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As the Electoral Roll diminishes year on year, are marketers missing out on some key demographic types in their prospecting? Robert McLuhan discusses the constant search for new prospects.

## WHERE ARE THEY NOW?

**W**hen consumers were offered the chance to opt out of having their Electoral Roll information used by marketers, the effect was near panic in the data industry. Suppliers' worst fears seemed to be realised when the ER for 2002 came back with nine million names missing – a full 20 per cent. That triggered a scramble to find alternative sources in order to keep coverage as comprehensive as possible.

### Coping with change

The panic has now subsided. Subsequent opt outs have been far less dramatic – an additional 2.5 million in 2003 and 1.5 million last year, bringing the total up to now around 29 per cent. Experian, which together with CallCredit and Equifax aggregates and publishes the ER, anticipates that the figure will increase to around 33 per cent next year. This is significant, but still well short of the 50 per cent that many gloomily predicted.

“The contraction of the ER doesn't make life impossible, and the industry can deal with it,” says

database marketing consultant Mark Patron. “We are very lucky in the UK to have the ER in the first place. Even 70 per cent coverage is still pretty good compared with most other countries, which don't generally have such a wide collected source of consumer names and addresses at their disposal.”

As the rising opt-out rate has been spread over a number of years, suppliers have had plenty of time to find alternative sources. A number of gap-filled products are on the market and another will launch in the near future. Suppliers are also resigned to the practice by some local councils of pre-ticking the opt out boxes on ER forms, which three years ago they regarded as iniquitous and possibly even illegal, but are now mostly taking in their stride.

“Pre-ticking is what's really influencing the opt-out rate,” says Dave Webber, head of marketing products at Equifax. “We see a slow rise each year. But those ticking the boxes in the first instance know what they are doing and you have to ask whether it would make much difference if the boxes weren't pre-ticked. They are generally saying, ‘we

don't want anything through the door."

Some go further and argue that there is a silver lining in having to place less reliance on a single source. "The ER opt-out was a bit of a nightmare when it first happened, but it has forced the industry to be more creative, developing new channels that attract people who are genuinely interested in responding," says Caroline Kimber, group marketing director at Wegener. "It's true that we have lost a lot of people, but actually they were never that great responders in the first place, so it may not actually be such a loss."



**Keeping up coverage of young people, males in particular, has always been a challenge for consumer data owners.**

Nevertheless, the prospect of an ever-shrinking ER is hard to view with complete equanimity. Losing access to such a valuable prospect source and reference database is going to have continuing repercussions, particularly in giving access to individuals that otherwise cannot be found from other sources. "Coverage is an issue for all of us, and it is becoming very expensive, as we spend more and more to provide the levels that clients are used to getting," comments Tracy Weir, vice president of CACI Consumer Marketing Group.

Peter Thompson, sales director for Experian's Marketing Services division, adds: "Being able to provide universal coverage is extremely important. If you are running a TV station or editing a paper, you live and breathe the audience numbers available for advertisers, and in the same way it's crucial that we keep the figure as high as possible. If it starts to move down, smaller amounts of people get mailed more and more, which will just increase the rate of opt-outs."

But the ER is not the only cause for concern when considering prospect coverage. Prospecting opportunities via the telephone are disappearing like bath water down the plughole, with the numbers on the

TPS list shooting up by 68 per cent in the last 12 months. By contrast, mailing data remains fairly robust: the MPS register is growing at an annual rate of 16 per cent, and still only covers around two million households. When you compare this volume with the millions now opted-out of the ER, it does cast doubt on how accurate a proxy an ER opt-out is for definitely not wanting cold mail. Nevertheless, consumers have a growing awareness of how their details can be used, and a corresponding reluctance to give it to anyone who asks for them, which is also affecting the supply of lifestyle data.

### **Minding the gap**

Keeping up the numbers is a major priority for suppliers. Directors at home and shareholder information are going a long way to fill the gaps in the ER, and another high volume source is the comprehensive young family data provided by Bounty. Experian has been able to add its financial data, and claims to have 42 million records on its National Canvasse, only two million short of the old ER and all validated in the past twelve months.

"The ER is an absolutely essential part of National Canvasse, which would be a lot smaller without it," Thompson says. "But over a period of time we can find other ways of generating data." Other providers say they are still able to offer coverage at around the 40 million mark.

Another approach is data pooling, with companies bringing data in from different sources. Equifax will offer its new gap-filled product using pooled mail order data taken from Transactis for example.



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"As suppliers we have to be much more open about taking data from other suppliers as well, and we are seeing much more collaboration," says CACI's Weir. "For instance our e-append product is a pool of email addresses from people who we would traditionally have seen as competitors. And for some of our clients we are sourcing lifestyle data from other providers. So it's not feasible to have a one-stop shop for data any more."

But it is difficult for a single data company to make up all the gaps, and in practice the infill data brought in by one supplier will not be exactly the same as that acquired by rivals who go to different sources. When two supposedly universal files were

compared recently, as many as a quarter of the names did not match, suggesting that clients who want truly universal UK coverage may need to acquire two or more ER replacements or similarly-sized files to merge and purge on a net-names basis.

In the ER itself, the two main dips in coverage are 18-24 year-olds, who tend not to fill in the forms in the first place, and older affluent consumers, who may feel they are a special target for marketers and are taking the opportunity to opt out. There are also pockets of data missing in concentrated geographic areas where councils have pre-ticked forms. These can be quite serious: in Wandsworth and Putney for instance, the data available for marketing use is little more than ten per cent of the total.

"We don't have a specific demographic profile of those who opt out," says Equifax's Webber. "In general, those opting out tend to be a better credit risk. They are certainly more affluent but whether they are going to be good responders is questionable."

Filling gaps is not a new activity. The youth market has always been notoriously difficult to gather reliable information on, and lifestyle survey data has likewise had a strong bias towards older and lower income females, as does catalogue pool data. Yet suppliers are relatively sanguine about their ability to get to these groups.

"Certain demographics are harder to get to than others, and you have to use quite a mix of data," says Mark Arnold, list broking director at Prospect Swetenhams. "You need to think about the demographic of your target consumers: what are they doing, and what do they buy or subscribe to?"

A rich seam of youth data can be mined from lifestyle and PC gaming magazines, or from websites that sell mobile phone ringtones, which have spawned huge databases. The online approach discussed below is particularly appropriate for this demographic.

Similarly, affluent consumers can be targeted through subscription lists covering niche interests, such as golf or boating, or financial magazines such as Euromoney. However, there is a suspicion that overall list availability is also dropping. According to a survey by Lloyd James earlier this year, the number of available lists contracted by 8 per cent between 2003 and 2004, and the number of new lists coming on to the market fell by a third.

The well-off can also be identified through publicly available information such as Companies House, share registers and property indexes. Some files offer volume data in this market, for instance Wegener's Real Wealth, made up of 1.3m individuals of high net worth. Similarly, EuroDirect's Cameo Property file gives the value of every property in the country from local authority records, and the top band can be regarded as affluent.

## Online collection

Wegener has carried out small survey programmes targeting specific groups that are hard to reach. In the summer it ran an online project in partnership with Sky Sports to attract young males, offering free tickets for the Australian test cricket on a site that combined a quiz with survey information.

"Not only was it very responsive, but we also found that there was little overlap with other existing data," Kimber says. "Some of our clients have tested it already and it has worked really well." Other websites target particular interest groups such as gardening and food and drink, and these attract a steady stream of older people in the upper income bracket, Kimber says.

Data Locator too has been discovering the value of the Internet as a data collection channel, and now uses this extensively alongside teleresearch. Where printed surveys tend to show a big bias towards females over 45, the web has a younger and male bias, which creates a balance.



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"The web has proved to be a very productive way to get in touch with consumers, and persuade them to volunteer their information," says group data director Richard Webster. "It's very immediate, which is fantastic, and it is also much easier to offer rewards. That is difficult to do with printed surveys, and is probably why the volumes of data from that source have been steadily dropping." One of several sites the company has set up is called Vouch for Me, which collects lifestyle information in return for money-off vouchers.

Data gathered online has had a reputation for inaccuracy, as visitors to websites tend to make errors or sometimes tick boxes randomly to get through the process quickly. But Webster says unreliability is less of an issue than is often supposed. Addresses can be PAF-validated on entry and telephone numbers are also checked. If all the questions are answered yes, or other patterns emerge that suggest the respondent is not giving proper answers, the data is rejected.

Another approach successfully followed by EuroDirect is to piggyback on customer service questionnaires sent out by companies to solicit feedback from their experience of products or services. In return for contributing to the cost,

EuroDirect can slip in a few demographic questions that can yield valuable data on specific markets. This is highly effective, but does not come cheap, and the cost cannot be passed on to clients, who may have contractual agreements going back years.

But it is still worth doing, argues the company's sales director Neal Rimay-Muranyi. "It's true that it costs us a lot more, but it helps us find people we might otherwise have no way of reaching," he says. Muranyi also notes a trend for clients to pay far more attention to the potential value of their own data, taking full advantages of opportunities to learn about customers and prospects.

"In the past when budgets were buoyant they would just go out and source it. Now they collect it themselves," he says. "For instance, they will make the effort to find out what visitors to their website are doing, and try to find out more about them. Even if they avoid pre-registering they may leave a footprint, for instance entering their postcode to find out the nearest branch. That client often comes back to us to see what else we can tell them about that postcode and its demographics."



**It's not feasible to have a one-stop shop for data any more**

Tracy Weir, vice president, CACI Consumer Marketing Group.

In the longer term, some experts question whether it is worth the effort trying to catch up with consumers who have made a conscious decision to opt out of receiving marketing communications. They place the shrinking of the ER in the context of the shift away from volume marketing, with greater emphasis placed on high response rates from relatively small, highly specific groups.

"For direct marketers to go on relying on a base file that provides millions of names cheaply will be the death knell of the business," Muranyi says. "They should look at what is happening with telephone data. We are racing towards our doom if we continue to sell mass data at very low rates, because this is simply not sustainable."

Matthew Kelleher, sales director at Acxiom, also makes the comparison with the telephone where, if current opt-out rates were maintained, the entire UK population would be uncontactable for cold calling by the end of 2007. "Big organisations will see they do not have enough data of sufficient quality, so will switch their efforts elsewhere," he says.

"That will leave the marketplace fallow, and as long as it is not left to cowboys who will kill it, it

will go opt-in, with a series of small files eventually being merged to provide a generic opted-in file. What you will see is a more realistic and stable environment, with a smaller universe that is more solid and channel preference-aware."

Where direct mail is concerned, one effect of fewer available names could be that clients will switch back to non-personalised or unaddressed print media, taking advantage of the latest geodemographic segmenting techniques to reach their target market. This will particularly apply to large campaigns where national coverage is a priority. Mailers already form the smallest part in many cases: the NSPCC is delivering 15 million door drops and 4 million inserts in its autumn campaign, while addressing only 1.4m people directly.

### Coping with change

For smaller organisations with less of a requirement for volume in their direct prospecting, gaps in the available data are less of an issue. Others have specific requirements that restrict their prospect universe. For instance home improvements company Everest only targets homeowners who are not difficult to reach by other means if they cannot be mailed. Paul Mitchel, database marketing manager at Everest, points out that in any case there is a limit to the number of consumers who can be contacted.

"As long as I am confident that my analysis is pulling out the best respondents, the absence of a few thousand for lack of details will not have a huge effect," he says. On the other hand, Everest also carries out door drops, partly to ensure that there are no gaps in its coverage of targeted areas.

Clearly the data industry is undergoing a seismic shift, with suppliers having to pull out all the stops to provide the level of coverage that five years ago they could offer as a matter of course while per-1000 list prices remain depressed. Yet so far, with the exception of the telephone, the opt-out percentage has grown slowly, giving marketers a chance to cope with the change. Using its skill in finding and mixing in data from other sources while exploring other channels, the industry has kept the prospect pot full.

If the regulatory environment remains unchanged, then the outlook is still bright for those that depend on large volumes of cheap prospect data or require a comprehensive reference UK name and address file. But introducing opt-outs on sources like shareholders' registers or removing access altogether – as has been mooted – and the situation could change quickly. Finding the right data rather than simply buying it at the lowest price might be a higher priority for marketers then. ■