Database Marketing 101

Basics on how to develop a proprietary database to increase sales.

WITH SO MANY PEOPLE CLAIMING their mailing lists are databases, it's no wonder that not everyone has a precise understanding of what constitutes a true proprietary database. And how to develop one and use it to increase sales and advertising pay back.

Mass Myopia
Three doors down the street from us is Hazelton Lanes, a temple to high prices, vacant shops, and idle clerks. Not all Hazelton's problems relate

captured on a database and personally motivated to shop Hazelton.

Garbage In
A starting point for a great many databases is customer lists. To be useable for business marketing purposes such customer lists are generally first given to field sales to add buyers names and product/service interests.

It's a good start, but don't be shocked by what you get back from sales. A control device company was

the names of the product purchase initiators. Second, adding names of prospect companies that match your customer profiles by business (SIC) and size. Don't expect your sales reps to provide names of many prospects. Most sales reps tune out companies who don't buy after one or two calls. To them they're no longer worth contacting.

Don't get us wrong, a customer list with names of people who initiate purchase requests can be a gold mine.

Take, for example, the materials handling company with three major equipment lines, each with up to 11 types of equipment, plus seven groups of support services. Their customer list is used to promote new equipment, service upgrades, systems integration services, operator training and equipment rentals - all to the people most likely to buy, their current customers.

This company, however, uses a separate database of qualified prospects for special promotion efforts to expand their business. Other companies combine the bases.

All lists are, at best, only raw input to an effective database and must be qualified and refined.

to an expansion badly timed in consumer expenditure cycles.

You may recall Hazelton's four colour, four page inserts in the Globe & Mail. Those plus free popcorn, free photos with Santa, and elaborate 3-D displays are ways Hazelton has tried to attract shoppers.

Being almost next door, several of our staff have purchased shoes, cosmetics, clothing and furnishings there. Yet not one has ever had a direct mail piece or any follow-up from Hazelton or any of its shops.

The universe for the upscale store of Hazelton was never a mass market. Its market was that small part of the universe largely represented by high income earners from upscale neighborhoods. People who could be

dismayed to find that their sales people rarely got beyond purchasing to the engineering and plant people who initiate product requests and recommend brands. The sales people, in fact, didn't know them.

These other names are vital to successful database marketing. Research for another client discovered that for their equipment, six different functions were involved in initiating requests and recommending makes/models. Purchasing people reported their role was to negotiate the purchase, not initiate it.

Customers Only
After your sales reps have done their bit, two database building blocs have yet to be put in place. First, adding

Missing Links
There are three ways to add the ingredients that sales can't supply.

First merge/purge with outside lists that match your customer profiles. Indeed, outside lists are often the starting point to building a database. Using them can add prospect companies and names of people occupying product initiation functions. But rarely will one list satisfy all your

needs. Do be aware that such lists suffer from input accuracy and obsolescence (input to audited business publication lists, for example, may be two or three years old).

Using telemarketing is one way to refine lists. However, the increasing use of voice mail is impacting on telemarketing success. In recent programs our telemarketers encountered voice mail in almost 50% of calls to business.

Currently you can expect to make contact with some 50% of the names on your list, based on up to three calls per name. Plan on making 12 calls per hour per telemarketer and averaging four completed contacts per hour. At a $25 per hour rate (LD extra) your costs per completed contact will average $8.35.

Telemarketing has its limitations. Don't expect to fill in 15 to 20 fields on your database. Ask the five most

and showroom materials direct to the top 20%, along with offering special prices on initial orders and advertising flyers that the top 20% can mail to their own customers. The other 80% only receive new product announcements and discount coupons on smaller quantity orders that they can redeem through distributors.

Infrequent Use
There's no point in building a database unless you're going to use it regularly. Communicate, communicate, communicate. Remember that no sales force ever has the time or opportunity to promote all of a company's products or service to all the buying influences.

So remind customers about special products, tell them how other customers solved problems or increased their business using your products, tell about your trade show participation,

Adding missing data by phone, fax and mail can help build a meaningful database.

important questions and avoid annoying your customer or prospect by dragging out the call.

More answers can be gained through mail questionnaires. We've achieved greater than 56% response to customer lists when meaningful incentives (draws for CD players, etc.) were incorporated. To other lists we've had up to 21.5% response without an incentive with prospects even telling us their annual purchases by dollars and units of specific types of products.

Potentials Not Forecast
To allow for optimum use, a business database should have fields for capital budgets and growth patterns so that you can rate customers and prospects by their buying potentials. Your last year's sales to customers can be included, but that's a past, not a future evaluation.

Once you have rating of potentials, you can customize your promotional efforts accordingly. One sports wear company sends samples of new products

seminars, training programs and new literature.

Don't be hesitant to repeat information on new products. With slightly different presentations we've promoted products three and four times in succession without a falloff in response.

Explore ways to make it easier for prospects to purchase your products, then tell your target customers about them.

As we said in our first database newsletter: "There's no mystery to database marketing, it simply extends one-on-one personal selling."

Need Help?
Let us know if you want help to build or to utilize a database to its full potential. Just call Scott Warne at 416-927-0881, fax: 416-927-1676, e-mail: info@warne.com.

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