

Warne's Marketing

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Database Marketing Extends Personal Selling

Armed with specific client information sales people can directly address each prospect's unique needs.

"PROBABLY 25% OF THE BUSINESS world has heard of database marketing, but 96% have no idea what it really is," says Richard Gillespie,⁽¹⁾ head of the Gillespie Organization, Princeton, N.J., "Right now most people think it's another word for direct mail."

Proclaimed "the new frontier of marketing,"⁽²⁾ database-driven marketing is the essential tool in increasing selling efficiencies, pinpointing the sources of future business, and in developing loyal, lifetime customers.

Database marketing is personal relationship or precise target marketing. It involves identifying, describing, locating and contacting prime prospects as individuals. Then, utilizing that data to augment the effectiveness of personal sales people.

"This common sense concept will change how sales people make calls, how companies make pitches," Gillespie believes.

The 20/80 Factor

It's common knowledge that some 20% of customers produce 80% of sales results... yet, consume only 20% of your efforts, 20% of your costs.

Which means for most companies, that 80% of costs are directed to 20% of their results.

In other words, "costs are distributed inversely to results," as Peter Drucker

has pointed out.

Database-driven marketing can help you reverse this misdirection of company efforts.

Because it catalogues the buying interests of the top 20% of customers and prospects, a database is a sales territory guide map.

It's essential to maintaining customer

people — and motivate them to buy. This can greatly extend your sales reach.

Database marketing can also reverse the 20/80 thrust of your advertising and direct mail to cut costs and improve response rates.

But, don't let anyone tell you that a database is just another customer

Database marketing "will change how sales people make calls... and proposals."

contact when you lose a sales representative or switch territory assignments. Add computerized sales call reports and you can provide the on-going guidance your sales people need to manage their time more efficiently. With sales calls running at \$292U.S.,⁽³⁾ they're far too costly to squander.

A database will allow you to fax or e-mail details of price, product or service changes to select customers overnight. Or, alternatively, to promote inventory clearance specials through telemarketing or target direct mail.

By so utilizing your database you can regularly communicate to all your key buying influences — including those generally inaccessible to your sales

billing list or mailing list. There's no guarantee that your key 20% are either on your own lists, or on any publication's. It's only by qualifying and classifying customers and prospects and computerizing the data, that you'll ever find out who makes up that top 20% of the market.

Proven Results

Consumer product, retail and business marketers can all benefit from database-driven marketing.

In 1985,⁽⁴⁾ Kimberly-Clark, switched 28.5% of their disposable diapers advertising budget to database marketing. The base identified 75% of 3.5 million expectant mothers. K-C gained 10 share points in a single year,

worth some \$270 million U.S. The company focused on the lifetime value of their target prospects – the fact that each family that used disposable diapers spent about \$1,300 on them in the first two years of each child's life.

In its August 1992 issue, Canadian Business named Edmonton shopping centre saviour, Sandy McNair, as Canada's smartest retailer. McNair's key innovation was "to capture individual customer names, addresses and buying habits in a database." Then, through a frequent shopper card and "individualized promotions, tie them in as loyal patrons."

McNair says, "database-driven marketing is the only way to compete against his large-volume, low-margin competition."⁽²⁾

Or consider the case of a truck leasing company.⁽¹⁾ Traditionally, the trucks might be advertised in trade journals – though perhaps only 5% of the readership are people in companies who lease trucks and "can make purchase decisions."

"On the other hand, standard information," and data gathered through sales calls and surveys, could be collected in the database. Data like fleet sizes, type and age of vehicles leased, lease expiry dates and client satisfaction levels. The computer could "crunch out" the names of buyers at "all companies using a competitive truck, whose lease expires in six months and who are not terribly satisfied." Now you'd be targeting some 600 instead of "shotgun" advertising to 10,000. "Personalized direct mail packages, and qualified leads provided to sales for priority follow-up."

"Armed with such specific information, sales people have a distinct advantage on calls. They can build their whole presentation talking directly to each prospect's problems. That's the revolutionary part of it."⁽¹⁾

Success Criteria

To build a database, "start with existing customers, because 95% of the information needed may be buried in a company's own files."⁽¹⁾ Then clone those customers, and qualify as you go along. But, don't be upset if you don't get all this data at first pass.

Building and refining a database is an ongoing activity.

Establishing the computer "fields" and programming is relatively easy. What can be difficult is obtaining full internal understanding, cooperation and support. That's the first of the criteria for success.

Insist that database development is a priority topic at every one of your branch, regional and national meetings. Generate two-way communication so that everyone is working to the same goal – more profitable marketing.

Review procedures personally with your inside and outside sales and telemarketing. Have your marketing support people help with SIC's (Standard Industrial Classifications) or the newer NAICS, and other data that sales can't easily obtain.

Insist on top priority handling by your MIS people or people in marketing. If either can't provide priority handling without compromise, engage an outside database service organization.

Regularly requalify the base. If you're selling to business, ask each sales person to update the data at least twice a year.

It may sound like a lot of work, but remember that a well-developed database represents the real market for 80% of your products and services. It's also the basic tool to improve your selling efficiencies, extend your reach and increase marketing profits.

We Can Help

Warne has been involved in planning, building and managing databases since 1984.

We're available to help you set the parameters and build your own base and to help sell the benefits throughout your organization. We can serve as your outside database organization.

If you want to discuss your special needs and how Warne can help, just call Scott Warne.

Sources:

(1) Business Marketing, Supplement 1992.

(2) Canadian Business, August 1992.

(3) Cahners 1992 Research Report 542.1H.

(4) Maxi-Marketing by Stan Rapp and Tom Collins.



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