marketing databases. We looked for a balance of both large and midtier managed databases.
- **Strategic and analytical support for database clients.** We looked for vendors that extend beyond direct marketing and demonstrate an emphasis on CI. In particular, we sought MSPs that had a high percentage of clients where they helped with strategic challenges and applied analytics throughout the business.
- **Enterprise interest.** Finally, we selected vendors that are frequently mentioned or inquired about by enterprises in the context of Customer Intelligence.

Figure 1 Evaluated Vendors: MSP Information And Selection Criteria

Vendor	Ownership	Date evaluated
Acxiom	Publicly traded	Q3 to Q4 2010
Allant	Private	Q3 to Q4 2010
Epsilon	Alliance Data Systems Corporation, publicly traded	Q3 to Q4 2010
Harte-Hanks	Publicly traded	Q3 to Q4 2010
KBM Group	WPP, publicly traded	Q3 to Q4 2010
Merkle	Private	Q3 to Q4 2010
Quaero	CSG Systems, publicly traded	Q3 to Q4 2010
Targetbase	Omnicom Group, publicly traded	Q3 to Q4 2010

Source: Forrester Research, Inc.

EVALUATED SERVICE PROVIDERS REPRESENT THE PEAK OF THE CURRENT MARKET

Although we evaluated several vendors that we have evaluated before, this time we did so in the context of a Customer Intelligence professional and do not compare the results of our 2007 database marketing service provider Forrester Wave with this edition. The eight MSPs we evaluated manage a combined 1,200 outsourced databases and generate database-related revenues in excess of \$1.3 billion. As part of the evaluation, we interviewed more than 40 reference clients and surveyed a further 137 clients in an online survey. In analyzing client feedback, we compared only the levels of extreme client satisfaction — those that “agreed strongly” or were “extremely satisfied” — with a number of areas of inquiry. The evaluation uncovered a market in which (see Figure 2):

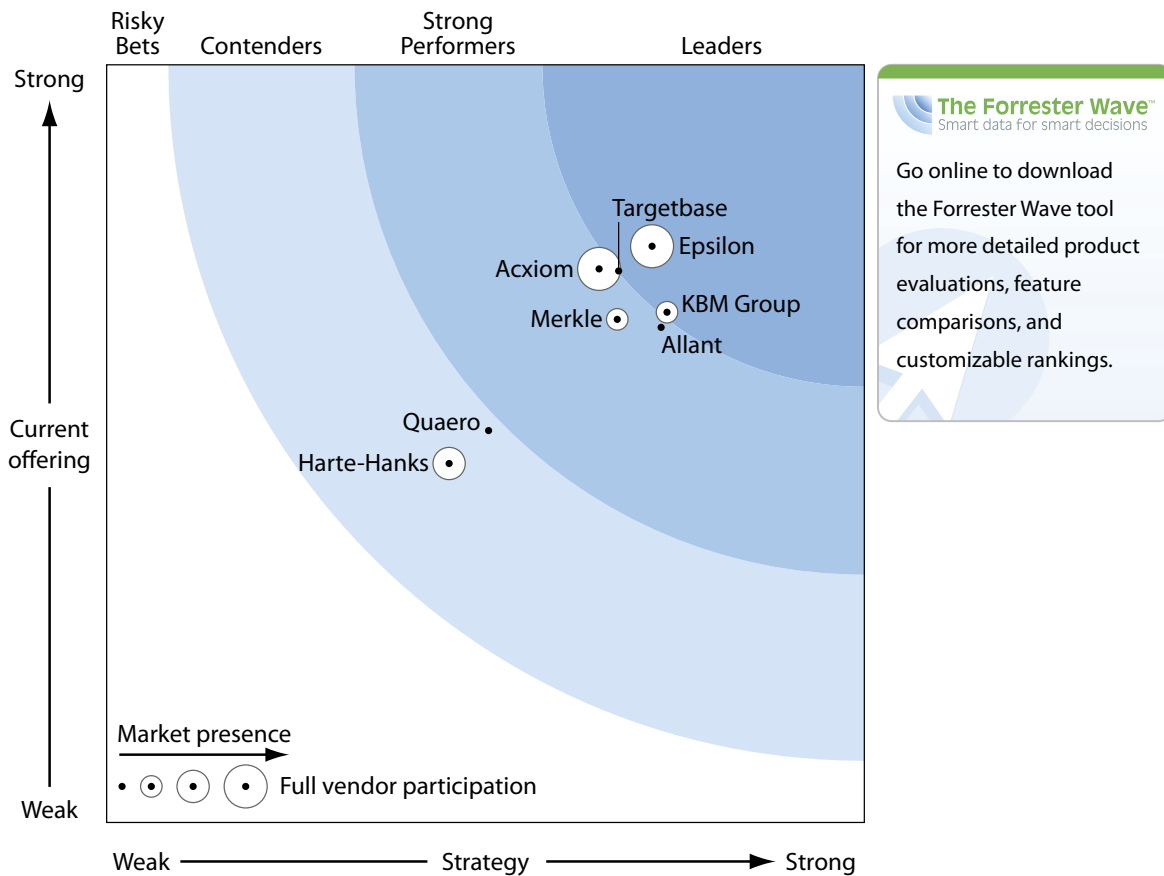
- **Epsilon, KBM Group, and Targetbase lead the pack.** Each of these vendors offers strong database management capabilities. Epsilon frequently operates at significant scale and

complexity, coupled with strong execution capabilities. KBM Group consistently delivers a strong service and gets great feedback from its clients. Targetbase stands out for its analytics and strategy offering as well as its program support and creative capabilities.

- **Acxiom, Allant, and Merkle deliver compelling solutions.** These companies also offer very strong offerings. In fact, not much separates these companies from the leaders. They represent excellent choices when a client's needs align with the vendor's relative strengths.
- **Harte-Hanks and Quaero offer competitive offerings in specific cases.** Both of these companies have solid database marketing capabilities and deliver competitive solutions. Both firms are working to deliver a more consistent offering across their client base and more broadly replicate their pockets of success.

This evaluation of the MSP market is intended to be a starting point only. We encourage readers to view detailed product evaluations and adapt the criteria weightings to fit their individual needs through the Forrester Wave Excel-based vendor comparison tool.

Figure 2 The Forrester Wave™: Database Marketing Service Providers, Q1 2011



The Forrester Wave™
 Smart data for smart decisions

Go online to download the Forrester Wave tool for more detailed product evaluations, feature comparisons, and customizable rankings.

Source: Forrester Research, Inc.

Figure 2 The Forrester Wave™: Database Marketing Service Providers, Q1 2011 (Cont.)

	Forrester's Weighting	Axiom	Allant	Epsilon	Harte-Hanks	KBM Group	Merkle	Quaero	Targetbase
CURRENT OFFERING	50%	3.65	3.27	3.80	2.37	3.37	3.32	2.59	3.64
Vendor description	0%	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Data sourcing	5%	3.78	3.40	3.25	2.55	3.35	4.20	2.15	2.43
Database management	50%	4.03	3.28	4.33	2.53	3.38	3.22	2.54	3.33
Analytics	20%	3.00	3.55	3.13	2.23	3.65	3.95	2.85	4.20
Execution and fulfillment	10%	3.28	2.84	3.45	2.55	3.03	2.01	2.66	3.72
Services and support	15%	3.46	3.08	3.37	1.83	3.19	3.40	2.56	4.28
STRATEGY	50%	3.25	3.66	3.60	2.26	3.70	3.37	2.52	3.38
Corporate strategy	40%	4.00	3.70	4.00	2.40	3.30	3.80	2.80	3.50
Management team	20%	3.50	4.00	3.50	3.00	4.00	3.50	3.00	3.50
Industry strategy	5%	4.00	3.00	4.00	4.00	4.00	4.00	3.00	3.50
Global strategy	10%	3.50	0.50	3.50	2.00	5.00	3.50	0.50	1.50
Partner strategy	0%	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Customer feedback	25%	1.60	4.70	3.00	1.20	3.50	2.40	2.40	3.80
MARKET PRESENCE	0%	5.00	1.45	4.09	3.55	2.54	3.00	1.00	1.54
Customers	45%	5.00	1.00	3.00	4.00	2.00	2.00	1.00	1.00
Employees	45%	5.00	2.00	5.00	3.00	3.00	4.00	1.00	2.00
Financials	10%	5.00	1.00	4.90	4.00	2.90	3.00	1.00	1.90
Industry presence	0%	1.00	1.20	1.15	1.10	1.15	1.15	1.00	0.85

All scores are based on a scale of 0 (weak) to 5 (strong).

Source: Forrester Research, Inc.

VENDOR PROFILES

Leaders

- **Epsilon.** With a change in leadership during the past three years and having bedded down a series of acquisitions, Epsilon has returned to delivering rock-solid database solutions. The company has strengthened its management team with internal and industry talent. It also recently acquired the Equifax Direct Marketing Services division, which brought with it some new client logos as well as a midmarket capability that the company previously lacked.

The company uses an array of marketing services and solutions to help clients deliver exceptional customer experiences that engage consumers, build loyalty, and create measurable results through Customer Intelligence and integrated multichannel marketing. Epsilon delivers complex and large marketing databases, augmented with strong execution capabilities and analytics and consulting offerings.

- **KBM Group.** KnowledgeBase Marketing and its subsidiaries, Datacore and Fortelligent, recently rebranded itself the KBM Group to better reflect its expanded data service offerings around the globe. KBM Group's client base includes: 1) enterprise clients in the US; 2) midmarket clients in the US; and 3) global marketers — KBM Group delivers a solution as part of parent company the Wunderman Network. To support its global clients, the company has established regional Marketing Service Centers in Buenos Aires, Cairo, New Delhi, and Prague.

Although KBM does not excel in any specific area, it delivers strong capabilities across the array of database, analytics, data, strategy, and operations. The company's client feedback is, on the whole, extremely positive. For example, KBM had the highest percentage of clients responding that they are extremely satisfied with "the strategic contribution they make to our business."

- **Targetbase.** During the past three years, Targetbase has seen changes in its leadership ranks with the ascension of the former president to the CEO role, while the former CEO became chairman. There have been a number of departures that were filled with internal and returning company veterans. The management team has been bolstered with the addition of digital expertise in recent years. Targetbase is the most integrated of the providers we evaluated, combining analytical, strategy, creative, and marketing technology skill sets to help clients turn customer insights into marketing strategy and programs.

Targetbase helps companies optimize their customer value at an individual level. To meet this vision, the company is undergoing a digital transformation and investing in an innovations team. Among the evaluated vendors, Targetbase received the highest overall ratings for analytics, execution and fulfillment, and services and support.

Strong Performers

- **Allant.** During the past three years, Allant was acquired by MidOcean Partners and has significantly increased its investment in growing the business. The company provides database marketing solutions for multichannel targeting; performance measurement; and execution including direct, interactive, and emerging TV and Internet advertising. Allant is focused on serving large, Fortune-class marketing organizations.

Although Allant offers a narrower range of offerings than most of the evaluated players, it demonstrates thought leadership relating to addressable advertising, delivers strong analytics capabilities, and receives stellar feedback from clients — the company had the highest percentage of clients demonstrating extreme satisfaction across a broad range of categories, and the company registered the highest Net Promoter Score among the evaluated vendors. To continue to perform at the head of the market, Allant must more broadly apply its addressable advertising solutions beyond TV and across the digital landscape.

- **Acxiom.** Acxiom is one of the largest database marketing services and technology providers in the world. During the past three years, it has seen a fairly wholesale change in leadership and has upgraded its core offerings, which include consulting and agency services, marketing database solutions, personalized and coordinated engagement, addressable advertising, and consumer insights and integration. Its stated goal is to help marketers successfully manage audiences, personalize consumer experiences, and create profitable customer relationships. In many respects, the company has the biggest direct marketing legacy to shake off.

Acxiom continues to deliver some of the industry's largest and most complex database solutions. The company has also demonstrated surprising nimbleness in modernizing its offering and arguably leads the industry with its digital solutions. To continue its upward momentum, Acxiom will need to consistently deliver on its offerings and standardize client experience.

- **Merkle.** During the past three years, Merkle has seen changes in its executive team with some high-profile departures. The company brands itself as an independent customer relationship marketing agency and combines a range of marketing, technical, analytical, and creative disciplines. Merkle works with clients to design, execute, and evaluate what it terms Integrated Customer Marketing programs.

Merkle's analytic and consulting offerings propel the business high in our rankings. The company leverages an analytical approach throughout the business, for example in its areas of innovation such as the Content Lab predictive data source. Merkle received the most divergent client feedback with some clients pointing to their role in transforming the client's business and others pointing to operational and delivery challenges. To remain at the front of the industry, Merkle must address these operational issues while continuing to focus on driving its clients' businesses forward.

Contenders

- **Quaero.** Quaero is the newcomer to the Forrester Wave and the smallest vendor we evaluated. The company is owned by CSG Systems, and the companies are working to integrate the businesses where it makes sense. Quaero describes itself as a customer engagement agency that seeks to help clients increase customer value through intelligence-driven, one-to-one engagements.

Quaero lacks the scale and depth of most of the other companies we evaluated, and clients say that the lack of bench is sometimes painfully apparent. However, the company shows strong potential. For example, its digital capabilities outshine some of our leaders, and it receives high scores for the strategic value that it delivers to its clients. To build on its showing, Quaero must deepen its capabilities and talent pool, stabilize its offerings, and extend its more advanced solutions across its client base.

- **Harte-Hanks.** Harte-Hanks describes itself as an insight-driven direct and digital marketing solutions organization. The company is undergoing a period of transition, modernizing its approach and extending its offering across multiple channels, particularly across digital channels.

The company is beginning to show signs of success, particularly through what it calls The Agency Inside Harte-Hanks, where it has demonstrated success in integrating the disparate components of the business to deliver a holistic solution to clients. To strengthen its position, Harte-Hanks must build on these isolated success stories and extend them throughout its client base.

SUPPLEMENTAL MATERIAL

Online Resource

The online version of Figure 2 is an Excel-based vendor comparison tool that provides detailed product evaluations and customizable rankings.

Data Sources Used In This Forrester Wave

Forrester used a combination of three data sources to assess the strengths and weaknesses of each solution:

- **Vendor surveys.** Forrester surveyed vendors on their capabilities as they relate to the evaluation criteria. Once we analyzed the completed vendor surveys, we conducted vendor calls where necessary to gather details of vendor qualifications.
- **Executive briefings.** The executive team of each vendor spent one half-day with a team of analysts evaluating the company's offering, strategic vision, and road map.
- **Customer reference survey and calls.** To validate product and vendor qualifications, Forrester also conducted reference calls with five of each vendor's current customers and conducted an online survey with at least 12 of each vendor's current customers.

The Forrester Wave Methodology

We conduct primary research to develop a list of vendors that meet our criteria to be evaluated in this market. From that initial pool of vendors, we then narrow our final list. We choose these vendors based on: 1) product fit; 2) customer success; and 3) Forrester client demand. We eliminate vendors that have limited customer references and products that don't fit the scope of our evaluation.

After examining past research, user need assessments, and vendor and expert interviews, we develop the initial evaluation criteria. To evaluate the vendors and their products against our set of criteria, we gather details of product qualifications through a combination of lab evaluations, questionnaires, demos, and/or discussions with client references. We send evaluations to the vendors for their review, and we adjust the evaluations to provide the most accurate view of vendor offerings and strategies.

We set default weightings to reflect our analysis of the needs of large user companies — and/or other scenarios as outlined in the Forrester Wave document — and then score the vendors based on a clearly defined scale. These default weightings are intended only as a starting point, and we encourage readers to adapt the weightings to fit their individual needs through the Excel-based tool. The final scores generate the graphical depiction of the market based on current offering, strategy, and market presence. Forrester intends to update vendor evaluations regularly as product capabilities and vendor strategies evolve.

ENDNOTES

- ¹ Although all three companies continue to offer database services, we chose not to include them for different reasons. Experian did not meet the enterprise interest criterion. Although Experian has recently installed a new management team to run the database business, the company has consistently signaled to the market that it was not committed to this portion of its business. The new management team seems passionately committed to the business, and we're watching for a renewed focus from the company. FICO also failed to meet the enterprise interest criterion. We also question the company's commitment to the services component of its business when its current emphasis seems to be on its software business. Infogroup, which has had a significant change in leadership and ownership in the past year, doesn't currently provide the required strategic and analytical support for database clients. The company is evolving its strategy but to date has been very campaign driven, selling direct marketing engines and data by the pound. We expect to see changes from the new leadership team, but they weren't in place in time for this evaluation.

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