

IN THIS ISSUE

News

- Hanesbrands Selects MBS
- Dave Braunstein Promoted to VP
- MBS Presents at NRF
- New DPV Requirement

Spotlight On . . .

- Donna DePaola

Best Practices

- Database Councils
- Coping with Postal Increases

Operational Excellence

- MBS Controls Costs, Fights Fraud with Online Credit Card Authorization for F&W

News

Hanesbrands Selects MBS

MBS is pleased to welcome Hanesbrands Inc. as a marketing database client. We will be providing Hanesbrands, which operates three catalogs: One Hanes Place, Just My Size, and Champion, four e-commerce Web sites, as well as approximately 200 outlet stores, with comprehensive direct marketing services for the company's direct-to-consumer operations. These will include strategic services, data warehousing, marketing automation, analytics, merge/purge processing, and interactive marketing.

Dave Braunstein Promoted to VP

David Braunstein has been promoted to Vice President, Consultative Services. In his new position Dave will oversee MBS' Consultative and Account Services Directors. Dave is a graduate of Colgate College and received his MBA from Cornell University. His secret skill: fluency in Japanese, perfected during a year abroad in Japan. More news about Dave below.

MBS Presents at NRF Big Show

David Braunstein and MBS' client Michael Marino, Customer Database and Research Manager for the Consumer Products division of A&E Television Networks (AETN), presented at the NRF 96th Annual Convention & EXPO at the Jacob K. Javits Convention Center on January 17. Their presentation, entitled "The Powerful Question All Retailers Should Be Asking their Customers" demonstrated how AETN used Net Promoter Scores to generate customer insight that strategically improved AETN's business results and how MBS assists AETN in driving future NPS application and analysis. If you would like a copy of the presentation, send your request via email to Coyne.Collette@mbsinsight.com.

New DPV Requirement

Starting on August 1, 2007, the USPS will require the use of Delivery Point Validation (DPV™) to confirm that primary number information (house numbers, PO Box numbers, Rural Route Box numbers) in each address is accurate in order to be assigned the proper

A Note

from Andrea Miskovsky
President, Database Services



Welcome to the first issue of *Insight Quotient*, MBS' quarterly newsletter for our clients and industry associates. We have created this online publication to keep you informed of happenings at MBS, share innovative thinking, identify emerging trends, and provide a forum for airing our views on some of the key issues and challenges direct marketers are facing today.

This inaugural issue of *Insight Quotient* also gives me the opportunity to introduce MBS' new logo, brand graphics, and Web site (www.mbsinsight.com). Please join us in celebrating our 40th anniversary as services providers to the direct marketing industry.

Thank you for your business. We hope you find *Insight Quotient* of value and we look forward to serving as your strategic marketing partner for years to come.

Andrea Miskovsky

ZIP + 4 code from the USPS ZIP + 4 directory. Addresses that do not have a DPV confirmed primary number will not be assigned a ZIP + 4 and therefore will not be eligible for postal automation discounts.

To help our clients effectively deal with this requirement, MBS is introducing our new Advanced Address Enhancement (AAE) correction service that can help you achieve postal discounts and improve deliverability. Using a comprehensive compiled consumer database, our AAE correction service appends missing address information, including apartment numbers, and corrects invalid street names, primary numbers, apartment numbers, directionals, and PO Box numbers to DPV confirm more records. More information is available from your account executive, who can help you develop a comprehensive address hygiene strategy.

Spotlight On...

Donna DePaola, Account Executive

For Donna DePaola and MBS, it's the second time around. Although she left us for a while, Donna rejoined MBS in January '04 and we're sure glad she did. Donna is a critical member of the always busy Bloomingdale's account services team. Each and every day, Donna is responsible for keeping the Bloomingdale's train on track and meeting the strict deadlines dictated by more than 500 marketing campaigns per year. She is a great teacher and mentor to the team's account coordinators and shares new ideas and learnings with her fellow account executives. We commend her for always seeking a faster, better, and smarter approach to helping Bloomingdale's achieve their marketing goals.

Best Practices

Database Councils

Many of MBS' clients are multi-channel, multi-business unit organizations who build marketing databases to benefit from the holistic view of customer activity across channels that they provide. Our consolidated marketing database solutions help them accurately evaluate how promotions in one channel drive response in another and how customer relationships and purchase behavior evolve across business units as well as among channels. While each business unit or channel focused team may have a specific set of objectives in influencing customer behavior, a consolidated marketing database helps them all focus on one universal goal: corporate Return on Investment.

Nevertheless, managing a consolidated customer database with many stakeholders can pose challenges as various parties can have competing needs in the utilization and evolution of the database. To maximize the value of our clients' database investments, MBS recommends a Database Council that draws members from each group of stakeholders within the corporation. The role of the Database Council is to optimize the efficacy of the database and maximize return on corporate investment by:

- Clearly defining corporate-wide and business unit level database objectives
- Actively engaging stakeholders in using the database
- Sharing decision-making among stakeholders in a balanced manner

- Facilitating the equitable distribution of financial responsibilities
- Providing a forum for the communication of database learnings, best practices, and successes among all groups of users

Whether an organization is implementing a consolidated marketing database for the first time or has already established one and wants to manage it more productively and evolve it strategically, the fundamentals of a well run Database Council are the same. The essentials include strong leadership, a clearly defined vision and mission, the right mix of stakeholders as members, and a commitment to active participation by each member.

Leadership

A strategically focused Executive Sponsor is key to the success of a Database Council in a multi-faceted marketing organization. The Executive Sponsor will preferably be someone to whom all the business units participating in the database are accountable – and who therefore will have the power to compel cooperation among stakeholders and act as the ultimate decision maker should any issues arise. The Executive Sponsor will have responsibility for choosing the Council's membership, coordinating financial responsibility, and forging the database's vision and mission.

In addition to the Executive Sponsor, there should be one person, perhaps with the title Chairperson, who has overall responsibility for the administrative tasks relating to the Database Council. The Chairperson will determine how often the Council meets, direct the choice of agenda items, review meeting minutes, and following up on assignments and deliverables.

Various members of the Database Council can also be designated as leads on specific initiatives or areas of expertise. These leads will be expected to report back to the Council on their projects and/or act as a resource to others in their areas of expertise.

Vision and Mission

Marketing organizations adopt vision and mission statements to help them focus on their goals and measure their success over time. Similarly, one of the most critical and worthwhile initial tasks of a Database Council is to develop and publish a vision

and mission statement for the database, which will serve as a foundation for long term corporate wide CRM strategy and the Database Council itself.

In addition, the Database Council should agree to and document a clear set of shared objectives for the database and provide a sense of priority for these objectives. This document, by defining the direction of database initiatives for one to three years into the future, will serve as a baseline for measuring success as well as a resource for justifying the continued funding of the database and database initiatives.

Over time, the vision and mission statement will need tending. Database Council members and other stakeholders should review their progress against it on a regular basis and ground their actions as a committee against it.

Members

As with any successful committee, a Database Council requires a mix of doers, managers, and visionaries. Membership in the Database Council, therefore, must include stakeholders at multiple levels of responsibility, from hands-on users who have developed true intimacy with customer data to directors focused on ensuring the efficacy of marketing programs to SVPs and above who can help forge forward-thinking marketing and database strategies. Membership should also be drawn from all business units within the corporation, including tangential stakeholders who might benefit from increased database utilization over time. It is up to the Executive Sponsor and Chairperson to keep a balance among the interests, needs, and requirements of each group within the organization while staying focused on the database's defined mission.

Active Participation

To be effective, the Database Council must meet on a regular basis, stay focused on its mission, and foster the buy-in of members and their constituents.

Hold meetings on a regular basis and resist temptations to let meetings slip in favor of more immediately pressing matters. While the frequency of meetings will vary from organization to organization, we recommend meeting at least quarterly, although monthly or bi-monthly meetings may be better suited to some organizations, especially in the early days of the database's implementation.

It is important that each member of the Database Council have a stake in the administrative and technical aspects of the Council's business but recognize that best practices are the true focus of the Council's activity. Members should be open and eager to learn from the experiences of others and to share their own. Team building efforts should focus on the benefits at all levels of the organizations and the ultimate goal: corporate ROI.

Do not underestimate the amount of time it will take to properly establish and maintain a Database Council. Expectations for specific deliverables and demands on members' time should be made clear from the outset or the potential for failure will increase.

As you launch your efforts to establish a Database Council for your organization, remember that every situation is different. Tailor your approach to your company's needs and the nature of your stakeholders' interests and requirements. Develop a strategic plan that works for your company and stay true to your goals and objectives as you proceed.

Coping with Postal Increases

You may have already taken a number of tactical steps, such as reformatting mailing pieces and reducing paper weight, to mitigate the impact of the postal increases on your direct mail campaigns. Now is the time to start thinking about long term strategies that take into account the negative effect of the postal increases on the ROI of individual mailings and customer lifetime value.

Our top line recommendations:

Use modeling and segmentation to identify non-productive segments of your house file. If formerly marginal segments are clearly unprofitable under the new postal rates, they should be eliminated from your mailings. Others may be profitable at only certain times of year and/or with very strong offers.

Recalculate projected lifetime value for both house file and prospect names using new postal costs. Be sure you are using accurate cost metrics across the board and up-to-date response data.

Consider a ZIP model and/or a prescreening model to improve prospecting efforts. A ZIP model is an easy and fairly inexpensive way of better targeting your acquisition efforts. Sophisticated prescreening models, which use appended demographic data and algorithmic formulas to automate the selection process are far more effective than the iterative selection of lists by gender, RFM, or geography, but also more expensive, and therefore need to be carefully balanced between cost and benefits.

Use best practice circulation planning and testing techniques to ensure that your measurements and conclusions are accurate. These include properly designing test schemas, ensuring the integrity of control groups, and accurately tracking results.

Reevaluate your matchback business rules. If you have not reviewed your allocation protocols in some time, it is likely that they will need to be adjusted to reflect changes in consumer behavior. You want to be sure that you are not under allocating sales that can be traced to the consumer's receipt of a catalog.

Make sure you file is as clean as possible. In addition to frequent use of NCOA^{Link} processing, improve deliverability with DPV (Delivery Point Validation), AEC (Address Element Correction) and LACS^{Link} (Locatable Address Conversion System). In addition, ACS (Address Change Service) can be used to both improve deliverability and obtain new addresses not yet available through NCOA.

Develop effective contact strategies that optimize multi-channel marketing communications. Selectively replacing "ink on paper" catalogs with far less expensive email messaging may bring surprisingly positive ROI, especially to lower performing segments. But of course, test carefully before making decisions that involve drastically reducing circulation.

Maximize efforts to capture customers' email addresses and gain permission to use it for marketing communications. You can offer incentives, appeal to their sense of environmental responsibility, and/or simply ask them to state their channel preferences. Email Append is also highly effective at increasing the number of email address on your house file.

Operational Excellence

MBS Controls Costs, Fights Fraud with Online Credit Card Authorization for F&W

As part of our Order Processing and Fulfillment services, MBS supports several transactional Web sites for our client, F&W Publications, a publisher of Web content, books, and magazines targeted to hobbyists and enthusiasts. F&W came to us with a challenge: they were planning a number of aggressive continuity club promotions with a high value "loss leader" first shipment and wanted to avoid credit card charge backs as well as potential fraud from those violating the "one per household" limit embedded in these offers.

MBS responded to F&W's need by implementing a state-of-the-art online credit card processing solution. In our solution, when a customer places an order on an F&W Web site, the credit card number is instantly checked, validated, and pre-authorized for approval, which means that 100% of orders accepted are valid and have funds available for timely deposit to F&W's account. If a credit card is declined, the online customer is immediately informed of the reason why, which helps to alleviate customer service notifications and calls.

In addition, MBS' solution has real time "fraud detector" functionality that prevents a household from placing more than one order for a given special promotion on F&W's transactional Web sites. To F&W's satisfaction, this security practice has foiled at least one persistent and pesky swindler who had developed an affinity for F&W's premiums and regularly placed 20 to 30 orders in response to each promotion. Although protocols were in place to stop these bogus orders before shipment, the new initiative streamlines the process, stopping the thief in his tracks, before the orders enter the system.

Peg Sousa, Book Club Director for F&W Publications, said, "We are thrilled with our new online credit card processing system from MBS. We are saving money and time and have greater flexibility to develop strong offers without running the risk of fraud."