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James Lawson considers some of the new data products hitting the market and whether the abundance of data available is driving down consumer data prices.

PERIODIC UPDATE

It is a busy time for consumer data vendors as both new and updated products are rolled out – and for their customers, who will have to consider, test and select from the wide choice they now have. The 2001 Census data is also now available and the main marketing services suppliers such as Experian, EuroDirect and CACI will be releasing an updated set of geodemographic classifications rebuilt with this data later this year.

Keep on rolling

The first packaged 2002 Electoral Roll products are now reaching the market, with Equifax first in the race to get a product out. The chief difference this year is of course the 20 per cent drop in coverage, at least for marketing use, that the opt out has produced. This is unlikely to make any difference in how the files are sold for prospecting; the arrival of fresh clean data is going to be the main thing that will interest mailers.

Indeed this is how Equifax has already marketed part of its Roll data. In essence, the company has compared the 2000 ER to the latest version and has

identified over four million individuals and over 2.5m households which did not appear on the 2000 Roll. These have been screened against various reference files to produce a file of individuals who are credit-worthy, over 18, likely to have recently moved house and available to mail. Credit and lifestyle data from the company's Dimensions database has also been modelled onto the file and appended at full postcode level.

"We were about a month ahead of everyone else," says Equifax's sales and marketing director John Hymas. "We identified homemovers because they are a key trigger for many marketers. We're also looking at the opportunities at the moment for a reference file."

The various "gap filling" roll replacements have been out for some months now but their acceptance by the market is still difficult to gauge. An enhanced Roll's obvious application is still as a reference file for data cleansing but it is not yet clear whether marketers prefer them as a source rather than buying a mixture of opted-out Roll data and names from other suppliers.

"Only two companies are really trying to replace

the Roll now," claims Consodata managing director Dawn Orr. "The others, including ourselves, have enhancement and targeting products based on it. I'd rather Experian came out with a definitive ER product and I can license it."

Orr gives the example of large mailers such as MBNA. "Their reaction is going to be to buy the ER for cleansing and validation purposes, and they will also buy enhanced Electoral Roll, lifestyle-based and transactional products – they are going to use them all. The ER will be the best base file until we can't fill the gaps in it anymore, then it will be about the 'gap filling' market and the targeting market."



Clients can still buy the data direct from us if they want

Justin Cooper, business unit director, Bounty.

OmniLifestyle, Consodata's own consumer targeting product released this month, is built from Electoral Roll, census, transactional data, geodemographics and the company's own lifestyle database of eight million records, using an innovative stats technique called "hot decking" developed by Tim Drye of DataTalk. Tens of thousands of "micro clusters" of similar individuals are created, then aggregated and applied to the full data set.

Increased modelling accuracy is supposedly due to this technique's ability to preserve the relationships between the different data variables much more consistently than other statistical methods; a fourfold increase in accuracy over conventional techniques is mentioned. On the basis of this, Drye himself claims that the similar response levels can be obtained from a mailing a quarter of the size of that required for other similar files.

"Our USP was going to be transactional data and we will continue to add that over time," says Orr. "We wanted to tighten up modelling and scoring so the product gives you a performance differential, otherwise we're just another "me too" product. It also allows channel preference scoring."

Still innovating

The national file that pre-empted Consodata's in its use of transactional data was dunnhumby's Crucible. This remains as before in offering aggregated transactional data from Tesco, though it will no longer contain names and addresses from Bounty's Ultimate Family Profiler database as was announced at its launch. According to a dunnhumby spokesman, this may change in future but currently, "we have about all

the data we can cope with". Names and addresses sourced from Bounty are still used as part of CACI's Consumer Register product, though other attributes are only available from Bounty itself.

Bounty's business unit director Justin Cooper feels that it makes little difference where clients buy the data, either direct from Bounty or through licensees as part of a merged national file. "Clients can still buy the data direct from us if they want," he says, "or from CACI or Claritas. If they want to do the dedupe and match themselves, they can do that, though they will need high volumes to make that worthwhile. We retain all the attributes as it is our core business."

As well as rebuilding its range of census-based products, CACI has also recently used NOP's Financial Research Survey (FRS) along with its own consumer data to create Fresco, its latest consumer targeting product. Containing nine segments and 32 sub-segments, the product has been built by matching individuals on the Consumer Register – the company's UK reference file – to individual responses from the



FRS. Fresco codes for individuals on the Consumer Register not found on the FRS are derived by modelling their likely response to the key FRS questions using other CACI data. Codes are modelled onto a client's customer database in a similar fashion.

John Rae, director of business development, CACI, says: "So often, companies have a specific segmentation, with which they need help to incorporate into their prospect or customer lists. The problem comes when the segmentation design makes it unsuitable for coding customer files. That is why we were eager to build a practical system, one designed from the start to be easily applied in consumer marketing."

In the last few months, new products have also arrived from EuroDirect which has released its first ever lifestyle-based classification. Cameo Lifestyle works at household level, and the product's attributes concentrate on age, affluence, lifestyle and lifestage. It uses seven age bands, nine levels of affluence and 14 lifestyle and lifestage groupings to place every UK

Marketers want the freshest data but are they prepared to pay enough to cover the full cost of gathering and maintaining it?

household into one of 84 typologies.

The company has also modelled lifestyle data across the UK consumer universe to build its Cameo Choices product. This scores 40 million UK individuals by their propensity to behave in a certain way, for example, to make mail order purchases or to be an active investor.



The market has definitely got tougher

Noyan Nihat, managing director, Highbury Direct Media.

Tough market

Perhaps because of this stream of new products as well as the faltering UK economy, the data market has seen unprecedented levels of competition for business. Companies are cutting back on their prospect mailings and concentrating on developing their own customers, meaning that prices are dropping and some seriously good deals are out there for those who know

Getting better all the time?

Although the market is tight, at least all the effort by the UK's marketers to improve the accuracy of their data has paid off. Results from research carried out by Hays Marketing Technology across the UK top 500 companies in the utility, retail, banking and insurance sectors have revealed an increase in the accuracy of prospect and customer data in the last two years. Respondents were also asked to predict how they thought data accuracy would change over the coming two years. The survey was last run in 2001, giving the opportunity to compare predictions with this year and see if marketers' expectations have been realised.

- On average the accuracy of customer data accuracy has risen by 25.5% over the last 2 years, and has exceeded the expectations marketers had two years ago for 2003 by 8.1%.
- Marketers across all sectors expect customer data accuracy to rise a further 10.4% in the next 2 years.
- Every sector surveyed except the utilities industry exceeded the customer data accuracy predictions given in 2001. Utilities firms believed there had been an actual increase in standards of 5.6% over the last 2 years, but fell short of 2001 expectations by 11.4%.
- On the other hand, whilst standards in prospect data accuracy have increased by 12.7% over 2 years, they remained 8.4% less than 2001 predictions suggested at 51.4%.
- Marketers across the board envisage that data accuracy will improve by a further 13.8% by 2005.
- Almost every sector surveyed failed to meet the optimistic expectations of 2001, with the notable exception of the banking industry which excelled with an actual prospect data accuracy of 67.4%, a massive 31.9% better than 2 years ago and 11.3% better than predicted for 2003.

how to squeeze brokers until they bleed. But is this just a temporary blip to be taken advantage of or is the lack of demand reported by some and the downward pressure on data prices serious cause for concern?

"The market has definitely got tougher," says Noyan Nihat, managing director of Highbury Direct Media. "Financial services took a big dive at the start of last year, though mail order and credit card business has been fairly buoyant. There's a lot of data available – the market's been saturated for a while and there's not many new or unique lists out there. People are netting down a lot more than they used to. If you go out and say, 'I want to buy a million names', you'll be shocked at the level of discount."

Nihat admits that many companies have obviously succeeded in getting the price they want and others are looking for open-ended net name deals, something that he finds shocking. "It used to be a dirty word," he says. "We very rarely agree to those kinds of deals but we are put under increasing pressure to do so. You might sell a million names at £90 per thousand but they will only use 300,000 of them. It's very hard to audit these deals"

"There's certainly a big downturn in price," continues Nihat. "You have clients saying 'company X has given us a 50 to 60 per cent discount'. It's shocking in some circumstances. It's certainly the time to buy high volumes. People are looking to pay between £40 and £50 per thousand."



There are nice big chunks of data out there that aren't being mailed

Dawn Orr, managing director, Consodata.

The logical progression from cheap prices is a drop in the quality of lists, something that worries Amaya Tasker, who runs Swetenhams list management and broking operation. "The market is pretty much static and there's a lot of deals being done," she says. "But if the rates are too low, you're going to end up with list fatigue due to overmailing while you won't have the money to invest in the list."

This is something Nihat fully agrees with, contrasting the investment his company recently made in updating a large financial database with the pressures on smaller companies simply to make it to the end of the month. He says, "We spent a lot of money on it but perhaps if you were in a private company, you'd think twice about doing that. If people reduce the quality of their data, then they won't survive."

Another worry is that lists will be sold to mailers that are more likely not to follow the DMA code of

conduct and further tarnish the reputation of direct marketing. There are rumours of sales to foreign mailers promoting lotteries, whom UK data owners are forbidden to supply, for example. Nihat confirms that he has been approached and that other companies are supplying them "on a regular basis".

We also often hear about how, in these times of economic uncertainty, marketers are shifting budgets below the line in order to justify their marketing spend. This prediction appears to finally have come true as brokers and data owners report having to deal with some less than experienced clients presenting what one called "close to nonsensical briefs".

"We are getting more people who really don't know much about direct marketing," confirms Nihat. "They ask for bizarre quantities and tests. It's possibly due to cutbacks and we're just getting more junior staff. It's really a broker's job to do all the handholding – it's very time-consuming."

Tasker agrees that the pressure to show results from spending on marketing is definitely bringing in some new clients, some of whom can be particularly profitable. "It's good for proving where your money is going – budgets have been slashed across the board," she says. "Our job is to educate them. A novice might buy all their data at full price from one broker in one go, and then a year later they find us in the phone book. A lot of people simply don't understand what we do but they learn very quickly."

But besides tales of dealing with the most inexperi-



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Amaya Tasker, MD, data provision, Swetenhams.

enced clients, there is a feeling that many clients are less capable than they once were or stick with sometimes outmoded or even counter-productive methods. In some cases, that might be because the purchasing department is buying the data rather than marketing, but many complaints centre on old themes: the obsession with the very newest data which is usually thought to be the best for accuracy and response and a refusal to mail any prospects that has been tried before. How often have you said: "don't give me anything older than 12 months or anything I've mailed in the last year"?

"We ignore older data at our peril," comments Orr, "but you almost can't sell anything over 12 months. Email is the most extreme example, if it's older than six months, it's dead. It means that there are nice big chunks of data out there that aren't being mailed – is

the performance of the older data so bad that it's not worth mailing?"

Asking suppliers to send only new names, and then stripping out any remaining previously mailed names from the lists is a standard part of data planning for almost every company involved in serious direct marketing. There are two points here: firstly, like the fixation with fresh data, is it a smart idea to only mail somebody once and give up if they don't respond? "I think they often exclude previous usage because 'we've always done that,'" says Tasker. "Net name deals were originally only against the house file but now they run against previously mailed names as well. You can lose 30 or 40 per cent from a new file. As for checking up to see if they have used names, you're reliant on a report from a third party bureau and we do check those."

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John Rae, director of business development, CACI.

Secondly, many client companies are holding onto rented data and using it as a semi-permanent suppression file. What do data owners think about this? Apparently everybody knows it goes on, but nobody bothers doing anything about it in order to keep the client inside.

"It's a little bit naughty because it's not in the terms and conditions, but the owners know about it," says Orr. "If it's good for business in the future, we will turn a blind eye. It's not the same for re-mailing though!"

Nihat agrees. "We wouldn't be happy if we were asked to okay it but I can't think of one company that doesn't do it," he says. "The problem is that these files are getting bigger and bigger, and driving lower and lower net volumes. My argument is that if they mailed someone on list A last year, and they turn up again as a prospect on list B this year, then they have obviously responded recently, are active and are worth mailing."

Buyer's market

The consumer data market remains in the hands of the list buyers at the moment and looks likely to continue in this way for some time as mailing volumes remain flat. Thankfully, marketing services suppliers are continuing to innovate with a host of new data sets and the accuracy of data overall continues to rise (see boxed text). But for those in the business of supplying customer data, the outlook – like that for the UK and world economies – is not particularly rosy.

As Nihat says, "Last year was wasn't easy – this one will be tough too." Perhaps now is a good time to be on the client side. ■