



The Nuts and Bolts of Database Marketing

What Every Marketer Needs to Know to be Successful in this New Digital Era



Direct Marketing Association of Long Island

Perry D. Drake, Drake Direct

June 17, 2010



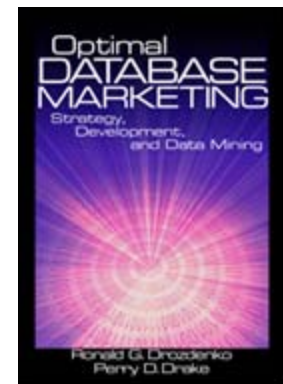
Session Objectives

- Why Build a Marketing Database
- Top Reasons Why We Fail
- What Functional Areas it Must Support
- Database Profit Drivers
- Who Will be Using the Database and What it Must Deliver
- What Should be Stored on the Database
- How Often Should the Database be Updated
- Defining your Dashboards and KPIs
- Issues of Siloed Data
- Inappropriate Campaign/Data Attribution
- Quantifying Profit Potential
- Summary

Speaker Background

Perry D. Drake

- Perry D. Drake has been involved in the direct marketing industry for over 23 years.
- He is currently the Vice President of Drake Direct, an integrated marketing consulting firm located in New York.
 - Clients include Sirius Radio, BBC America, MySpace, American Express, Business Week, Primedia Publications, and Buena Vista Home Entertainment (a division of Disney) to name a few.
- Prior to this role, Perry worked as a Director of Database Services at The Reader's Digest Association for over eleven years.
- In addition to consulting, Perry is an Assistant Professor at New York University in the Integrated Marketing Master's Degree Program and in the Digital Marketing Certification Program.
 - Perry currently teaches over 10 data mining and web analytics classes including an advanced web analytics class using Omniture SiteCatalyst.
 - Perry was also a past recipient of the "Outstanding Master's Faculty Award" offered by NYU.
- Perry is the author of "Optimal Database Marketing" published in 2002 by Sage Publications.
 - This book covers many topics of interest by the interactive marketer including the process to evaluate database needs and then select a database vendor, analyzing and manipulating the customer data, segmenting the customer file, response modeling, strategic reporting, lifetime value calculations, ROI calculations, test design and analysis and web metrics.
- He is a member of the Direct Marketing Association, the Direct Marketing Club of New York, the Web Analytics Association and the American Statistical Association and regularly volunteers his services for the Web Analytics Association and the Direct Marketing Educational Foundation.



Why Build a Marketing Database

- We build a marketing database for one main goal - to gain a better understanding of our customers in order to increase the customer's satisfaction and the organizations objectives and to do so as efficiently as possible.
- A fulfillment file will allow you to meet some of the organizations objectives but certainly not all and certainly not in the most efficient manner.
- Throughout this presentation we will reveal what you can additionally expect to accomplish with the build of a marketing database and how you can do so profitably.

In today's world the consumer has made him and herself perfectly clear to the marketer...

“Know me, be relevant”

Based on a recent study, what percent of consumers do you think would consider or would definitely defect a brand due to irrelevant promotions?

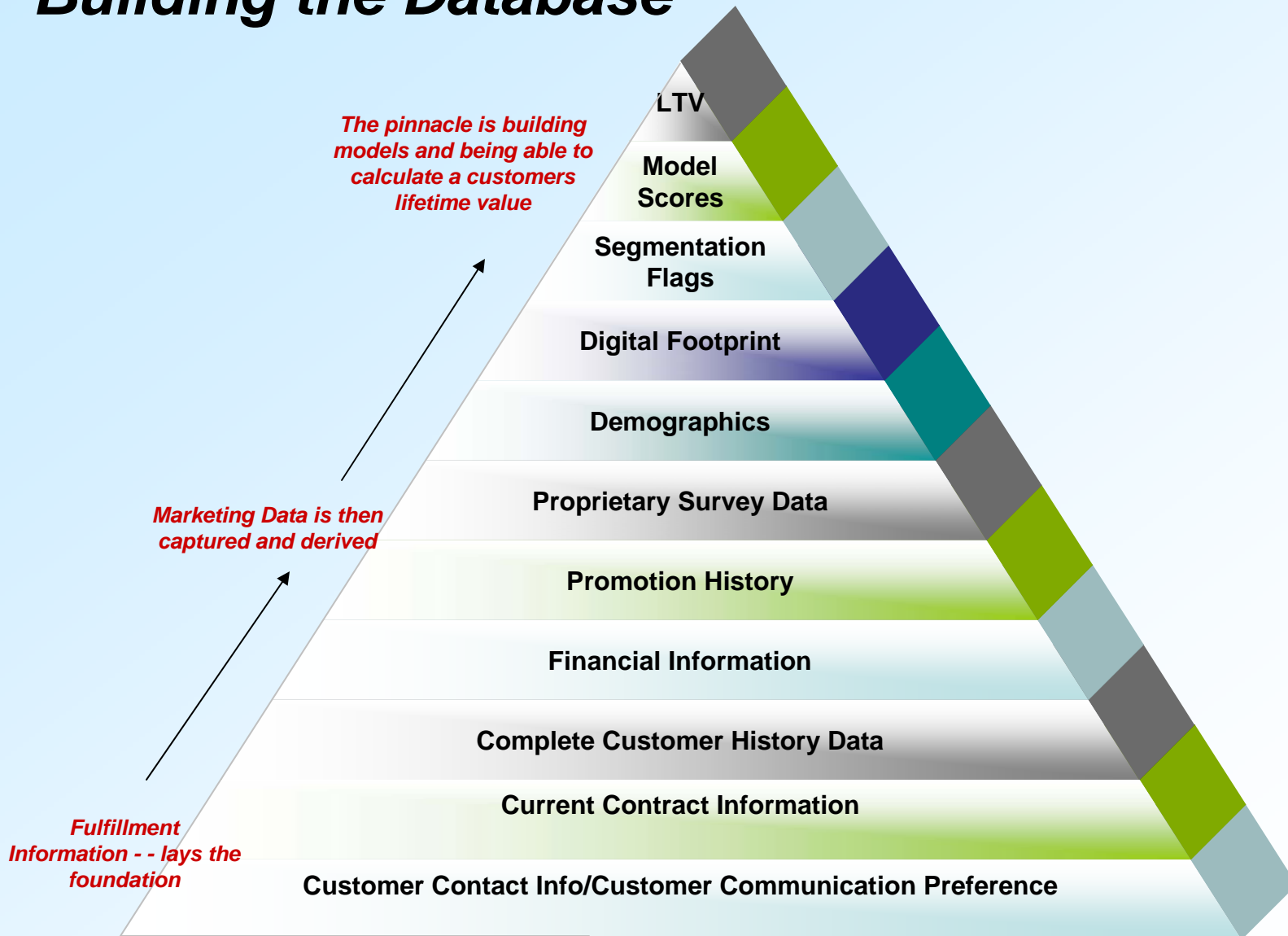
- (a) 25%
- (b) 46%
- (c) 63%

ANS: http://www.mediapost.com/publications/?fa=Articles.showArticle&art_aid=118119#comments

Why Build a Marketing Database

- The three key functions of a marketing database are:
 - To maintain your data in an organized fashion
 - To better support corporate functions and,
 - To better support marketing functions

Building the Database



Top Ten Reasons Why We Fail

Many organizations fail in their attempt to reach the top of the pyramid for a variety of reasons. These include:

1. Underestimating the time and resource commitment to build or maintain the database
2. Not having the right support team in place once the database is delivered even if outsourced
3. Not having a plan in place regarding how you will use the database once delivered and how you will quantify the benefits.
4. Inappropriate in scope -- too broad or too narrow
5. Not properly prioritizing deliverables – phased in approach
6. Failure to shift the paradigm at your organization to a information-based decision approach

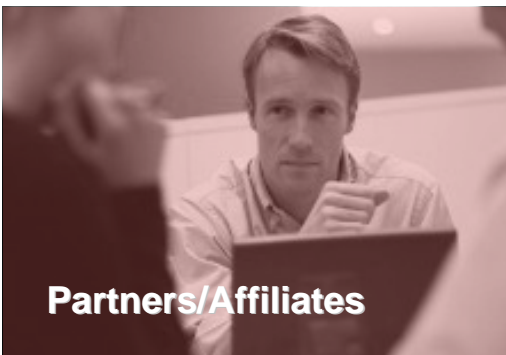
Top Ten Reasons Why We Fail

7. Thinking that if you build the database profits will come
8. Failure to realize that your number one priority in the build is getting the data right.
9. Failure to fully assess costs of “add ons” relative to total database costs versus their benefits.
10. Not capturing promotional history or fields typically overwritten at the fulfillment house once you have decided to go forward with the database.

And now because of the web, another major reason we fail is due to Data Overload



All of these groups, if looking at all data available to them, are drowning in data, but still thirsty for **their** information.

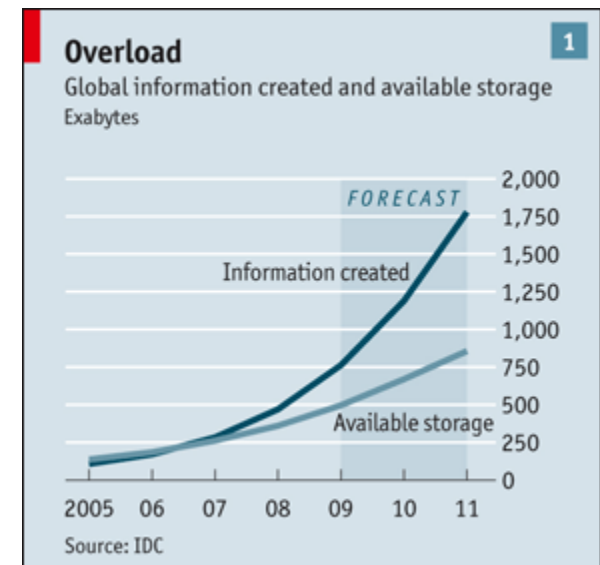
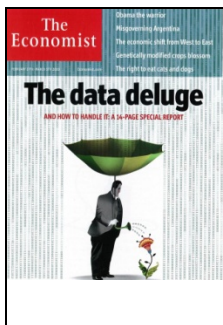


How do they find the information they need amongst all the rest of everyone else's data? How do we store the data? What access do we give them?

The Data Deluge...

According to a recent Economist article “The Data Deluge” (February 25, 2010):

- Wal-Mart, a retail giant, handles more than 1m customer transactions every hour, feeding databases estimated at more than 2.5 petabytes—the equivalent of 167 times the books in America’s Library of Congress.
- Facebook, a social-networking website, is home to 40 billion photos.
- By 2013 the amount of traffic flowing over the internet annually will reach 667 exabytes, according to Cisco, a maker of communications gear.
- The quantity of data continues to grow faster than the ability of the network to carry it all
- Only 5% of the information that is created is “structured”, meaning it comes in a standard format of words or numbers that can be read by computers.
- The rest are things like photos and phone calls which are less easily retrievable and usable.
- But this is changing as content on the web is increasingly “tagged”, and facial-recognition and voice-recognition software can identify people and words in digital files.



“More data was generated in 2009 than all prior years combined.”

-- Andreas Weigend

Former Chief Scientist, Amazon.com



So the question is...



Are You Ready!

What Functional Areas Must the Data Support

To maintain data

Maintain Historical Customer Data

Promotion History

Purchase Behavior

Demographic Data

Communication preferences

Customer service inquiries

Maintain Strategic Customer Data

Customer Value

Cluster/Segment/Affinity Member

At a bare minimum a database should be a tool to maintain data. Some returns will accrue from better data organization, however, improved data organization alone will not cover the costs of the database.

What Functional Areas it Must Support

To maintain data

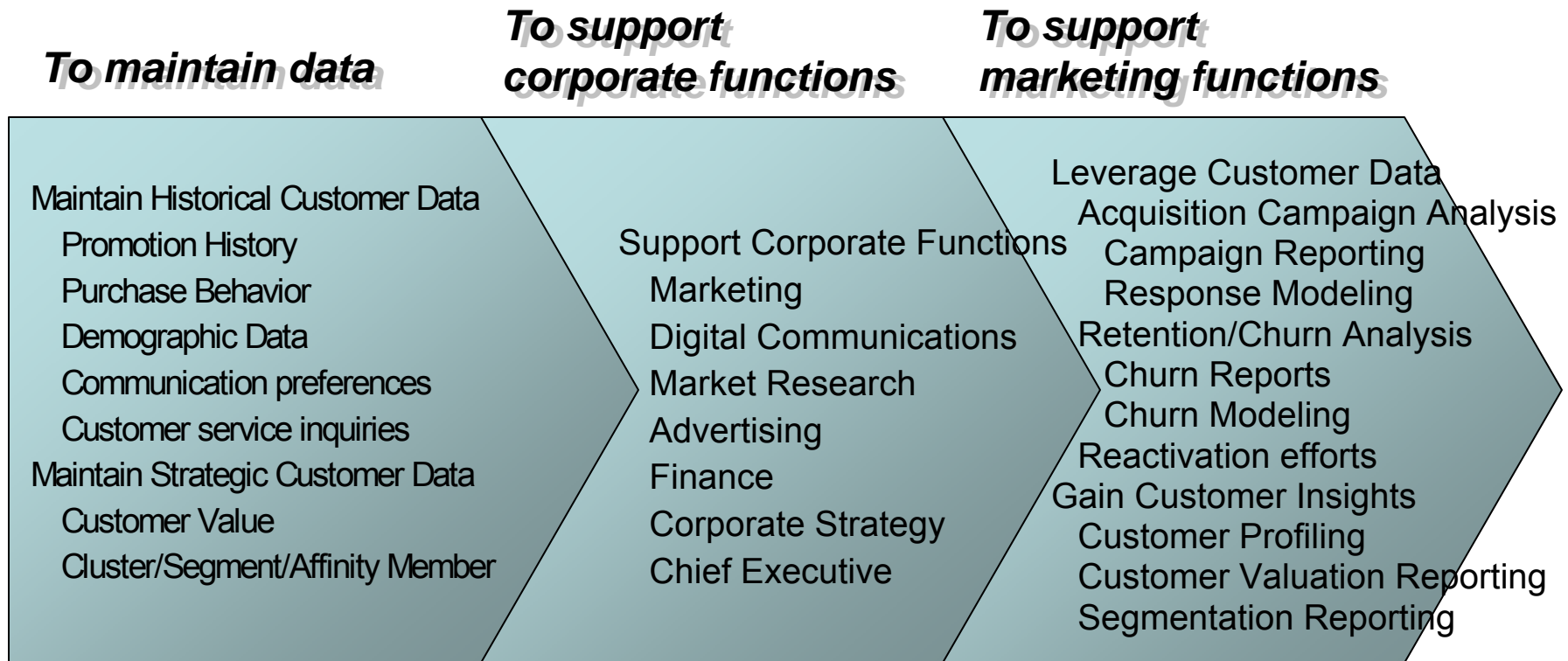
Maintain Historical Customer Data
Promotion History
Purchase Behavior
Demographic Data
Communication preferences
Customer service inquiries
Maintain Strategic Customer Data
Customer Value
Cluster/Segment/Affinity Member

To support corporate functions

Support Corporate Functions
Marketing
Digital Communications
Market Research
Advertising
Finance
Corporate Strategy
Chief Executive

***Supporting a wide variety of corporate functions makes a database work harder.
A database shouldn't be just for the Circulation and List Marketing teams.***

What Functional Areas it Must Support

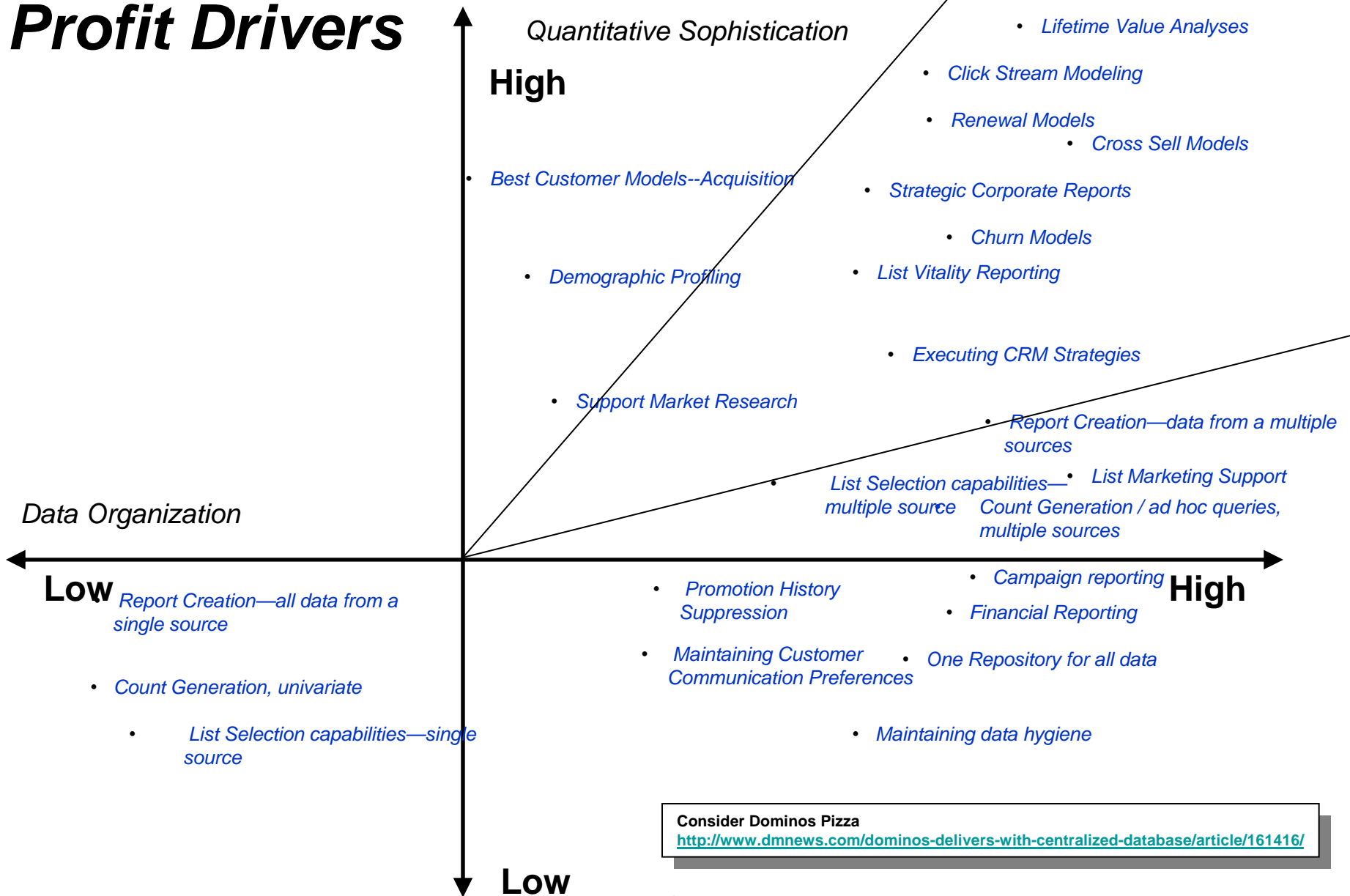


Leveraging customer data to gain efficiencies, better target, reduce mail quantity and identify profit opportunities are the functions that provide the highest return.

Profit Drivers

- There are many key profit drivers in any BtoC or BtoB business model.
- Some require high quality data in terms of cleanliness, relevance and organization.
- Some require high quantitative sophistication.
- The following slide shows how various drivers of profit map in relation to data organization and quantitative sophistication.
- Some functions can be performed just by virtue of having all of the data readily available and in one place, others require the application of quantitative sophistication to complete.

Profit Drivers



Tools to give us that Sophistication...

- The software used to support the quantitative sophistication required for making the most of your data include:

- SAS
- SPSS
- Omniture



- In July of 2009 IBM bought SPSS for a hefty price of \$1.2 Billion understanding the importance of offering a full suite of options to help clients better organize and maximize the value of their data.

http://www.nytimes.com/2009/07/29/technology/companies/29ibm.html?_r=1&th&emc=th

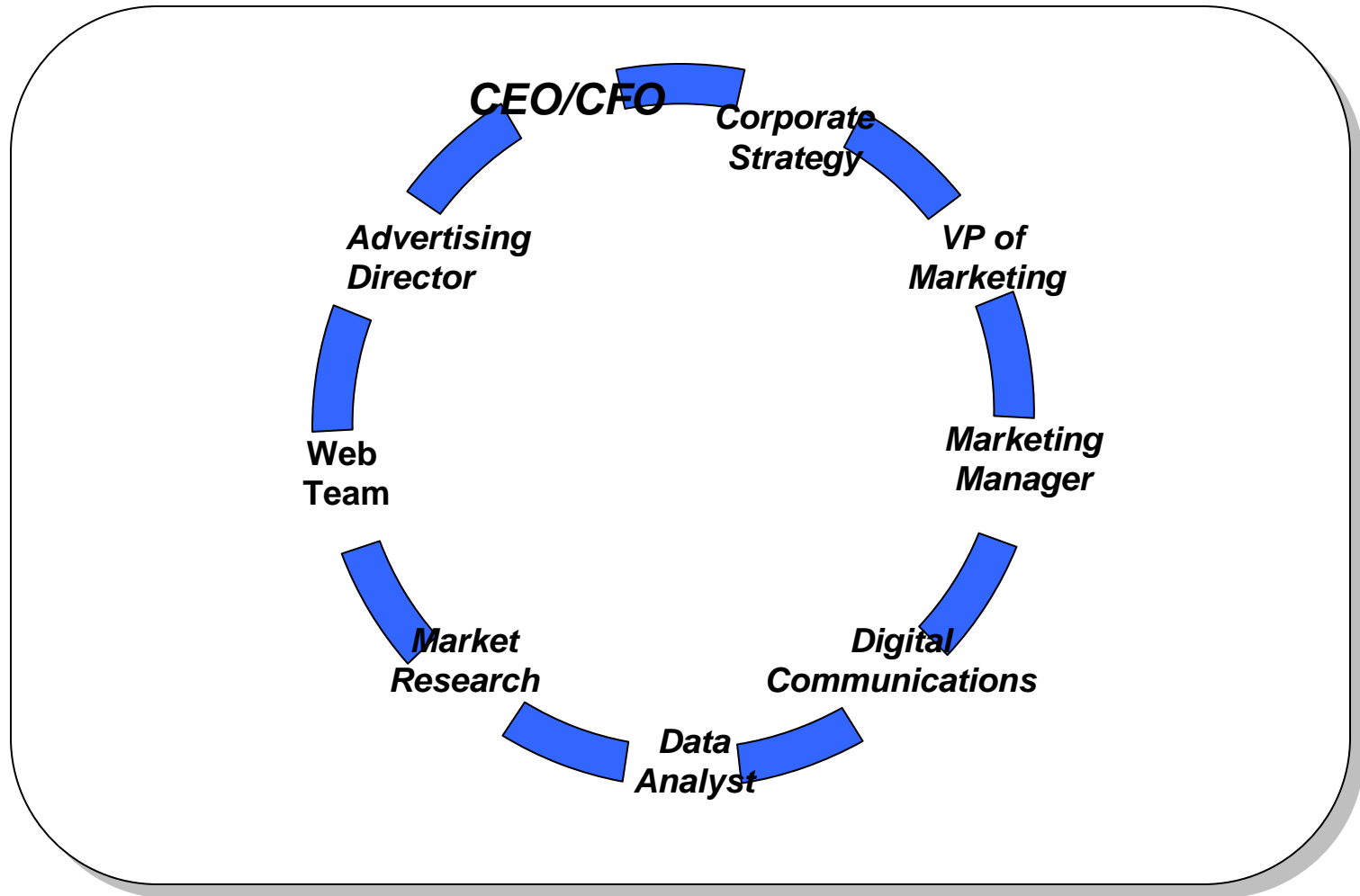
- In September of 2009, Adobe bought Omniture for \$1.8 Billion wanting to be able to better observe, track and capture customer and prospect interactions on the web.

http://news.cnet.com/8301-13860_3-10353733-56.html

Who Will be Using the Database

- Keep in mind that there are many individuals throughout the organization that will utilize a marketing database.
- However, typically many of these needs are related in one form or another.
- As such, you will want to involve all in the decision process of what the database should accomplish.
- To following slide shows the relationship between individuals as it relates their specific data needs and desires

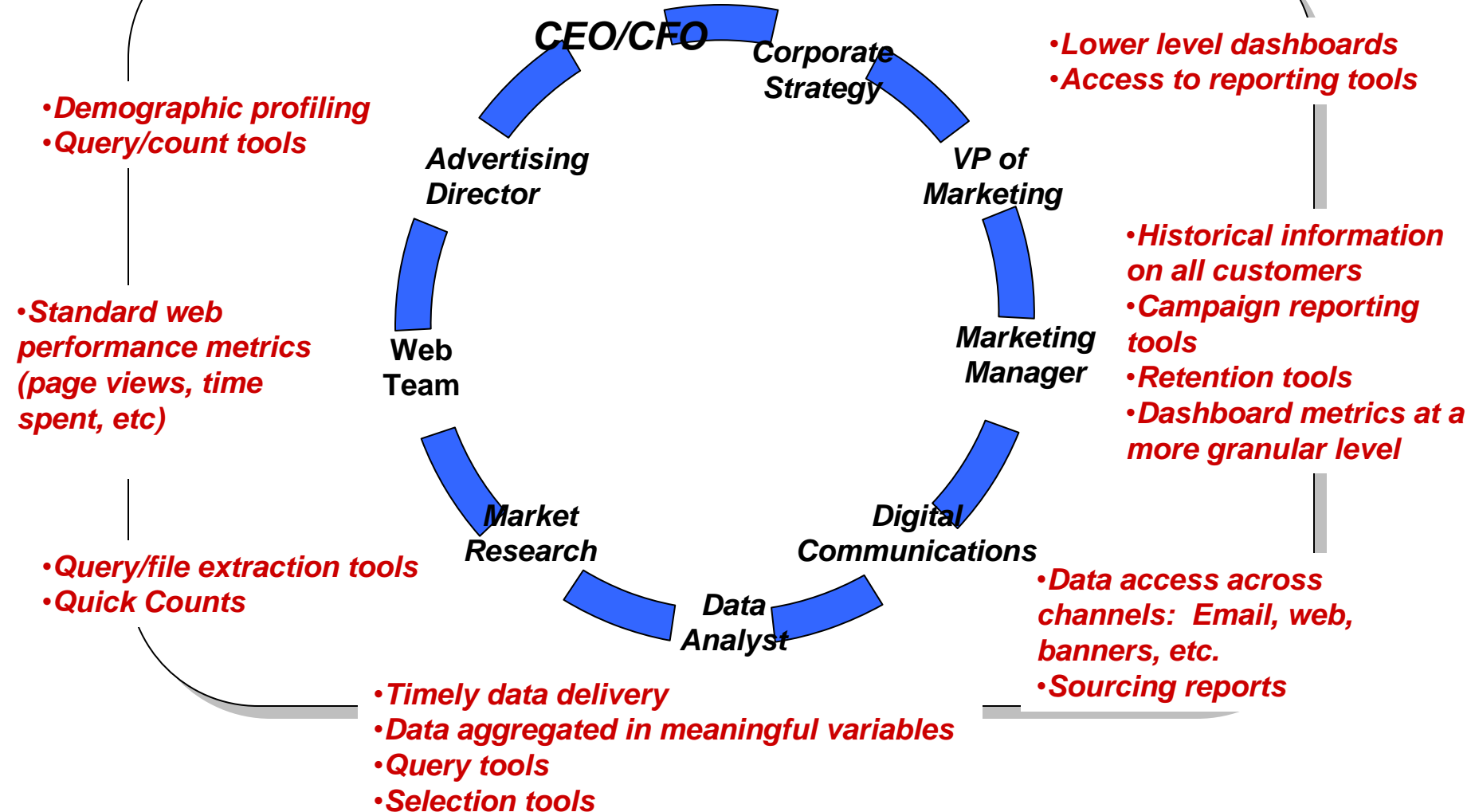
Who Will be Using the Database



Who Will be Using the Database

...and What it Must Deliver

- Consolidated information across the enterprise
- Desktop access to high level dashboards
- Standardized KPIs



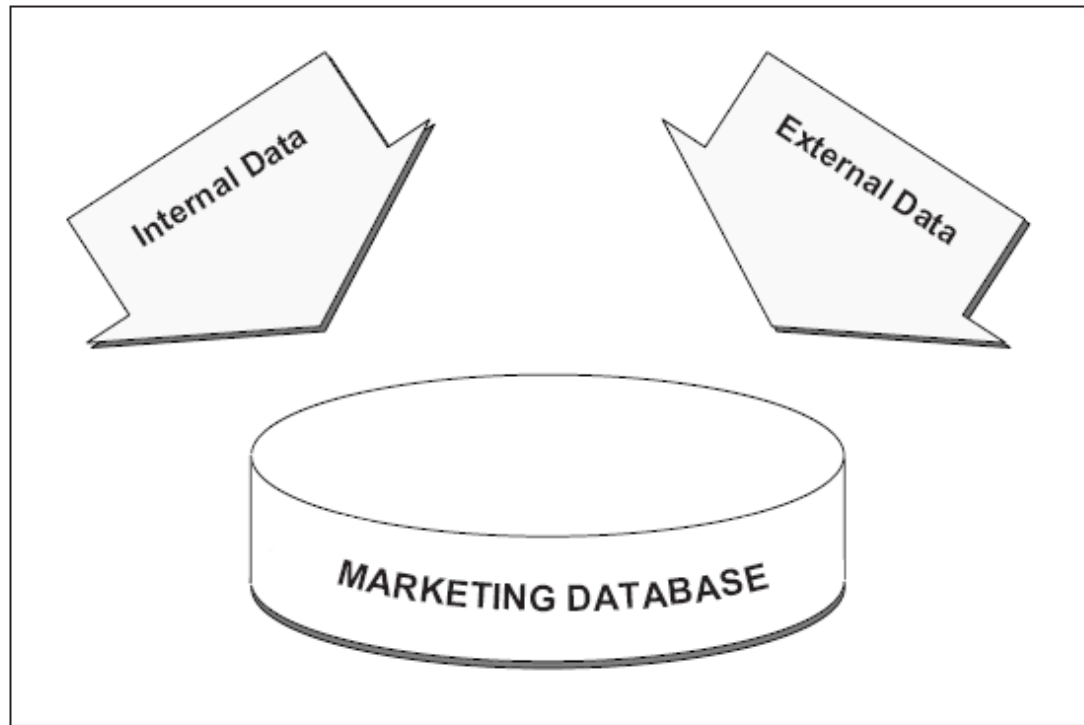
Who Will be Using the Database

...a more detailed view

- As can be seen, many individuals will need similar access to the database and what it has to offer.
- For example, all functional areas/individuals will want some form of “dashboards” or other reports.
- To ensure success and keep the cost of the database in check, priorities will need to be set for deliverables and features.
- It is best to build in phases ---start out small and build on each success.
- Remember this is a marketing database. The primary focus must first be marketing. Other divisions can then follow.

What Should be Stored on the Database

- There are two types of data housed on a marketing database



Source: Optimal Database Marketing, by Drozdenko and Drake, Sage Publications

What Should be Stored on the Database

Internal Data

- Fulfillment Data
 - Last Bill Effort Sent
 - Total Dollars Paid
 - Etc.
- Marketing Data
 - RFM data
 - Clickstream Data
 - Omniture tags
 - Internal Survey Data
 - Customer Service Data
 - Sourcing Information (DM, TM, Banner, Organic, Paid)
- Customer Contact Data
 - Name
 - Address
 - Email
 - Etc.

External Data

- Census Data
 - Average Income in Zip Code
 - Average Age in Zip Code
 - Years Education in Zip Code
- Demo and Psychographic Data (BtoC)
 - Individual Level Age
 - Individual Level Income
 - Ethnicity
 - Hobbies
 - Interests
- Modeled Data (BtoC)
 - Prizm Clusters
 - Mosaic Clusters
 - Credit Scores
- D&B Data (BtoB)
 - SIC Codes (industry Class. Codes)
 - Company Revenue
 - Number of Employees
 - Years in Business

What Should be Stored on the Database

- Priority should be internal data.
- You will want to convert your core fulfillment data over to the new marketing database. This will include such fields as:
 - *Date of entry*
 - *Number of continuous subscriptions*
 - *Total dollars spent*
 - *Total dollars contracted*
 - *Number of cancels*
 - *Products purchased*
 - *Sourcing Information*
- In addition you will also want to populate promotion data as quickly as possible. So, begin building history as soon as you know you are going to build the database. Very important!
- Once these core elements are set you can then begin to enhance the file with external data. To keep the initial development costs in check, external data must be second priority.

How Often Should the Database be Updated

- Customer data updates are driven by external factors
 - On what cycle is the data used? Weekly? Monthly?
 - Availability of updated data
 - Often times a database will employ differing update schedules by data source
- Amazon updates transactions in real time. Emails pushed immediately rather than nightly. Product association tables rebuilt daily.
- You will also need a standard schedule for maintaining the integrity of your customer data as shown on the next slide.

How Often Should the Database be Updated

Database Maintenance Schedules

Process	Common Schedule
NCOA Processing	Monthly or quarterly for large mailers; two times per year for others
Address Standardization & Customer File De-duping	As needed for legal and postal compliance
Householding of the Customer File	Annually for clean-up of duplicate records
Application of DMA Do Not Promotes	As needed or quarterly. The MPS and TPS are updated quarterly by the DMA.

Source: *Optimal Database Marketing*, by Drozdenko and Drake, Sage Publications

Tool Considerations

- Remember the database build must come first. The initial focus must be on getting the data correct and setting up your campaign tracking reports.
- Keep your eye on the road!
- Next, the tools used to access, analyze and present the data must be determined.



Key Performance Indicators

The key is organizing the data in such a way so that only those things important to me are readily available... *remember we cannot control every little thing.*

The gauges inside the car are the ACTIONABLE data that we need to pay attention to, in order to successfully drive our car/website.



There may be hundreds of things going on while I drive my car: thousands of parts that make it go down the road.

But my DRIVING DECISIONS are made primarily by paying close attention to a few indicators.

StubHub Case Study

Background

- In 2005 San Francisco-based StubHub had a problem. The rapidly growing company had limited visibility into current data, customers and business drivers, all of which threatened the long-term survival of the business. The root of these problems was an inadequate technology infrastructure.
- "We had virtually no information management infrastructure," says Rob Singer, director of customer intelligence and relationship marketing at StubHub. "We didn't have a data warehouse or a centralized reporting mechanism, and we had not identified the core metrics of the company and what the key performance indicators of the company were."
- In short, day-to-day business decisions weren't being driven by data and analysis and an understanding of what the levers of the company at the time were.
- Faced with these challenges, StubHub embarked on a campaign to turn the company into more of a data-driven, scientifically oriented entity.



StubHub Case Study

Solution

- In mid-2005, StubHub assembled a steering committee and a business intelligence team to assess the business requirements, evaluate options and, ultimately, build a scalable business intelligence/data warehouse infrastructure that could support StubHub's growth and contribute to business value.
- In 2006, after looking at several technology solutions, StubHub implemented a data warehousing program that combined open-source technology with best-of-breed software tools from Oracle, Omniture and SAS.
- The tools offered the company a stable, scalable and extensible data warehouse environment that enables dynamic reporting and provides access to current and historical performance data.
- Now, as a result of the program, StubHub has a 360-degree view of its customers, company-wide dissemination of critical company data, and the quantification and monitoring of key company metrics.

Source: <http://www.emarketingandcommerce.com/article/ticket-success>

More to invest in tools and analytics for better customer management

According to a recent study of 500 executives from the CMO Council, 62% said they will begin to focus more on analyzing customer data to improve segmentation and targeting

http://www.mediapost.com/publications/?fa=Articles.showArticle&art_aid=126301&nid=113431

According to “The State of Marketing 2010” report conducted in the last quarter of 2009 with 150 marketers, found that 70% view turning data into action as “very important.” A close second, at 69%, is the importance of measuring results and increasing effectiveness.

<http://www.btobonline.com/apps/pbcs.dll/article?AID=/20100319/FREE/100319913/1001#seenit>

Other Challenges we face in the new digital world include...

Two new challenges we are additionally facing in today's digital world are:

- How to deal with siloed data
- Inappropriate campaign attribution

...*Siloed Data*

- When an organization's customer data is stored in silos, it can't be used effectively to provide a 360 degree view of actual behavior.
- Many companies are unable to provide targeted relevant experiences due to siloed data.
- Pulling together the offline and online data will empower companies by letting them analyze every aspect of customer data and act upon it decisively.
- Doing so in real time is a major challenge but one that will yield considerable results.
- Integrating online and offline channels is something that 's very much on the minds of retailer and is forcing them to understand how to manage relationships across multiple channels.
- For retailers, one can purchase in three places: Website, Catalog or Store.
- Problems most faced by retailers is matching the prices and products found on their Web site to those found in the store or being able to recognize a customer properly in all three channels.
- Nothing frustrates a consumer more than not finding the same DVD player in the store that he found online, or finding it at a different price.
- One of the main obstacles is legacy systems.

...*Siloed Data*

In a recent study by eMarketer they found the most common barriers to data integration.

- 33% of the retailers mentioned, No single owner of cross-channel operations
- 20%, Systems/processes will not allow planning across channels -- mostly due to legacy systems.
- 18%, Buying and planning organizations are "siloed" (i.e. too separate and/or dissimilar)

...Siloed Data

Doing it Right

- *A major rewards club program registers names on the web via search ads, mail campaigns and in-product promotions. They appended Omniture tags (which holds visitor clickstream data) within their database to assist them in better segmenting and treating their customers. SAS was utilized for this analysis.*

Doing it wrong

- *BestBuy placed Kiosks in their stores to allow consumers to check prices online of competitors. Problems arose when some found their in-store prices were not the same as their website prices.*

...Inappropriate Campaign Attribution

- Siloed data also makes it difficult to evaluate the performance of marketing programs across channels.
- As the number of channels increases regarding customer interactions the harder it is becoming to truly understand where to attribute the sale and how to apportion the marketing costs.
- The next major issue about to face marketers in this new digital world is that of proper campaign attribution.
- Eventually, marketers will have access to robust warehouses of data detailing consumer interaction with online and offline media, but....we are not there yet.

...*Inappropriate Campaign Attribution*

- Inappropriate attribution models frequently lead to incorrect conclusions about the efficacy of campaigns.
- And, this is becoming more problematic as the number of channels increases.
- The focus is typically on “last touch” conversion drivers.

CASE A

- Receive a catalog day one
- Go to store day two
- Go to website day three
- Click on banner ad, go to affiliate site on day four and place order

CASE B

- Go to store day one
- Go to website day two
- Click on banner ad day three
- Go back to website day six and place order

What channel gets credit for the sale in each case?

...*Inappropriate Campaign Attribution*

- According to Matt Bailey of Hanover Direct, a study revealed that roughly 60% of sales attributed to “last touch” had at least one other touch prior to the conversion.
- eMarketer reported in December 2008 that those exposed to online display advertising were 22% more likely to make a purchase than those not exposed to such ads.
- Enquiro Search Solutions found that when an ad citing brand is at top of both organic and paid for non-branded (category) queries:
 - Brand Association ↑ 16%
 - Brand Recall ↑ 2.2x
 - Purchase Consideration ↑ 8%
 - Purchase Intent ↑ 8% & ↓ 16% when brand is not in search results

...Inappropriate Campaign Attribution

- Given the scope and magnitude of the problem, the unfortunate reality is that most companies are going to remain saddled with inappropriate attribution modeling for the foreseeable future.
- The barrier to developing a solution arises from technology, resource allocation and process challenges.

Quantifying Profit

- The profit potential from a marketing database can be significant...but only if executed properly.
- To simply build the database is not enough. A detailed plan must be put in place as to how it will be utilized and how you will quantify the benefits.
- You can build the worlds best and cleanest database but if you do not have a plan in place or the proper team in place to maximize the use of the database, it will be for nothing – guaranteed!
- The organization will need to shift to an information based enterprise.

Quantifying Profit

- Eighty percent of database profit will be derived from
 - *Acquisition efficiencies*
 - *Retention efficiencies*
 - *Cross sell opportunities*
 - *Convergence of on and offline data*
- *Additional gains will be seen via*
 - *Staffing efficiencies*
 - *Process efficiencies*
- Lets now discuss some of these in a bit more detail.

Quantifying Profit

Acquisition Efficiencies

- For prospecting, determine worst zip codes for elimination.
 - Using zip level data and house data driven down to a zip code level you can determine zip codes that should be eliminated from your outside list mailings at the merge/purge stage.
- Using promotion history data and demographic/psychographic data for consumer offers and D&B data for business offers, you can improve response.
 - Models can be built that utilize promotion history data to help you increase your response rate after the merge/purge process.
- With your new database, identify customers for cloning to assist in more efficient acquisition strategies for both consumer and business offerings.

Quantifying Profit

Retention /Churn Efficiencies

- Begin by building conversion or churn models to identify likely renewers or churners by source.
 - *Conversion or churn models in both the consumer and business space provide a huge payoff since a model can effectively identify “renewers” or “churners” in an otherwise poorly performing source.*
 - *Efficiently converting subscribers and improving renewals at each contract (e.g. AT&T) has a compounding effect in the growth of a customer file.*
 - *Examine price and offer sensitivities*
- In the case of a publisher, when you have many small titles of a related topic, it may be more cost effective to build a single model for all titles in that affinity rather than build separate models for each.
- Remember it is cheaper to retain a customer than to obtain a new one.
- Capture email – the most cost effective means to engage and retain your customers. But DO NOT abuse the privilege.

Quantifying Profit

Cross Sell Opportunities

- Models will predict those most likely to purchase other products or titles
- Models will predict those likely to give a products or magazine titles as a gift
- Identification of the optimal product stream—maximize lifetime value of customer
- Utilize segmentation and regression models to identify best prospects for next offer.
- Of course data cannot be siloed in order to be effective.

Summary Rules to Build a Profit Producing Marketing Database

- A database should be built to serve the entire organization.
 - The metrics contained in the database should reflect those used by functional areas for decision making
 - The access of information should be flexible and allow individuals to see the data they need in the most convenient manner.
- The highest return on investment is delivered through higher level analytics
 - Acquisition models
 - Renewal models
 - Cross sell models
- An organization will need to shift to an information based enterprise
- Be patient and take small steps to ensure success. Do not bite off more that you can chew or afford in the beginning.

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