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So is this a recession or not? Marketing agencies and IT multinationals alike are laying off staff left and right but, depending who you talk to, most parts of the direct mail industry are still booming. Despite a supposed slowdown in activity, consumer data vendors report brisk business with clients as eager as ever to get their hands on the latest, freshest, least mailed names.

Tightening up

It's not just about getting the volume of prospect names in many cases.

campaign to the data. It's a shift in the use of data, perhaps brought on by the recession."

The fear of getting your budget chopped means this process is not altogether voluntary but the results make the effort worthwhile. According to Matt Foy, sales manager at UK Data Services, "People are becoming a lot smarter, a lot less complacent since the recession started." He adds, "They are using the same volume of data, but clients are beating their previous response targets."

Other factors, such as the easier availability of customer data and other marketing services via the Web, are helping too by allowing smaller test campaigns as well as quick "train of thought" counts to be run from the desktop.

"Providers like ourselves can now offer more data in more ways," says Taylor. "You can look at a sample of data online, cross-tab variables in geodemographic or lifestyle data sets and download what you need with no minimum order quantity. That kind of data

Sharper Targeting

As fears of an economic slowdown continue, the attractions of targeted direct marketing to consumers are more apparent than ever. James Lawson finds out how UK marketers are getting great response while keeping their budgets under control.

With budgets under review, companies have been forced to pay closer attention to their targeting to get the maximum value out of their direct marketing spend. But the increased targeting isn't just about the slowdown in the economy either. Boom or bust, more and more UK marketers are appreciating the benefits of using clean, well-targeted data to drive their campaigns and are profiling existing customers before they start to discuss what the mailshot will look like.

"Companies are looking at ways in which they can be more creative with data," says Andy Taylor, head of product marketing at Experian. "They are now looking at it as an integral part of a marketing campaign and are creating some interesting counts and selections, profiling their customers, then going out and getting more like that. They are tailoring their

solution is appropriate to either the SME or a multinational financial services company. It gives access to targeting to everybody."

The availability of suppression and validation data sets for cleansing databases remotely via Web-based services also helps. Change of address information for both updating customer data and for use in targeting is also now available online from providers like UKChanges.

"Turnaround time has played a big part in helping to do this sort of thing and do more of it," says Steve Day, director of UKChanges. "Before it was harder and slower to move data around. We would do it in tranches, now you can do just-in-time data management."

With the Internet also giving rise to alternative direct marketing channels like email, one might

think that the Royal Mail would have a vested interest in maximising mailing volumes. But reflecting its increasingly hard-nosed approach to the partly deregulated UK marketplace – epitomised by its share in the Postal Preference Service's lifestyle data operation – the company is now actively promoting the benefits of targeting to its clients in order to increase the direct mail channel's share of the marketing mix.

"We're seeing a lot more testing, particularly from companies with a history in direct marketing," says Richard Roche, head of data development at Royal Mail. "People are now continually trying to make their targeting more accurate and what's starting to show through slowly is that, as the medium does become more effective, it's taking more of a share of the overall marketplace. There's been a slowdown in other sectors, but year-on-year growth in direct mail."

Roche makes the point that increasing the efficiency of the DM process by sending smaller, more targeted mailings should push up response from the end consumer. This in turn should mean more companies are attracted to the medium, increasing postal revenues. The Royal Mail is running an ongoing targeting consultancy exercise with major clients and has recently opened the Mail Media Centre in London to publicise the many advantages of the medium.



It's a shift in the use of data, perhaps brought on by the recession

Andy Taylor, head of product marketing, Experian.

In its 2001 Letterbox Factfile, the Direct Mail Information Service reports that increasing consumer mailing volumes are being matched by an increase in targeting. Part of this is driven by more retention and cross/upsell activity; overall, 60 per cent of consumer mailings in 2000 were driven by companies' own customer database. The ensuing demand for extra data on existing customers to enable more accurate profiling has meant even more business for the big marketing services providers and their resellers.

"People are spending more and more time analysing their prospect base and client pool," says Foy. "Many are also switching from prospect data to tagging so they can target smaller segments of their own database with different products. One client recently overlaid credit card usage data on over 7 million existing customers to find out the best offers

to make to them."

The availability of large lifestyle data sets containing many variables on individuals has certainly been another factor in enabling more sophisticated marketing work. But although the amount of lifestyle data continues to grow – Experian now claims a total of 14 million names on its Canvasse database – some marketers are starting to look beyond individual data for extra prospect names as well as demanding the very latest lifestyle data.



Clever people will use a mixture of lifestyle and other data

Caroline Kimber, director of direct marketing, CACI.

"There's not enough top end wealth on lifestyle databases," says Foy, "so lifestyle data is used to understand the market first, then they go back to the compiled data to fill in the gaps in the income bands. They can negotiate net name deals by overlaying the profiles on the lists and using the matches. The duplication between different lifestyle lists is phenomenal."

The "happy ticker" phenomenon where the same individuals can appear on lifestyle lists again and again is well documented, as is the discussion over the relative benefits of geodemographic or other modelled national datasets against actual individual responses. For example, CACI's *LifestylesUK* product is segmented by modelling lifestyle and other data attributes onto the Electoral Roll, while Experian offers customers a variety of both individual lifestyle and modelled data in products like Canvasse, MOSAIC, PIXEL and Touchpoint Segments.

"Lifestyle data hits a certain proportion of the market so clever people will use a mixture of lifestyle and other data," says Caroline Kimber, director of direct marketing at CACI. "People being a bit more clever about data in these times, and are going through their ROI calculations before ordering data. You need to work hard at hitting the people who aren't getting 20 mailings a week. We're all after the



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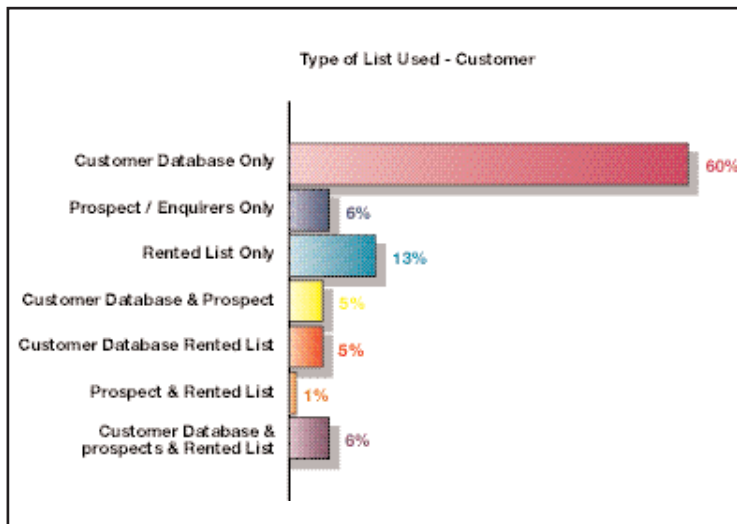
undermailed.”

Kimber gives the example of the company’s recently updated Financial ACORN product which merges geodemographic and other indicators such as age and Internet usage (derived from NOP’s Financial Research Survey) with the Electoral Roll to derive a wealth-based segmentation. “It’s taking geodems down to an individual level,” she says. The attraction of all these modelled Electoral Roll-based products is that you can match your own customer profile against them and reach those people who have never filled in a lifestyle survey in their life and always tick the opt-out box.

All the above notwithstanding, when you are trying to build mass market share, there’s no substitute for mailing volume, but as customer numbers rise and the focus switches from acquisition to retention, the need for analysis and targeting again comes to the fore.

The best known recent users of massive cold prospect mailings have been financial services giants MBNA and Morgan Stanley Dean Witter. These companies’ launch of credit card and other financial products into the UK has boosted the Royal Mail’s coffers with campaigns that target tens of millions of individuals.

Research by the Direct Mail Information Service shows that the majority of campaigns are now to companies’ existing customers.



Both declined to comment on either their acquisition or retention activity but, according to the Royal Mail’s Roche, “If it works for them, it must be targeted to a degree or the approach is relevant in that marketplace. I’ve heard anecdotally that MBNA is moving to a more targeted approach.”

Caroline Kimber emphasises the difference in approach between acquisition and retention, citing the vast difference in cost between keeping and acquiring customers. “In mass market mailings, you tend to hit the credit surfers who bail out six months later and transfer their balance,” she says. “You have

to focus on value – if your targets for acquisition aren’t too high. MBNA’s focus has been on acquisition, but now they are changing to retention as their market matures. After all, it’s five times more expensive to acquire a new customer than to retain an existing one.”



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This kind of figure which, valid as it is, seems to change each time it is quoted, is often cited by CRM vendors as they tout everything from call centre hardware to sales force automation packages. Their pitch has been that their products will help you “retain your customers” or make them “more loyal” and, since the realisation hit that building a call centre will not automatically make your customers loyal and valuable, the pitch has been modified to “retain the most valuable customers”. Exactly how most of them expect achieve a mass market business goal with vanilla service software or high value account management tools remains unclear, but the lesson is there: you will need use data and analysis tools to properly target your retention efforts.

The publicity surrounding CRM has indeed helped to spread awareness of the value of profiling, targeting and so forth back to the community that invented them – database marketers. Ironically, good examples of targeting work in marketing are now often characterised as analytical CRM. But what’s important, for the benefit of consumers and businesses alike, is that the use of sophisticated consumer targeting methods and the associated data sets continues to rise year on year. Recession, or no recession. ■