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Database Marketing is the only UK magazine that covers the tools and techniques used for both business-to-consumer and business-to-business customer management today. Every month, it addresses critical topics like customer retention, profiling and segmentation, data selection, site location and campaign management through a combination of regular software reviews, articles and opinion. If you want to know more about tools like data cleansing packages, OLAP analysis software and GIS, this is the magazine to read.

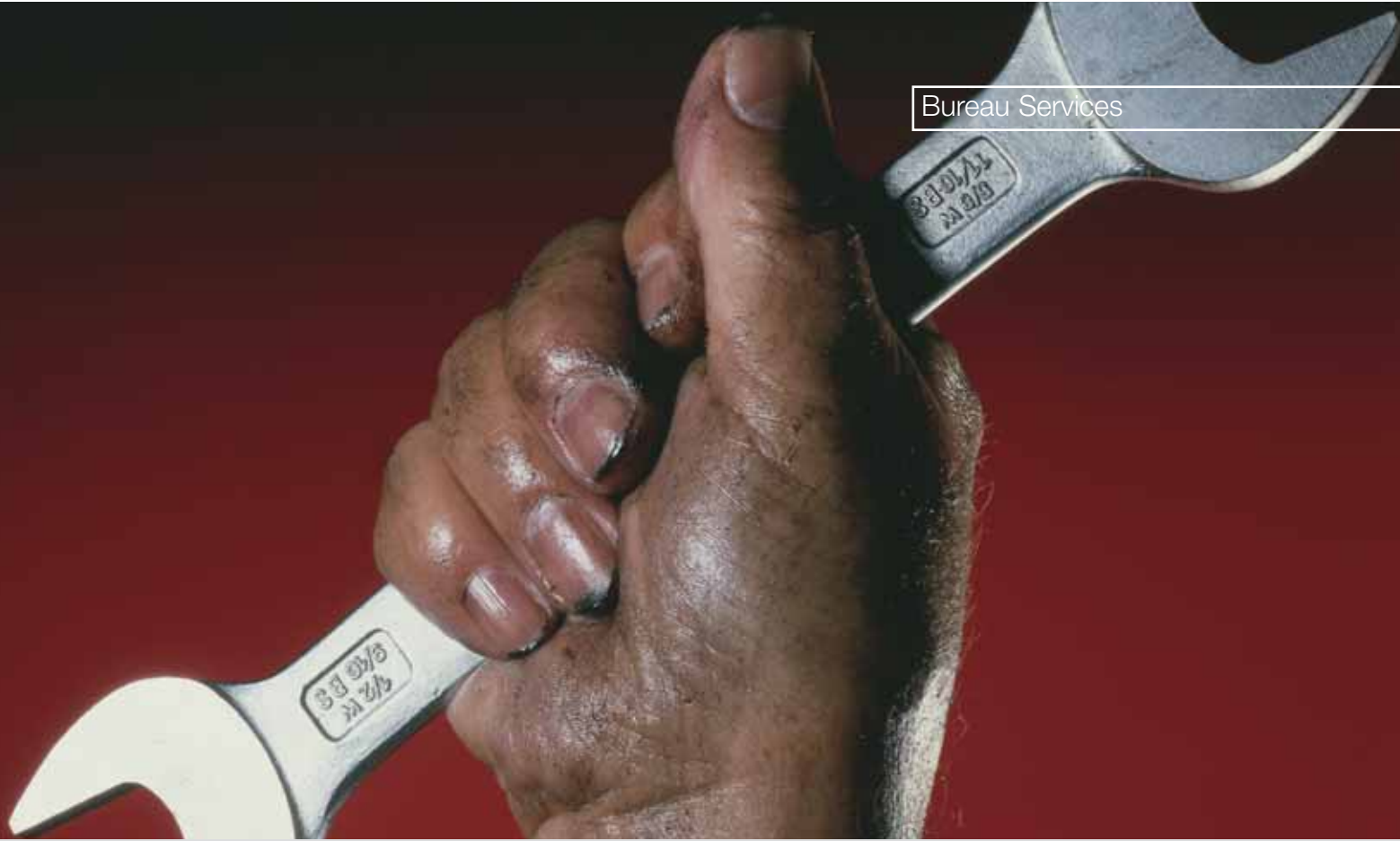
Not afraid to mix data warehouses with targeting or statistics with geodemographics, *Database Marketing* bridges the gap between sales, service, marketing and IT to inform both those that work directly with these tools, techniques and data, as well as board level executives that have to decide which systems and services to choose for their company.

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Does the rise of packaged hosted data and analytics services mark a sea change in the way marketers can work with their customer and prospect data – or it is just more of the same? James Lawson investigates.

Power to the people

Back when dinosaurs roamed the earth, the only way that marketing could get hold of the data it wanted was to form an orderly queue at the door of the IT department. Though many companies are still stuck in the Jurassic period, marketing-specific software and services have made access to data and analysis much easier for the majority over the last decade or more.

Now, we are seeing the rise of more packaged, self-service solutions where the data is hosted remotely but users have access through a web front end to count and select their own customer and prospect data as well as a host of other services. Sitting between traditional hosted databases and today's new generation of on-demand software such as salesforce.com, these integrated offerings look like a distinct change in the evolution of marketing services.

Tiered offerings

Starting with Blue Tahiti last year, more packaged online services have now arrived in the shape of helpIT Systems' segmentIT, Market Location's Horizon and Experian's Fusion. There are also moves from bureaux like SDM (reviewed last month) to put a wider range of services online rather than just cleansing or data

purchase.

Functionality varies between suppliers and also between different levels of service on offer, but in general packages like Horizon and Fusion break some new ground in offering the tools and data needed to profile and report on customers and to select prospects within a single browser interface rather than the single discrete services generally seen up until now. With Fusion the exception, these services also tend to be simplified for business users and, rather than being built to order, they are generally offered as standard packages with specifications based on a monthly subscription charge.

"Data analysis in itself generates questions that need to be answered by individuals with the right business insight, not IT expertise," says Nigel Bennett, sales director at Market Location. "Marketers and sales professionals are best positioned to take ownership as they are predominately tasked with customer retention and acquisition.

Already Fusion, Blue Tahiti and Horizon service the high and low end b2c marketplace and the b2b market respectively and the scope is there for other new web-based offerings to make up a range of tiered automated services aimed at different parts of the marketplace.

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Mark Robinson, managing director, Marketing Databasics.

models online," says Mark Robinson, managing director of Marketing Databasics. "With tools like KXEN, non-statisticians can build models though they still have to be business and data-literate. You could easily do it online rather than installing it on a server, and you could work on local or hosted data."

However, there is little new in the idea of clients running marketing work themselves or the underlying technology employed. Scott Logie, managing director of Occam, gives the example of Eurostar, where "all communications, data work and analysis are done online via Alterian". He also cites a project for the Army where the details of those registering an interest on the recruitment website are automatically verified and added to the database. So where do these new services fit in?

"We use Blue Tahiti as a low end access tool for clients and to plug a gap in running counts for list management," says Logie. "We're still looking at developments of the product and it's very different to a year ago, it has improved immeasurably. You're always going to see different levels of service. We might choose either Alterian or FastStats as a front end for a client based on the complexity of the underlying data and the client's needs."

The parallels with the Email Service Provider (ESP) marketplace are striking. Using proprietary standardised web-based platforms hosted by the likes of Responsys and Adestra, marketers can build emails and plan campaigns which are then fulfilled by the ESP. Additional services and advice are on offer if required.

Many database-marketing specialists are already deeply involved in this area. For example, Marketing Databasics hosts an email campaign management system for Scottish Equitable whereby the company can load on its own prospect data and run all the other aspects of the campaign independently of both the service provider and the internal IT department.

"All the compliance and branding is already in place," says Robinson. "They can execute email campaigns in minutes rather than having to send files off or get the IT team to sort it out."

In essence, the new services could be seen as an attempt at "productising" existing heavily-bespoked "black box" bureau and consultancy offerings. This certainly helps remove much of the mystique, confusion and complexity of customer data, making processing and analysis look more inviting. As Bennett implies, part of the message is, "It's not so scary, you can do it yourself whenever you want without asking for help".

But is that really the case? The trailblazers in automated online services – the data processing and list sales sites – are upfront about making their tools as simple as possible. But there's a fair old difference between generating a multidimensional profile in

order to build a complex selection and running a file through something like Direct Connect Online to clean it up before mailing. It's not so much about keeping the interface simple, though that's obviously a good thing, but in the user understanding what it is they are trying to achieve.

"The new hosted solutions are very interesting but require a good level of user understanding, certainly for the analytics," says Steve Day, director at UK Changes. "From experience, I would think that customers would be reticent to upload their data without some contact with the supplier and understanding of what they may be able to achieve. It's not to say that it won't come, but I see it as even more specialised than the mass-market cleansing systems."

Market Location worked long and hard to make the multidimensional b2b profiling in Horizon both highly functional yet easy to learn and interpret, and certainly the suppliers do provide training and helpline support as a matter of course. But it seems that there will almost always be some element of support and customisation required by the hosted provider, which appears somewhat contrary to the idea of marketers simply logging on and doing everything themselves.

"There is a place in the market for these tools but it is limited," says David Green, business development director at GB Group. "They will never surpass the skills-based offerings. A standard package might sound right but everyone will want to do things differently."

There's also the counter-argument that those with greater ambitions might be held back by packaged services. "If you only ever eat at McDonalds, then you don't know what a good burger is," says Logie. "With just a few levels of service, they may well have restricted application."

However, Sophie Womack, Experian's head of product management, thinks that the reverse is true with Fusion. "It's about making life easier for marketing by offering a single platform with 24/7 access rather than having to go to multiple vendors," she says.

"Companies would typically have in-house teams that would want us to take some or all responsibility for the process but want us to build and maintain the platform and hardware, and maintain and load the data."

You see what you get

Pricing for marketing services is usually something of an *a la carte* affair. According to Logie, some Occam clients pay as little as £2000 per month for online access and database updates once the initial build is complete with other work charged pro-rata, while others can pay as much as £50,000 monthly.

"That's where there is lots of continuous work," says Logie. "Daily or weekly feeds, analysis and so on. There's no standard charge because there is no standard database."

With packaged services, the pricing is closer to a



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standard fixed price menu and standardised costings for the different levels of functionality in the package will be welcomed by many because of the transparency they bring. As in data processing, this means simpler comparisons between providers' pricing, and also the potential for commoditisation of simpler analysis tasks.

Their cost does appear stunningly low at first glance – the monthly fee for the basic Horizon package is only £500 – and though the far more comprehensive Experian system comes with a standard fee of £55,000 per annum plus the cost of prospect data processing and purchase, this is considerably less than would be traditionally charged for prospect database hosting at this level.

Lack of commitment is another possible benefit of packaged services. Indeed, it's arguable that the most innovative aspect of Fusion is the pay-per-use model that it introduces for the Canvasse file, rather than any other part of the online service (see p31). This means that paying up-front for names and then having to claim back on a net basis is no longer necessary.

With installed software there is a big upfront obligation, while most bureaux will insist on a minimum term of at least a year with a conventional hosting deal. Contrast that to Market Location's Horizon where a single user signs for a minimum term of six months. With Blue Tahiti, it's only three months which, with some training, makes packaged services a great way to try these sorts of tools out to see if they suit the company.

But as almost all users will need some sort of initial and ongoing added extras, like customised reporting or consulting, could this type of service be something of a red herring to entice you into the arms of the account management team?

"It's not a completely new model for us, it's a natural extension of what we've done in data cleansing and integration before," says Womack. "Users' needs are very varied and that's why we have employed such a flexible service model."

Certainly for those requiring more complex data integration to build a customer database in the first place, these types of automated services are not the place to start.

"The process required to get data into a usable state is an offline process," says Logie. "We actively avoided putting these kinds of services online, there's not a lot of point. 80 per cent of the work is getting a working customer database and maintaining it."

So packaged services appear to be more for those that already have a good database and some level of in-house skills, or that are prepared to invest in getting to that point.

"The data build process can take some time and for larger data sets, we would load it for them and then give them access to it," agrees Steve Day. "The Experian one looks like it would have a high ticket for the initial

set-up but it's great that they have brought out the service, it shows what can be done. With analytics, you will need good support, training courses and so on."

Fresh today

Direct access to big consumer files is another driver of the move to broader packaged online services. If you can develop a profile from your own customer data and then immediately apply it to select from a business or consumer universe, that's potentially far more powerful than simply buying a list online – as has been possible with various sites for some years now.

"The way to drive better use of prospecting in middle tier companies is to make it more cost-effective and the way to do that is to make intelligence affordable," says Robinson. "You need to put intelligence behind prospecting, that comes first."

There's also the attraction of having a fully updated universe available at all times to select from. Online services can mean matching to and selecting from the most recent reference files, and can support a "drip feed" approach to updating suppression and prospect data.

For example, The REaD Group recently introduced daily updating via the Internet for The Bereavement Register while Experian claims its Fusion service will use the very latest versions of its Canvasse consumer file and its own suppression products. Other data owners are taking the same approach, though the recency of the files offered by the majority of bureaux, whether online or off, depends on how often the bureau takes updates from the data owners itself.

"Our online service ensures the most up-to-date reference data is available to the client and reduces the sometimes onerous responsibilities of maintaining it locally," says Mark Dewell, national sales manager at Hopewiser. "Typically, we find this facility is used by organisations with smaller databases for general mailing campaigns, numbering tens or perhaps hundreds of thousands."

As well as introducing a web-based cleansing site early next year, GB Group is using web services to pipe in new data daily rather than employing conventional quarterly disc-based updates. The company claims that a total of over five million PAF and OSIS record updates will be available to clients for its cleansing and capture products well in advance of the normal update time. The company is also using this online updating approach to feed trigger data such as home-mover information to its clients' systems as soon as it becomes available.

"We see online as a huge opportunity," says GB's Green. "Automated services are well suited for quick access to basic services. At the top end, the complexities are growing significantly with multiple channels. The real driver for this is the Travel and Leisure sector where clients want near-real-time feeds and almost



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Scott Logie, managing director, Occam.

daily campaigns.”

When you consider the way that IT standards are evolving, with service-orientated architectures that link remote services with in-house infrastructure, a future in which outsourced elements of a company’s customer data needs can simply be “plugged in” seems credible. Whether it’s achieved by building a hybrid capability like this or by subscribing to some sort of broadly functional outsourced packaged offering, both would provide marketers and analysts with a portal through which to access the services they need.

Thus far, Experian’s Fusion appears to be the closest to this ideal, with a range of tools within a single platform. According to Womack the company will extend the functionality in future, perhaps adding other in-house tools such as those for campaign optimisation. However, it’s debatable whether many other vendors would be able to build a platform like this.

“Experian is in the relatively unique position of having the data, the services and the Clarity Blue tools,” says Robinson. “Acxiom and CACI could do something similar. There will be a pressure to use Experian data and even if you do want to use other data, would other providers allow it?”

There are other factors to consider in how attractive packaged services are. Many companies, particularly the largest ones, are still wary of going online, even with private networks, encryption and the rest of the security apparatus.

“There is still some reluctance by volume mailers to push their information out on to the web,” says Dewell. “We have lots of security mechanisms in place, but with large data processing a lot of our customers demand integration at database level as part of their solution rather than an external service, because it is so business critical for them.”

A step forward

The direct marketing industry is going through times of great change, with consolidation and online services just two of the factors. The latest services do mark solid progress in convenience, speed of implementation and pricing transparency, and may well also mark the start of commoditisation in simpler forms of analysis services. They are unlikely to be “plug and play” for most users but then few direct marketing tools are.

However, just as standalone online tools for cleansing and data purchase will only suit a certain proportion of the market, these packaged offerings will not satisfy all users – at least not on their own. Handily the companies offering them will be happy to augment their packaged offerings with additional facilities.

“The new services productise what we do, it’s evolution, not a great leap forward,” concludes Logie. “It’s a good and sensible thing to do, it makes the whole process understandable, but everyone will want some level of tailoring.” ■



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