

14 elements of a basic *customer* database

1. Unique identifier
(account #/patient #/
customer #, etc.)
2. Name
3. Address, including ZIP Code®
4. Length of residence
5. Age
6. Gender
7. Marital status
8. Family data (kids, pets, etc.)
9. Education level
10. Household income (HHI)
11. Occupation
12. What are they buying?
13. How often are they buying?
14. Are they buying more or less?

14 elements of a basic *B-to-B* database

1. Unique identifier
(account #/customer #, etc.)
2. Name of company
3. Name/title of contact/
decision-maker, etc.
4. Address, including ZIP Code
5. Phone number
6. Source of
order/referral/inquiry
7. Purchase history
8. Credit history/experience/
D&B rating
9. Industrial classification
10. Size of business
11. Revenues
12. Number of employees
13. How long in business
14. Location

What Loyalty Programs can do

- keep your customers informed through ongoing communications
- keep your customers informed about private sales events
- cross-sell/up-sell customers who are already responsive to you
- give your customers “feel good” perks and special benefits
- provide continuity programs
- “welcome to our family”
- reward them
– show them that their opinion is valued (questionnaires/satisfaction surveys)
- provide you with customer feedback to build better products/programs
- help you build a more accurate customer profile

Database marketing represents the single most cost-effective way of generating new business for a company.

—Direct Marketing Magazine, 6/95

Building and maintaining a database is very inexpensive, relative to the likely payback, especially when compared with the cost of NOT implementing one. The price will depend upon the database itself. How many information sources are there? How much transaction history? How many people will be using it? Since building your database is very much an *à la carte* proposition, it's best to determine exactly what you want before you consult with a professional to create it.

It's important to realize, however, that, although creating a database can be as simple as capturing business cards by having a fishbowl at the cash register, your database can do for you only what YOU'VE done with it.

It's possible to build a database using in-house resources, the major advantage being that you'll get a customized solution that suits your business requirements completely, but the disadvantages are cost, timing and expertise. In most cases, it makes sense to seek out professional database suppliers and systems who could probably assemble your database in a timely fashion.

As you can see, databases can be very complex. But they're invaluable to businesses that are serious about staying competitive. To find out more information, you can look for database professionals through your local yellow pages, or through direct marketing/mail trade associations. There are also a number of websites that you can consult (see the "Resources" section).

Another great resource for your database is also one of the hottest marketing tools available: the Internet. If your company has a website, it's an effective way to capture relevant information about your target. Oddly enough, consumers who are reticent about revealing their HHI have absolutely no reservations about disclosing this information (as well as much, much more) on the Internet, "to a machine." The Internet—and your website—can be a virtual (no pun intended) goldmine of data.

Quickie

Database Glossary:

demographics:

those characteristics that define a particular group of people, including HHI, age, education level, family size, etc.

merge:

the process of combining two or more lists into a single one using the same sequential order, then sorting them together, usually by ZIP Code®

merge/purge:

the technique used to combine names, addresses and related data from various mailing lists to identify and eliminate duplicate names for a single mailing or to create a marketing database.

psychographics:

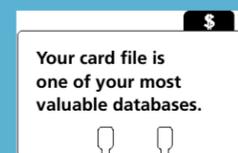
those characteristics, habits, attitudes and lifestyle and behavior patterns that can help you identify your audience, or eliminate those who aren't.

purge:

the process of eliminating duplicates and/or unwanted names from one or more lists.

suppress:

using information on one or more lists to remove duplication of specific names before a mailing, or eliminating those undesirable names.



“Junk Mail” *vs.* “Direct Mail”

The terms “Direct Mail” and “junk mail” are often used interchangeably. The fact of the matter is, they’re two completely different entities.

A baseball catalog mailed to a little leaguer, a flyer announcing the opening of a gourmet food store mailed to a chef—when you send something compelling to the right target, they’ll respond positively to that offer. **YOUR** offer. That’s the power of Direct Mail.

However, you could have the greatest product in the world, but, when the offer is mailed to the wrong target, it quickly becomes “junk mail.” For example, hair products to a bald man. A dog catalog to a cat lover. Information about a preschool program to a senior citizen.

Remember, if you haven’t put your package into the right hands, you’ve wasted money getting it there.

The truth is, “junk mail” is nothing that can’t be cured with a decent list. That’s why the list is a key component of your Direct Mail program. And why it’s so important that you carefully consider the criteria for selecting it. Your list can actually determine the overall effectiveness of your entire Direct Mail effort. (This may sound overly dramatic, but it’s a fact.) It makes sense when you consider that the list reflects those people you consider to be **YOUR** audience. Through targeting, it’s possible to match your product or service precisely to the needs, interests and buying patterns of the audience most likely to buy. This is why many experts in the field have said that of all the elements in a Direct Mail campaign, the quality of the list accounts for 40% or more of its success.

The *database*

As you know, the database is one of the most valuable tools a successful direct marketer can have. That’s why it’s so important that it’s assembled carefully and maintained.

—**DIRECT MAIL BY THE NUMBERS**

One more thing about “List Hygiene”

A compelling argument for keeping your lists clean is the simple fact that the cleaner the list, the lower the mailing costs. By keeping those undesirable names off your list, you lower your “waste” and, therefore, your investment.

When you mail First-Class® or Standard Mail A™ (formerly known as “Bulk Rate”), print “Return Postage Guaranteed” right below your return address. Whatever is undeliverable gets returned to you. So you can remove that name from your list immediately and not waste a penny more on it.

It makes sense to check out or audit your list at least once a year—maybe more if you use it more frequently. What you’ll end up with is a valuable list of names. And more Direct Mail success.

The list you compile or rent can be the most important element in your Direct Mail campaign. Once it’s rented, it needs to be merged and purged with your database to

suppress the sending of mail to the customers you already have in your database, as well as eliminating any demographic or psychographic aspects you feel will limit your success.

Take mail order record companies, for example. An offer to get 10 CDs for only \$1 (if you commit to future purchases) shouldn’t go out to current members who’ve already received this offer. But you’d also want to avoid sending it to college addresses and/or to anyone under age 18 because of problems you may have encountered in the past with younger customers.

Remember, the updating of a list is really a two-step process that involves both merging of list information with your current database and the suppression of undesirable names and addresses.

In retailing, the credo is, “location, location, location.” In Direct Mail, it’s “the list, the list, the list.”

Newsletter lists remained the most costly in 1997, followed by business magazines/controlled circulation.

12 *vital* questions to ask any list broker

1. Who is on the list?
2. Is it a list of everyone who responded or of actual purchasers?
3. How recent is the list? When was the list last updated?
4. If it is a list of actual purchasers, how recently were the purchases made?
5. Can you get a “hot name” select list of those who have made purchases within the last 90 days?
6. How often has this list been rented? (You don’t want to send mail to people who get it by the ton. Besides, lists go stale—as the 20% moving rate attests.)
7. Has the list been tested? (More on testing later.)
8. After testing, did the renter continue the roll out? (It is possible the list did not bring much of a result.)
9. Did the mailer rent the list for a follow-up mailing? (Usually a very good sign.)
10. Where did the list come from?
11. If it came from a company that compiled it,ask to see a sample of their mailing. This may be the most valuable way to see the relevance of the list for your purposes.
12. Is the list clean? Has it been through the U.S. Postal Service National Change of Address (NCOA) file?



Lists should be kept up-to-date by running the names and addresses through the NCOA. Of all of the various list hygiene methods, this is the most crucial because it will eliminate most of the undeliverable mail from the list. Obviously, the more recent the NCOA check, the more accurate the list will be. Remember, returned mail can be a huge waste of money and time for everyone. Ask the list broker for a copy of the list specifications and proof that the NCOA check is reasonably current.

—DIRECT MAIL BY THE NUMBERS

lists that significantly affect the level of response. Usually, the more highly-targeted the list, the more it costs per thousand names. As the adage goes, "You get what you pay for."

What list brokers can't do

Unfortunately, brokers can't provide you with customers' purchasing histories. However, as you move names from the rented list to your in-house database, you'll be able to more accurately see just who your customer is. That's because the profile that you ultimately compile will indicate the dates of transactions, frequency of

purchases and amounts spent, as well as many other demographic elements you can add.

One thing to keep in mind is that the names from the rented list become "yours" when anyone from the list responds to your mailing, whether it's through a phone call, a store visit or a return postcard. What this means is that besides being valuable to you as a customer list, these particular names are now part of your "House List."

Since brokers will be supplying you with lists from other companies, the information on recency, frequency and monetary history (RFM) may not be as relevant as you'd like. Something to keep in mind: while the RFM on a list is important, the fact that a prospect bought a product similar to yours doesn't necessarily mean that what you're selling is at the top of his shopping list. What you will be able to do, though, is compile a much more accurate customer profile as you shift the names from the rented list into your database. You should always ask about RFM, as well as other significant factors in the list. Your database is a valuable business asset, just as important as real estate or your office equipment.



Did you know that we are an incredibly mobile society? About **20%** of Americans change addresses every year.

20%

List brokers are in the business of selling (or renting) lists of names. These brokers can be found in the yellow pages or through the ads in any number of direct marketing magazines. In some cases, the broker has compiled the list, but they're usually acting as a seller's agent. Lists can also be compiled from public, easily accessible records. The telephone book is a list itself. Want to know who just bought a new car? Check the Department of Motor Vehicles' records. What families in the area just had babies? Bought a new home? Or just opened a new business? See for yourself. Information like this is all a matter of public record.

In addition, brokers can supply you with lists compiled by other companies, such as a list of people who've made purchases from catalogs in the past year. These can be very specific, and the broker can help you narrow them further, right down to what items were purchased from what catalogs and how much was spent.

Another great source to consider is the subscription lists of various magazines. These can be a key to reaching people with common interests or activities. Golfers, boaters and even beekeepers have

magazines. Accountants, industrial engineers, orthodontists and computer enthusiasts all have magazines devoted to their particular interests and needs. Why not take advantage?

Of course, there are also general interest magazines on news, sports and entertainment. While these lists are usually much larger than the special interest ones, they're also less-focused.

There are even trade and professional associations and local organizations who'll make their membership lists available. Your options are virtually endless.

What list brokers can do

Brokers are excellent at helping their clients find the best list for their purposes. If your offer is for a free widget, a broker should be able to provide you with a list of people who have bought similar or related items. Whether your need is to reach the widest possible audience, or to reach a narrowly targeted one, the broker should be able to supply you with

—DIRECT MAIL BY THE NUMBERS

Lists *versus* Databases

Although people often confuse the two, there is a major difference between a list and a database.

Lists are raw information. They contain customer names and addresses and are usually either a response list (people who have responded to other offers) or a compiled list (people who subscribe to a certain magazine, or sign up for a warranty, for example).

A database, on the other hand, is knowledge. It is unbelievably powerful and a direct marketer's best friend. Here's why.

A database, *YOUR* database, provides all the information you need to make mailings more targeted and effective. You can include virtually any kind of information in it, from name and address to marital status to education level to purchasing history. You can include customers' hobbies, favorite shopping spots or anything else, for that matter. It can be customized to precisely

your needs, whatever those needs may be. But first, let's consider the list.

Direct Mail Success Factors.....

Compiling *your* list

Most lists are rented from a list broker for a specific period of time, usually one year, with a limited number of uses. The list can be as broad as a phone book, or as narrow as a listing of couples 25–39, who both work in white-collar jobs, drive a six-year-old car that needed a new fuel pump last year, have two children who go to parochial schools, and live on the east side of the street.

Although it's been said before, the most important thing to keep in mind when you begin compiling your list is exactly WHO you're trying to target. It may be a good idea to go back to the "Goals & Strategies" Worksheet to determine precisely which prospects/customers you're trying to reach.

According to the Direct Marketing Association, about half (**47%**) of the companies in the U.S. make their lists of customers and subscribers available.

Over **60%** of the information in business records changes annually.

– Consultant
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