



Digging for New Sales

More and more direct response marketers are using database mining to add to their bottom lines.

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Response



How many times has the following scenario played out? Product XYZ has performed successfully in all major direct response channels and makes its way to retail distribution. A few months pass by, and now the company that produces Product XYZ needs to find a way to peak consumer interest, since sales for the product have slowed down.

Often, companies in this position will resort to the tried-and-true methods of marketing in hopes of making an impact: coupon discounts, flyers, loyalty programs, blanket E-mails and direct mail.

While all of these techniques have worked in the past, companies are literally spending (and often wasting) billions of dollars in advertising that has little return on investment (ROI) or a sense of who customers are and where they came from.

What if there was a way to send information to customers that would lead to the biggest ROI? What if companies could take the information from current customers and turn them into repeat customers?

There is. It's called "database mining."

What is Database Mining?

When consumers purchase products, companies that supply these items are left with two valuable things: profits from their sales and customers' information. While the first benefit can be considered short term, the second advantage can provide a wealth of information for companies that opt to sort and use consumer information appropriately.

This sorting process is most commonly referred to as "database mining."

Database mining isn't a new concept. In fact, it's been around for quite some time. The process is actually becoming more of a necessity to make campaigns work profitably these days.

Scott Swanson, vice president of sales, Motivational Fulfillment & Logistics Services (MFLS), says that database mining takes compiled information and sifts through it to find new and useful information. MFLS has used this process to construct new avenues of revenue for its clients.

With database mining, companies are urged to go beyond their numbers to unearth true



Analyze This!

business insight — culminating in the process of uncovering "hidden truths" in their databases.



Get the Facts!

Simply stated, database mining is the ability for companies to analyze its data in a measurable way to deliver a marketing or business insight that could not have been seen otherwise. From a marketing standpoint, this insight can take many strategic forms, such as a contact management strategy, a new segmentation process or an actionable analytical model that can be deployed in customer relationship management.

"Surprisingly, a lot of clients don't even look at their data. We suggest just looking at common threads in the data such as age, geography and buying patterns to start," says Swanson. "Sometimes you can find something just in this step. If the database is older or has been mined previously, we'll suggest looking to other companies that have advanced software to help explore deeper."

How Database Mining Works

With increasing media costs, companies have to make the best out of the information they are capturing from the purchasing or inquiry customers.

If customers are labeled as purchasing, companies will need to maximize their lifetime value by selling them more than just the initial product that had prompted their inquiries. If they didn't purchase an item, then companies will need to re-establish contact and turn them into repeat sales to maximize the initial ROI.

Companies that choose to open channels with present or past customers will have to sift through data and create a database. Information collected will usually be basic, such as names, addresses, income or age, and should be grouped according to these categories.

It should be noted that database mining just doesn't apply to companies that sell directly to clients. In fact, those companies that sell to other businesses can still use this system to boost sales. Standard database mining will still be used to interpret data, but with minor tweaking to the system.

Demographic data will become "firmographic" data, which includes business type, number of employees, industry code and annual sales. Firmographic data also covers the type of businesses and the functional solution or products offered.

Breaking customers into distinct categories can help sort data. These can be as simple as the type of services offered or how often these companies do business with other companies. While this information can seem daunting at first to accumulate, the longer time is spent learning about customers the better the final database will be.

There are several ways to collect data, which include follow-up phone calls, contests, one-on-one conversations and even surveys. Being friendly, thorough and non-intrusive will help better understand the customer and give your company more complete solutions on how to remarket your brand.

Get With the Program

After all the data is collected, it will need to be compiled in a central database. This is usually done in a computer program, and will result in an easy tool to keep track of companies' customers through trends, purchasing habits and any other characteristic they choose to track.

While there are hundreds of personal database programs available for companies to use, selecting the right one for your particular company is important.

Things to keep in mind while selecting a particular database-mining program include:

1. Software or program must be able to fit the needs of the project
2. Software or program must be easy to use
3. Software or program must be able to work concurrently with other database products

Having a database-mining program that fits the needs of the project is the most important thing to remember. If the program won't work for the project, then there is no need to use it. Finding a software program that fits your company's needs before delving into the data will save you both time and money.

Secondly, the program must be simple to use. Computer programs are often designed to fit the needs of its users, whether the user is a novice or expert. Knowing your boundaries will help select a program that will suit your needs.

Finally, database-mining applications need to work with Open Database Connectivity (ODBC). New database applications should be smoothly integrated with standard products.

Database Mining in Action

One thing to remember about database mining is that it isn't as complicated as it first appears. In fact, many companies have already used this tactic to narrow their marketing and to increase their sales.

For example, Blockbuster Video adapted a form of database mining when it sought out a trend with its users. Marketing to past, present and future users would be based upon activity within the company — if a customer was a consistent, growing or downward-migrating subscriber. Using a combination of phone, E-mail and direct mail, Blockbuster sends customers an offer (such as a rental for \$1.99) in hopes of getting them back into the store.

Blockbuster isn't the only entertainment company doing such a thing. Netflix, Amazon.com and even A&E Television Networks do a variation of this technique to boost sales and increase customer continuity.

So why are all these companies turning to either internal units or companies specializing in database mining?

"The main goal or benefit of data mining is to provide actionable insights that a businessperson could not have realized through simpler analysis," says Lissa Napolillo, executive vice president of MBS. "The process of mining data can be as short as a few weeks or as long as many months to prove out the ROI."

MBS is a strategic provider of direct marketing services, including marketing databases, campaign management, data mining and analytical solutions. MBS works in many verticals markets, including retail, healthcare and broadcast media.

"We are particularly strong in multi-channel, luxury and specialty retail," says Napolillo, who has worked with Bloomingdale's, Tiffany, Cole Haan, Dooney & Bourke, to name a few.

For example, a recent success MBS had with one of its luxury retail clients was building a regression model that revealed hidden data "drivers" that could be used to select preferred customers for special retail events.

"Through multiple tests stretching over a year's time, we proved that this model was 20-percent more productive than the client's previous event selection strategy," says Napolillo. "The ROI for this increased productivity had been estimated at 10:1 — \$10 return for every \$1 invested."

Most recently MBS has partnered with A&E Television Networks (AETN). Working closely with Andrew Wise, vice president, consumer products at AETN, Napolillo has changed the way AETN does its marketing.

"Andrew is a unique person. He is a finance expert by training, but a marketing and business visionary by his actions," Napolillo notes. "We partnered with Andrew to create a shared strategic vision of 'customer relationship management' at AETN. And we have been instrumental in developing a database that assists

AETN in creating revenue opportunities all along their CRM continuum."

By that, she means consumers interact with AETN brands (A&E, History Channel, Biography, etc.) as programming viewers, Web site visitors, club members and online store buyers.

"With AETN, we understand the nature of these different interactions — ultimately to manage relationships to the customer's highest satisfaction and to generate revenue streams from these interactions," Napolillo says.

AETN's extensive database mining began when it licensed technology from MBS to track the names of customers purchasing in AETN's store. The lists of names were comprised initially of those who purchased online or through AETN's call center.

AETN created a strategy to pull in all of the names throughout the company (viewers, sweepstakes registrants, etc.) and brought them into a central database the company now employs.

Wise points out that this was a two-part strategy. The first part was to grow the overall database, creating a larger corporate asset.

"We spoke to many different departments within the company and found that they were transacting with viewers and capturing information, but no one was aggregating it and looking at the data holistically for AETN," explains Wise. "We clearly saw the value to our division and led the project."

Phase two was to create a plan to give AETN's viewers and customers exactly what they wanted in terms of communication, which resulted in greater monetization of the file and more efficient marketing.

"Several years ago, AETN's E-commerce group would send out mass E-mail to 1 million people, stating, 'We're having a sale,'" says Wise. "We didn't get a great conversion rate off of that."

AETN has since found a more efficient way of using its customer databases. Looking at the purchasing habits of customers, such as a Criss Angel special on DVD, AETN sent out E-mail messages informing those customers of another product they might be interested in. Sending this information out to a smaller group resulted in a higher conversion rate at a lower cost. The result was a growing ROI for the business.

"Within any large company, there are probably many communication pieces that are not aggregated," notes Wise. "What we found is that we only had one slice of the pie. Now we have a much larger pie with many slices to serve."