When you rent a list, you get to use the name once, but the list compiler "owns" it. If the person you've sent your mailer to responds, you have the right to enter that name in your database. Now you "own" it. Therefore, a good list builds your database.

Those individuals who respond to your mailing become part of your internal database or house file of customers or prospects. As you add information to the database, it can provide you with a detailed portrait of everyone who inquires about or does business with your company.

The more information you can gather about your customers and their buying and spending behaviors, the more you can tailor Direct Mail efforts in the future. And the best way to gather information about customers and prospects is to ask them.

The *questionnaire* is the answer

Take advantage of the response section of your mailing (as well as coupons, order forms, entry blanks and applications) to ask a few pertinent questions. Or, maximize the opportunity to collect in-depth information by including a survey.

- You'll be able to customize offers to meet customers' individual needs and buying patterns.
- You can focus on the seasonality of your customers and their preferences for bargains during the off-season or preseason.
- You'll be able to rent more lists of prospects who fit the profile of your best customers, ensuring that you're reaching out to people with similar interests, and eliminate likely non-respondents from future lists you purchase.

Once past the initial entry of customer names and addresses, you can introduce RFM scoring into the database. RFM stands for recency, frequency and monetary. These are the records of transactions between your customers and your business.

Mailers are relying primarily on internal house file databasing (65%) and using NCOA (58%) to improve up-front response and back-end performance.

68%

This type of information transforms a simple customer list into a customer database.

RFM: *What's* in a name?

Recency
When was the most recent purchase?

Frequency
How often does this customer buy your product or service?

Monetary history
What average amounts are spent? What products or services are purchased? What is the credit history?

You may have valuable profile information from the list you rented, but from now on, it will pertain to the customer's relationship with you.

As each customer makes purchases, you can enter the records of the transaction into the database and it can then show you trends and buying patterns.

As these emerge for groups of customers or clients, you can compile lists of those who might be especially interested in sales that are expressly suited to their particular buying or shopping behavior.

Does Nancy Green shop only on Saturdays?
How about a "one-day, Saturday-only" sale?

Does Joe Brown buy widgets for his company only at the height of the production season?
How about an "off-season, off-price, stock-up" special?

Does Mark White always buy socks at your store, but never shoes?
How about a "buy a pair of shoes, get a pair of socks free" sale?

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15 things to *aim* for in your consumer database:

- Name
- Address, including ZIP Code®
- Telephone number
- Length of residence
- Age
- Gender
- Marital status
- Family data (number and ages of children, pets, etc.)
- Highest level of education
- Income
- Occupation
- Transaction history
- Promotion history
- Inquiring history
- Unique identifier

Note: To help organize your database and ensure proper identification, regardless of size or complexity, it's critical to include a unique identifier for each name on your list, such as a social security number, account number, invoice number, etc.

Of course, when compiling a Business to Business (B-to-B) database, the needs are different.

17 things in a *typical* B-to-B database

- Name of company/name of contact/decision maker, etc.
- Title of contact
- Address,including ZIP Code®
- Phone number
- Source of the order, inquiry, referral
- Credit history
- Industrial classification
- Size of the business
- Revenues
- Number of employees
- How long in business
- Location of headquarters
- Multiple locations
- Purchase history
- Promotion history
- Inquiry history
- Unique identifier

Note: B-to-B databases are a bit more complex than most consumer databases, because the customer may be a purchasing department,the contact person may be one of a group of purchasing agents, and the buying decisions may be influenced by company policy and history of the relationship. All of these factors are unique to managing a B-to-B database.

A *clean* database is an effective database

Your database (like the lists you rent) should be kept clean. This means taking all the necessary steps for "list hygiene." These should include:

- ZIP Code® correction
- Address standardization
- ZIP+4® Append
- NCOA (National Change of Address)
- Delivery Points for Barcoding

If you are taking advantage of the reduced Postal rates that are available through barcoding, the CASS Certification and Specific Delivery Points are required. (Details of CASS requirements are available in the *Domestic Mail Manual.*)

Remember that statistic about 20% of Americans changing their address every year? Once the name leaves a rented list and goes into your database, the burden for accuracy falls on you. When you rent a list and a piece of mail is undeliverable, you may, depending on your agreement, get a refund for the rental from the list broker. That is not the case if you do a mailing from your own database, so the care and cleaning of the database is your responsibility.

Is your database *working* as hard as it can?

The criteria for determining the effectiveness of your database are best left to the top analysts and experts. Generally speaking, they look at:

- *The type of information gathered*
- *Its relevance to your operation*
- *Your ability to retrieve it*
- *How effectively you use it*

Going beyond the traditional database

11 things you should be *accomplishing* with your database

(See Bob Stone, *Successful Direct Marketing Methods*, Sixth edition, NTC Business Books, 1997.)

1. Match products or services to customers' needs or wants.
Your database should give you a picture of your customers' buying patterns (such as RFM). This can allow you to customize the offers for any Direct Mail campaign to maximize the increase in traffic and sales. After all,if you know that in April your customers prefer books on gardening,offer them a discount on those books to get them into the store. They are likely to spend much more on other categories.

2. Help select new lists or media that fit the profiles of existing customers.
Go searching for new customers armed with the knowledge of the profile of your current best customers. If your database reveals that your service appeals most to young families who have recently bought a home and have two children under age 10, ask for a list which is likely to contain more such families from your list broker. You will have the power of an already established, successful sales profile at work. Keep an eye on the Internet for new and emerging lists and use your website to grow your database.

3. Maximize personalization of communication and offers.
It is long established that more personalized communication and customized offers increase response. Your database can help you to address your customers by name while offering them a discount on their favorite product or in a product category you know will be of interest.

4. Provide ongoing interaction with your customers.
Unfortunately, out of sight is often out of mind. Keep in touch with your customers with regular Direct Mail communication. Even if you are not offering them a coupon or discount or free trial, you are creating top-of-mind awareness that triggers consideration and builds loyalty.

Many companies keep multiple databases and can integrate the information in a number of ways. It is always a good idea to get names, addresses and all pertinent information into your computer. Remember: once a recipient responds, you have the right to enter that name into your database.

5. Pinpoint timing and frequency for promotions.

Use your database to track the timing and frequency of promotions. Then,see who responds, and at what time of the year. You can spread offers out over a period of time to different people based on the buying or shopping patterns of your customers.

Even more importantly, you can initiate a response to your competitor. Let's say your chief competitor has just launched a campaign to increase sales and traffic through discounting. Within days, you can respond with your own sale announcement delivered on postcards. Follow up with a more elaborate message if necessary.

6. Measure response and be responsible for results.

Direct marketing is unique in that it is measurable. Perhaps more than any other medium, Direct Mail can be evaluated for its impact on a specified goal.

Of course, if you offer a coupon or discount, you can measure the response in terms of redemptions. The overall impact of a mailing can go far beyond that, however, as increased traffic and cross-selling can often add to the net effect.

However, the experts emphasize that if the results are not satisfactory, go back and distinguish what worked from what went wrong. Was it the relevance of the product offered, or the amount of the offered discount, or the creative? Sometimes a less-than-successful mailing can generate important knowledge or mask the success of specific cells within.

7. Help create offers based on customer feedback.

Enter customer requests and feedback into the database. As you test different offers, price points, promotions, etc., compare the responses to each to see if some pull much better than others. Listen to customer suggestions for future offers—they may make a lot of sense. Use those suggestions to interest suppliers in partnering on a co-op offer.

8. Help establish your company uniqueness.

It is especially difficult to remain unique. Wonderful ideas are matched by competitors who also quickly realize when you are onto a good thing. But your ability to establish a unique promotion or offer that is just right for you and your customers can be generated out of an analysis of your database

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information. Retailers and catalogers have been able to establish sales events that are eagerly anticipated by customers. Older establishments may have held such sales long before they had a database—but now their effectiveness should be easy to confirm. Generating a list out of your database of interested, motivated customers with a history of responsiveness is not difficult to achieve. Don't forget to enter data from your website and include "e-shoppers" in your mailing.

9. Help integrate Direct Mail with other forms of advertising.

As part of an overall campaign, Direct Mail serves as a personalized, delivered-to-your-door business advertisement that can serve to supplement an important print or radio and television buy. It focuses the attention and awareness achieved by the "larger" campaign and brings it down to a localized level.

Large, national brands can work with retailers to back up offers on a co-op basis. Direct Mail can be the exclamation point on a national marketing campaign.

10. Demonstrate that your customers are valuable assets.

You can use your database to establish "private" sales. Direct Mail is more discreet than other forms of advertising. Your competitor will certainly find out what you're doing, but not until the message is delivered. This can give you a clear competitive advantage.

Your database is also the key to establishing a customer reward or sales incentive program. As any airline can tell you, reward programs certainly build brand loyalty.

11. Show customers you care about their opinions.

Conduct a customer satisfaction survey both in your store or through Direct Mail. It can be especially valuable if you hear from inactive customers. Then you can tailor an event to bring them back.

In addition, you may use your database as an asset in a more direct way. You can rent it to others. As mentioned, 47% of the companies in America lease their lists. You can set the limits on what information will be made available to others, and it can be a source of revenue.

Use Direct Mail to announce special sales events.

Use your *data* to get more customers.

Now comes the fun part: making your business grow. One way to accomplish this is with expansion. Simply put, you rent new lists and use them to expand your mailing.

Let's say that your database reveals the demographic and psychographic picture of your best customer. Your business is attracting the attention of women, 35–49, who work in offices, have three children, take two vacations per year and buy seven new pairs of shoes annually. To take full advantage of this knowledge, you need to present that information to a list broker and request that it be matched. Logic dictates (and history proves) that if a list meets as many of those profiles as possible, the response will be high. The narrower the parameters, the more the list will cost.

This is the most easily accomplished predictive model you can construct. The more items that match (and need to be suppressed), the more positive the response you will get. It will be a shorter list than the one you rented, but the results will be proportionately better.

Friend get *friend*– member get *member*

Another method for growth is to ask people on your database to make a referral. It's as simple as asking customers to tell a friend or organization associate about your business. Frequently, you might offer a bonus for the referring customer, such as a special gift for bringing in a new customer.

Once you've got them, build customer loyalty.

You can use your database to build a strong customer/client loyalty program. Targeted Direct Mail is an effective way to:

- Let customers know about new lines of products that the company is planning to introduce that will be of special interest based on your

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knowledge of their buying needs and patterns

- Announce a "Customer Reward Program"
- Let customers know about sales events that are open exclusively to them
- Private sales and pre-sales events

You can also leverage your loyalty program to:

- Bring in other family members or other business people who you know would share your customers' interests
- Explore other options and similarities of profiles that would raise brand awareness and equity to create a "shop-here-first"attitude
- Utilize a Direct Mail customer satisfaction survey to keep in touch with customer and client needs

Today, you can also use database information to assign a value to a customer. Create a multitiered customer list (A,B,C,D) and differ the offers to each. It also allows you to prioritize your marketing budgets according to the value (or potential value) of each customer group. Built-in incentives and reward programs ("Gold," "Silver," etc.) can motivate customers to move up to the next level.

Merge it/ purge it *before* you send it

Once the lists are rented, you should purge them of duplicates and existing customers. Then, they are merged with your database. This is a new merge/purge, different from the list cleaning. Merge/purge is the vital technique used to eliminate the likelihood of sending multiple mailings to the same address or individual. But now, the process becomes more complex.

The reason is that name and address matching is both a science and an art. Many decisions need to be made, because merge/purge is not simply a computer run. The same person can appear on different lists in different ways, and it is sometimes tricky to determine if it is a name or address that requires purging. The strictness or tightness of the match criteria determines the extent of the purge and any suppression criteria you want to use.

Merge/purge names—those that appear on two or more lists—will outpull any single list from which these names have been extracted.

For example, you may want to merge/purge based on "household" logic. In such a case, the computer would be instructed to purge any duplications based on address and surname. However, you may wish to purge based on "individual" logic, in which case you would add a requirement to match given names also. If you were a bank announcing low home equity rates, the household logic would be ideal, because there is no need to reach more than one person at any address. If you are a credit card company, you may want to send an individual letter to everyone in the home, since it is not unusual for multiple family members to have their own cards. The merge/purge decisions can be critical toward determining the final results of the campaign.

Knowing the effects of your merge/purge decisions on the final list is as important as any step in the process.

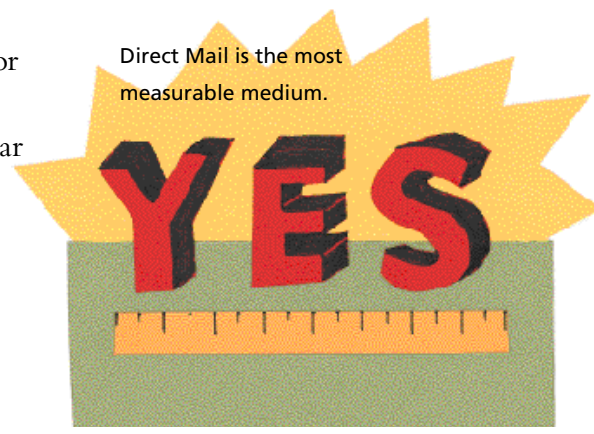
You may also want to suppress names and addresses that are known credit risks, or people who have responded before but never made it to the customer list. You can run a merge/purge on two or more lists simultaneously, and specify that any names that appear on both lists be kept on the one that is less expensive and purged from the one that is more expensive. But beware. If a name shows up on both lists (and both lists meet the profile of your customers), it is highly probable that the person will respond to the mailing.

If you are testing the two lists against each other, you will have loaded the inexpensive list with more "good" names than it normally would have. So when testing lists, you should randomly allocate duplicated names to both lists.

In essence, the merge/purge process is used to:

- Clean lists
- Eliminate duplications
- Suppress the number of "bad" names that can get through
- Make the mailing cost efficient

Your database is the primary source of information about your customers, and by expanding it with new lists, merging and purging, you can widen the scope of your customer base.



Upgrading the *quality* of your database

- Clean it. Run it through NCOA and get rid of dupes.
- Keep it clean. Have a set maintenance procedure and follow it.
- Update and correct information as soon as it is available.
- Try not to make your database compete for computer memory.
- Get all the data you can. Link customer transactions to SKU numbers, promotional histories, customer surveys, etc.
- Model the data. RFM can be used to rank customers according to potential. Predictive models can show you what will work in the future. Try several models.
- Expand the data. Add lists and add customers.
- Enhance some more. Add commercially available overlay data to profile your customers.
- Use suppression. Make sure you aren't wasting your efforts by sending to prisons, known bad credit risks or to customers who would be inappropriate for a particular offer.
- Use your database to thank the 20% of your customers who account for 80% of your business.
- Use personalization wherever possible.
- Convert leads quickly.
- Build your database by asking your best customers for referrals.

Safeguards

In addition to the obvious safeguards against theft of valuable data, you'll also want to keep track of your own operation.

- Deliberately keep decoy names on the database to make sure that your list is not used for unauthorized purposes and to see live samples of your own mail pieces.
- Buy something from your company through the mail to check on data capture, entry and fulfillment.

The development, maintenance and growth of your database can result in a valuable engine that drives your business.

56% 55 39

The top three reasons mailers gave for increasing their mailing frequency were company growth/expansion **(56%)**, strategy change **(55%)**, and new product lines **(39%)**.