

Five Tips For Building A Marketing Database

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WHITE PAPER



**In This White Paper We Discuss Five
Tips That Marketers Should Be Aware
Of Before Embarking On Building
A Marketing Database**





INTRODUCTION

Over the years, direct marketers have come to rely on their marketing databases more and more. During this time, more marketers have focused on building or outsourcing marketing databases as they try to support new or more advanced contact management strategies. As a result, marketing databases have gotten more complex and the data necessary to support the decision making process has expanded dramatically.

As a provider of database marketing services, Anchor Database Services has heard many war stories from clients about how their first attempt at building a marketing database failed. With that in mind, this whitepaper is designed to highlight some of the critical factors you should consider so that your marketing database project will be a success!

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TIP #1 - BEGIN AT THE END! DEFINE YOUR OBJECTIVES

Why do database projects fail? It's really very simple. They fail because clear expectations are not set and measurable goals defined before the project is started. Not doing so leaves the project open to be misdirected and/or derailed as the project progresses.

When embarking on a database project, it is essential to define the objectives before committing to the project. When buying a car today most people do extensive research before walking into a dealership. They've already determined exactly what they want in the car. Building a marketing database is not any different. It just requires more planning.

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- Are you building a customer, prospect or customer and prospect database?
 - For what will the database be used?
...Analysis, Campaign Management or Both?
 - What kind of reporting is required?
 - Standard Processing Reports?
 - Standard Marketing Reports?
 - Response Analysis Reports?
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These questions are just the tip of the iceberg!

To start, review and document your current marketing plans to determine what type of database is needed: Will the database be used for lead generation, traffic-building, direct marketing, loyalty programs or customer analysis? What about E.Marketing? Will email factor into the database plans? What about future marketing plans? What new initiatives are you considering? Are the new initiatives near-term?

Defining the programs that your marketing database will need to support is critical. The data required to support a loyalty program is very different when compared with a direct marketing program and will have an effect on how the database is built. Again, if the database needs to support both a loyalty program and direct response, the designers will have to change their approach.

Does your current system provide you with any standard reports? Review those reports and decide which have actual merit. If there is something about the report that you've always wished you could change, now is the time. Take the time to sit and create new reports that you require by creating a sample layout showing the data and how you want the report to appear.

When the vendor is provided with the old and new reports, they will have a much clearer picture of how to structure the database to meet your reporting objectives.

The same can be said for queries. If you have a standard set of queries that need to be run, document them. Also document any questions that you have not been able to answer with your current database.

Very often, standard reports can be done within an online query tool. The vendor will be able to determine which reports can be supported by the query tool and which may require report writing software or custom programming to develop. Simply, if you can't define how the database is going to be used before you start the project, then don't start. It's a sure fire recipe for disaster!

TIP #2 - KISS (KEEP IT SIMPLE STUPID)

It's a very old principle, but one which works fairly well! In other words, don't try and do too much with your marketing database. It is very easy to become enamored of the elegant, complex database solution. However, when building your first database, it is better to start small, support a single marketing program and work to guarantee success with achievable goals.

Large complex databases take longer to complete and increase the likelihood of missed deadlines and lost opportunities. By simplifying the database as much as possible, you increase your chances for a successful implementation.

It is important to set realistic timeline expectations for building the database. Most relational databases will take from 10-12 weeks to complete. This longer timeframe is because, by design, relational databases deal with more complex issues in maintaining data. The structure and processing for maintaining the complex linkages must be thought through completely!

All too often, people expect a relational database to be built in 4-6 weeks and to get the business, many vendors will agree to the quick turn-around. Cutting yourself short on time is a quick path to disaster! The vendor will be forced to take short-cuts to deliver the database on time, which will result in you not receiving the best possible results.

When working with the database designer during the initial database build, remain skeptical about the need for all the requested data. Make sure there is a proven marketing requirement for the data allowing it to be incorporated into the database.

As an example, consider product related information. In a database intended to support acquisition efforts, it is not likely that you would need to incorporate product data into the marketing database. However, for a loyalty program, product purchase history and data about the product may be very useful in executing the marketing campaign.

Not all databases support only a single marketing program, so keep in mind your objectives, as well as the marketing requirement when evaluating data for inclusion in the marketing database.

Keep It Simple!



TIP #3 - STANDARDIZE/NORMALIZE YOUR DATA

One of the most daunting tasks to face when building a marketing database is also your greatest opportunity! As a marketer, how often have you had to deal with inconsistent data?

Inconsistent data complicates queries and only causes confusion for your marketing staff as they try to segment their promotions.

Standardizing data can be broken down into the following categories;

- A. Coded fields
- B. Summarized code fields
- C. Common output structures
- D. Standardizing address data to USPS requirements

Standardizing Code Fields:

When a database contains multiple sources it is inevitable that there will be variances in data that will need to be standardized. With standardized code fields, selection, segmentation and reporting become much easier!

Standardizing code fields can be a complex undertaking as the definitions of each code from the multiple input files needs to be reviewed and compared against definitions from the other files. Very often, decisions will need to be made by the client on how to standardize the codes. A simple example would be gender coding. Many files use a "Male, Female, Ambiguous" coding structure while others will use a numeric coding such as "1 = Male, 2 = Female, 3 = Ambiguous".

In this case, it is easy to pick one coding structure over the other and convert all records to the selected coding structure.

There are simple standardizations, such as gender, and more complex, such as age ranges or multi-value code fields. If the number of values increases and the consistency of the values decreases, it is sometimes better to create a new coding structure and convert the existing input codes to that.

Standardizing Summarized Code Fields:

Summarize code fields are not as simple as our previous example. When dealing with code fields such as age ranges, how would you handle the following scenario?

FILE 1	FILE 2
18-25 = 1	20-30 = 1
26-30 = 2	31-40 = 2
31-35 = 3	41-50 = 3
36-40 = 4	51-60 = 4
41-45 = 5	61-70 = 5
46-50 = 6	71+ = 6
51-55 = 7	
56-60 = 8	
61-65 = 9	
65+ = 10	

Cont'd: TIP #3 - STANDARDIZE/NORMALIZE YOUR DATA

If the actual age is available, you can define new age ranges and recode the data. But what if it's not? It is easy to convert file 1 codes 3 & 4 to match file 2 code 2 and so on, but what to do with the discrepancies where file 1 covers 18 and 19 year olds under code 1? The database designer will work with you to come up with a workable solution to meet your objectives.

When you consider the amount of coded data on most marketing databases, you can now see how standardizing your data is an important challenge you will face.

Standardize Data into common output formats:

Another form of standardization involves normalizing name and address data. Many legacy systems did not standardize data collection. While this has improved with the new business systems, the influx of data captured over the web has created new challenges for correctly handling names and addresses. Make sure the vendors you're interviewing have software available to standardize your name and address data.

Creating a common output layout is a challenge because the software needs to recognize data for what it is, when data is not contained within the appropriate field. If the input file has multiple address fields, which is the primary address? Is the contact name in the company field and vice versa? What other data is appearing in the record?

What if you have a record that looks like this...?

Name	ABC Company
Address 1	John Smith
Address 2	PO Box 9999
Address 3	1234 Main Street
City	Anytown

Which address is the primary address? Clearly Address 1 is a company name but does the PO Box or street address take precedence? In the marketing database, you want to standardize the name, company and address data to make sure you have a clean record.

By creating an output that looks like this...

Name	John Smith
Company	ABC Company
Primary Address	1234 Main Street
Secondary Address	PO Box 9999
City	Anytown
State	NY
ZIP [®]	11999-1234

There are simple standardizations, such as gender, and more complex, such as age ranges or multi-value code fields.

There are benefits to standardizing your name and address including;

1. Improved mail deliverability.
2. Creating a better record for use in matching in all data hygiene processing.
3. Increase the likelihood of identifying duplicates.
4. Allow for personalization of promotional pieces.

Cont'd: TIP #3 - STANDARDIZE/NORMALIZE YOUR DATA

Standardizing address data to USPS® requirements:

When building the database to support marketing promotional efforts, you should make use of the data hygiene products offered by the USPS®. Each of these products provides major benefits within your marketing database as well as affording you significant savings on your promotional budget.

These products include;

[CASS™ - USPS Certification Program for ZIP + 4® Matching Software](#) - Standardizes address data to USPS® guidelines.

[NCOA Link™ - Change of Address](#) - Provides the latest Change-Of-Address data filed with the United States Postal Service® for the last 48 months.

[LACS Link™ - 911 Address Conversion Matching Tool](#) - Convert rural route addresses to city style addresses and renumbers and renames existing city style addresses as required by local authorities.

[DSF²™ - Identifies Deliverable Addresses and Specific Address Attributes](#) - Validate addresses in your database by comparing your addresses to every deliverable address in the U.S.A.

In addition to the cost savings of reducing undeliverable mail, the results of CASS™ and NCOA Link™ can have a positive impact in the ability of the service bureau to identify duplicate records and merge the results into a single surviving record. By doing that, you will have a more complete view of the history and relationship that individual or company has with your business.

DSF²™ has the added benefit of verifying that the physical address actually exists on the USPS® Delivery File. It can be used to identify non-deliverable addresses to reduce undeliverable mail as well as identify the "best" address when caught as a duplicate against other records.

Improve Mail Deliverability



TIP #4 - CREATE AN ACCURATE BUDGET

Now that you've spent the time to define your expectations for the marketing database, it will be easier to create an actual budget.

First, you'll need to specify the volumes regarding how the database will be used.

How many gross customer and/or prospect records will be incorporated into the database?

How many transactional records (orders, products, etc.)?

How often will you update? ...Weekly, Monthly, Quarterly?

What data hygiene processing will you require?

What data enhancements are you interested in?

What data if any would you like returned for upload back into the business system?

What is the volume of records you expect to select from the database?

Second, do you want online access to the database?

Third, what level of support do you require from your account representatives?

When developing a Request for Proposal (RFP), be sure to include the vendors with the answers to the above questions, as well as written documentation of the objectives and requirements for the database project. The objectives and requirements need to make clear to the vendor your expectations what a completed database is expected to accomplish.

With that information, you should receive fairly solid quotes from all the vendors on your RFP.

When evaluating quotes from potential vendors, be sure to critique the responses to make sure the vendor is delivering on the requested requirements. Document which requirements each vendor does or does not provide for comparison purposes. Very often, the lowest bid does not meet all of your requirements.

In many cases, vendors will provide solutions that were not a part of your original requirements. Evaluate these solutions for overall benefit to the project against any incremental cost.

By comparing the pricing provided by the vendors you will be able to establish the budget for your database project. When creating the budget, don't use the lowest bid as several critical elements may not be included, causing you to go over budget when the database is completed.

Improve Your ROI



TIP #5 - SET MEASURABLE OBJECTIVES

For every company, the marketing database represents an opportunity to learn about their customer and refine their marketing programs. The two primary objectives should be increasing sales and reducing cost. Calculating Return on Investment (ROI) is fundamental for selling the marketing database to management but also defining measurable objectives. When defining measurements for the marketing database project you need to focus in the following areas;

COST REDUCTIONS

Reduced List Costs: Through analyzing and profiling your customer base you can be more selective when renting prospect names for inclusion in your database or mailing. Premium charges may apply for additional selection criteria but that cost is easily off-set by reduced quantities ordered.

Better Segmentation: More accurate targeting in direct response campaigns should result in the elimination of non-responsive records from the promotion. If your response rates are around 1%, then 99% of those individuals promoted are not responding. By utilizing profile data, predictive modeling and segmentation strategies, you will eliminate non-responding names from the promotion and reduce promotional costs.

Define customer-focused marketing strategies: Your marketing database will allow you to analyze the promotion and response history of your customers and prospects and determine new promotion patterns. By mailing more frequently to responsive customers and less frequently to others, you will reduce promotion costs.

INCREMENTAL SALES

Better Targeting: With better customer and prospect data contained in the marketing database, you'll be able to send better targeted promotions to specific individuals who are more likely to respond. Depending on your industry, a 1% bump in response rate can be significant. By better addressing your customers' needs within your promotion plans, the value of each sale can be increased. Promotions that include more products likely to interest the customer will result in more up-selling and cross-selling which will return a higher RIO.

INTANGIBLES

Better Information For Decision Making: Having a marketing database puts a vast amount of vital information directly in the hands of the marketer. If the database objectives have been accurately defined and executed in building the database, and that information is properly used, this will result in better marketing decisions and increased profits.

Competitive Time Advantage: In addition to the vast amount of information about customers and prospects available to marketers within the database, they can also have on-line access to the database. With on-line access software for executing campaigns, marketers can eliminate significant time lost communicating to IT or your service bureau for selecting promotional files. Marketers can access the database, run queries and get counts without having to leave their desk.

Goodwill: Address hygiene, deceased processing, data enhancements, better segmentation, improved cross-selling and up-selling will all have the effect of reducing unwanted mail from recipient mail boxes. This will create goodwill between the consumer and the company.

Improve Market Share



SUMMARY

The decision to build a marketing database is critical for any organization today. The volume of information that is available on both consumer and business records affords marketers a tremendous opportunity to streamline and better target their promotional efforts resulting in an increased ROI for the company.

The trick for marketers is collecting the right information and making it available to the appropriate decision maker in a timely and responsive manner that will allow your company to react to, and take advantage of, changes in the customer environment.

Here's a quick recap of the major points of this whitepaper.

Clearly define your objectives! By defining how you will use the database, what types of reporting and analysis you wish to support, you will find it much easier to achieve your objective in the end.

Simplify the database as much as possible. Some databases are very simple and some are very complex due to the programs they need to support. Just don't make yours any more complicated than it needs to be!

Building the database represents your best opportunity to standardize your data. But don't kid yourself; there are hard decisions that will have to be made on every level of standardization.

When creating the budget for your database, utilize the quotes you received from the vendors in your RFP. It's ok to amalgamate expenses from multiple quotes as each individual quote may not be comprehensive. If you haven't reached the RFP stage yet, talk to vendors and peers who have built a database and work from their experience.

While ease of use is a laudable goal, it is not the primary objective of the database. Return on Investment, measured in quantifiable improvements in the marketing program is! The formulas presented should provide enough information to be tailored to your unique situation.

The successful implementation of the marketing database is the first step to taking advantage of the changing marketing environment. Hopefully, this white paper will help you implement your marketing database!



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