

11

Chapter Eleven

Database

Direct Response Marketing Personal Selling

11



Selling Words

- 1400 Words - Copywriting service
- Business development specialist
- Generate prospects
- Collect information
- Qualify prospects
- Makes sales calls
- Closing
- Follow up

Database Direct Response Marketing Personal Selling

Chapter Objectives

1. What role does database marketing, including warehouse, data coding and analysis, and data mining, play in creating and enhancing relationships with customers?
2. How can database-driven marketing communication programs help personalize interactions with customers?
3. How do database-driven marketing programs create sales and build bonds with customers?
4. When should direct response marketing programs be used to supplement other methods of delivering messages and products to consumers?
5. What are the tasks involved in developing successful personal selling programs for consumers and businesses?
6. How should database marketing and personal selling programs be adapted to international settings?

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Database Direct Response Marketing Personal Selling

Chapter Overview

- Database marketing
- Building a data warehouse
- Database coding and analysis
- Data mining
- Database-driven marketing
 - Communications
 - Programs
- Personal selling



Database Marketing

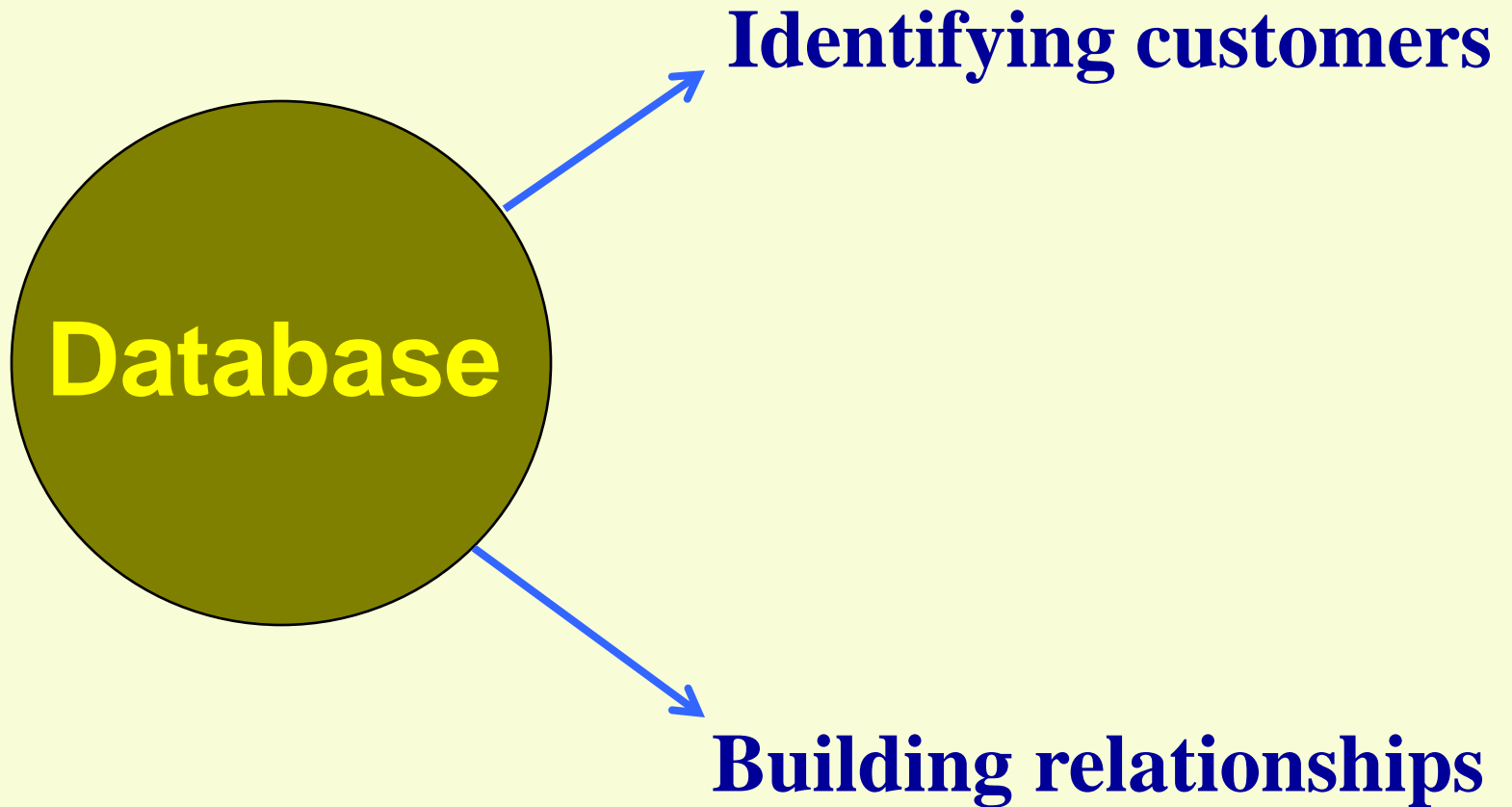
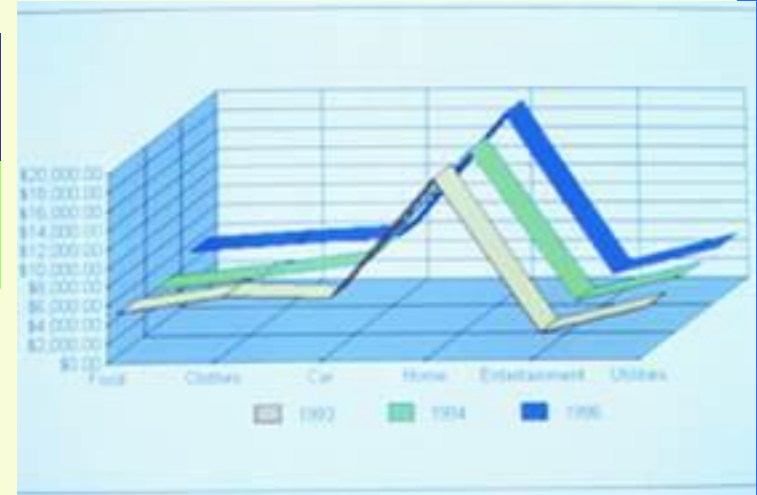


FIGURE 11.2

Tasks in Database Marketing



- Building a data warehouse
- Database coding and analysis
- Data mining
- Data-driven marketing communications
- Data-driven marketing programs

Building a Data Warehouse

- **Operational database**
 - Customer transactions
 - Follows accounting rules
- **Marketing database**
 - Current customer information
 - Former customer information
 - Prospect information

Marketing Data Warehouse

- Customer names and addresses
- E-mail addresses
- Record of visits to the firm's Web site
- Customer history
- Customer survey results
- Preferences and profiles
- Marketing campaign results
- Appended data
- Coded data

E-Mail and Internet Data

- Cost effective communications
- Build relationships
- Cookies
 - Store information
 - Personalize Web site
 - Customize content

Purchase and Communication Histories

- Detailed customer histories
- Every interaction with the company
- Determine future communications
- Assist marketing team in evaluating
 - Customer's lifetime value
 - Other customer metrics

Customer Information Companies

- Data research firms
 - Knowledge Base Marketing
 - Donnelly
 - Dialog
 - Claritas
- Demographic data
- Psychographic data
- Online information + offline information
 - Acxiom
 - Datran Media

Geocoding

- Adding geographic codes
- Plot on a map
- Combine with demographic and lifestyle information
- Identify clusters
- *CACI Coder/Plus*

Trade Area Draw Analysis

Sample CACI Report for a Proposed Store Site

Percentile	# of Customers	Distance	# of Households	Penetration Rate
25%	492	0.99	1,992	24.7%
50%	985	2.32	14,803	6.7%
75%	1,477	4.28	45,390	3.3%
90%	1,772	8.48	97,382	1.8%

Based on a customer profile presented to CACI, 50% of the firm's target customers live within 2.32 miles of the proposed retail site. Of the 14,803 customers who live within 2.32 miles, only 985 (or 6.7%) are currently customers of this firm.

Database Coding and Analysis

- Personalized communications
- Marketing campaigns
- Common forms of coding
 - Lifetime value analysis
 - Customer clusters

Lifetime Value Analysis

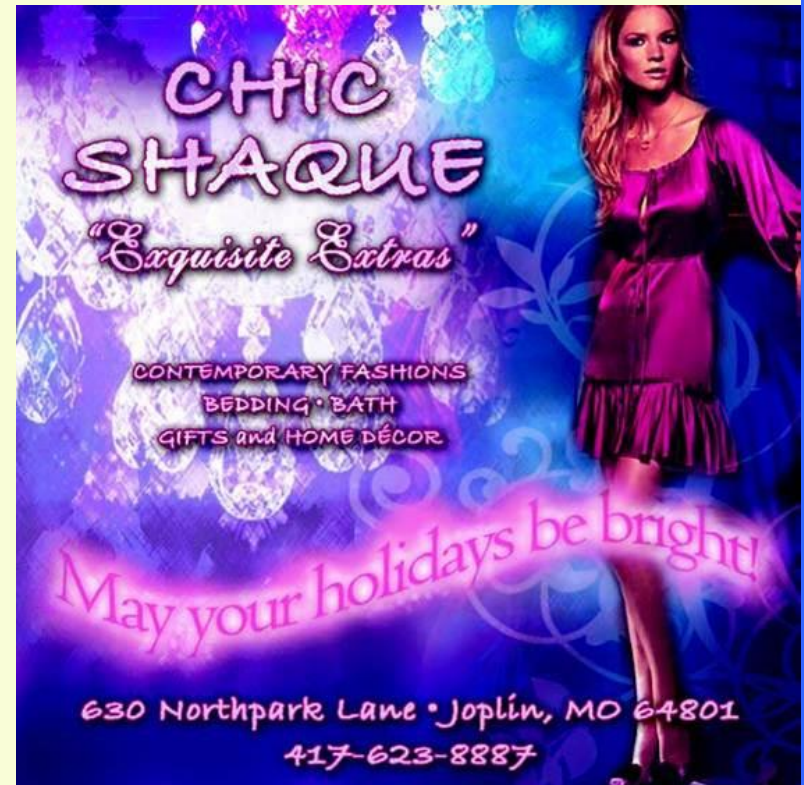
Represents the profit revenue of a customer throughout the lifetime of the relationship

- Individual lifetime value
- Customer segment lifetime value
- Key figures
 - Revenue and costs
 - Retention rate
 - Visits or purchases per time period

Customer Clusters

- Group customers into clusters
- Develop unique marketing programs for each cluster

Increase
advertising effectiveness



Data Mining

- Building profiles of customer groups
- Preparing models that predict future purchase behavior
- Examples
 - **First Horizon** – profiles best prospects
 - **American Eagle** – price markdowns
 - **Staples** – profiles of best customers

FIGURE 11.3

Purposes of Data Coding and Data Mining

- Develop marketing communications
- Develop marketing programs
- For personal sales
 - Qualify prospects
 - Information for sales calls

Database-Driven Marketing Communications

- Identification codes
- Customer profile information
- In-bound telemarketing
- Trawling

FIGURE 11.4

Why the Internet is Important in Customer Communications

- Low cost
- Available 24/7
- Metric analysis
 - If the message was read
 - Time it was read
 - How much time was spent
- Customers access to additional information
- Build a bond with customers

Identification Codes

- Log-in access to special pages
- Cookies
 - Customized Web pages
 - Individual offers
- Specialized communications
- Communication chain with purchase

Customer Profile Information

- Customer preferences
- Customer information
- Individualize messages
- Bluefly.com
 - Sends messages about new fashions
- Personalized responses to inquiries

In-Bound Telemarketing

- Immediate knowledge of customer
- Customer data immediately available
- Personal interaction
- Customer value and status
- Recent purchases or interactions
- Customer preferences and profile

Trawling



Clearing the way.

With the muscle and agility for major earthmoving jobs, Case K Series Crawler Dozers offer a variety of blade configurations to easily handle any job site condition. These quiet, smooth machines feature engines from 136 to 205 net horsepower and long track or extra long track undercarriage.

- Single-lever control of direction and steering
- Hydraulic variable PowerSteer transmission
- High-visibility cab

Whatever the job, whatever the equipment, Scott Equipment is here to meet your needs. Call or visit us today!

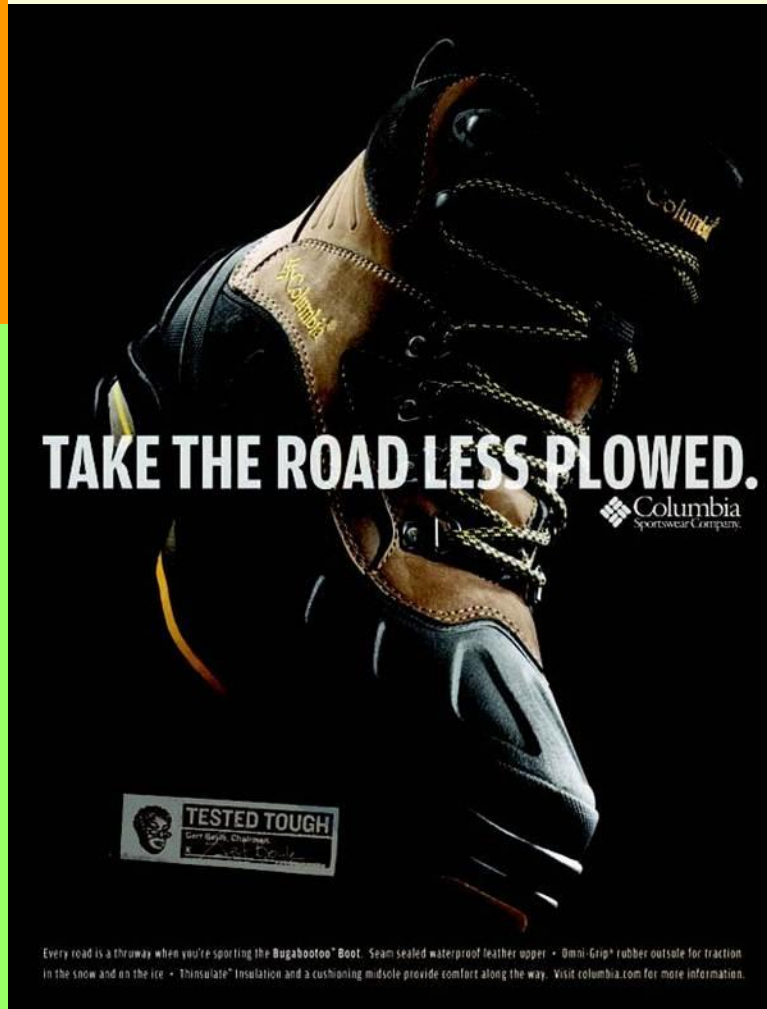
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CASE CONSTRUCTION
www.caseco.com

- Search for specific information
- Some possible uses
 - Home Depot – individuals who moved
 - Anniversary of last (special) purchase
 - Individuals who have not made recent purchase
 - Individuals who have made recent purchase
 - Purchase of a specific item – then cross-sell

Database-Driven Marketing Programs



- Permission marketing
- Frequency programs
- Customer relationship management

Permission Marketing

- Backlash to spam, junk mail
- Consumers give permission
- Can be offered through
 - Internet
 - Telephone
 - Mail
- Higher response rates

FIGURE 11.5

Steps in Building a Permission Marketing Program

- Obtain permission.
- Offer a curriculum over time.
- Offer incentives to continue the relationship.
- Increase level of permission.
- Leverage the permission to benefit both parties.

Keys to Successful Permission Marketing

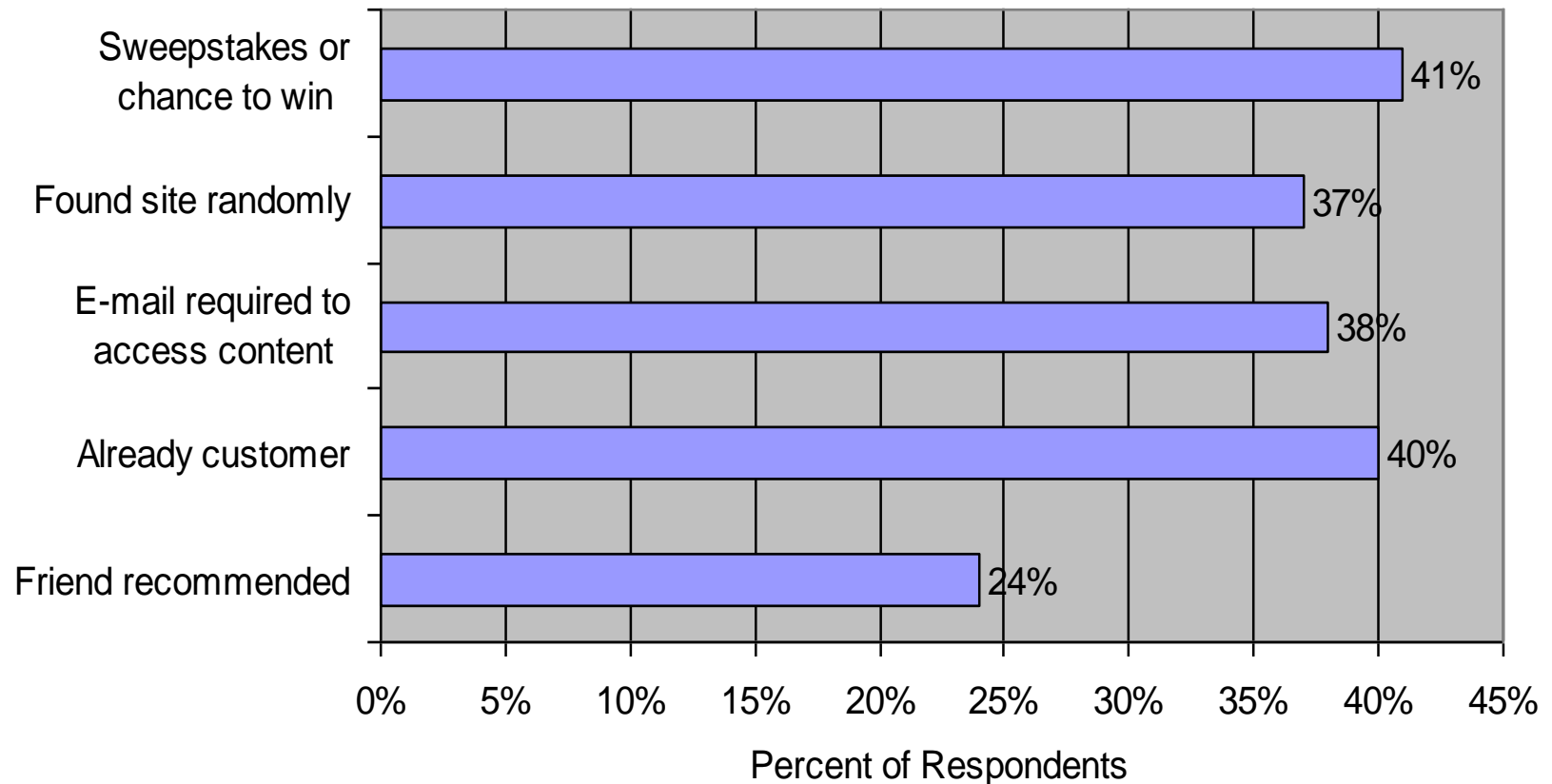
- Ensure recipients **have granted** permission
- Make e-mails relevant
- Customize program by tracking member activity



**Empowerment
Reciprocity**

FIGURE 11.6

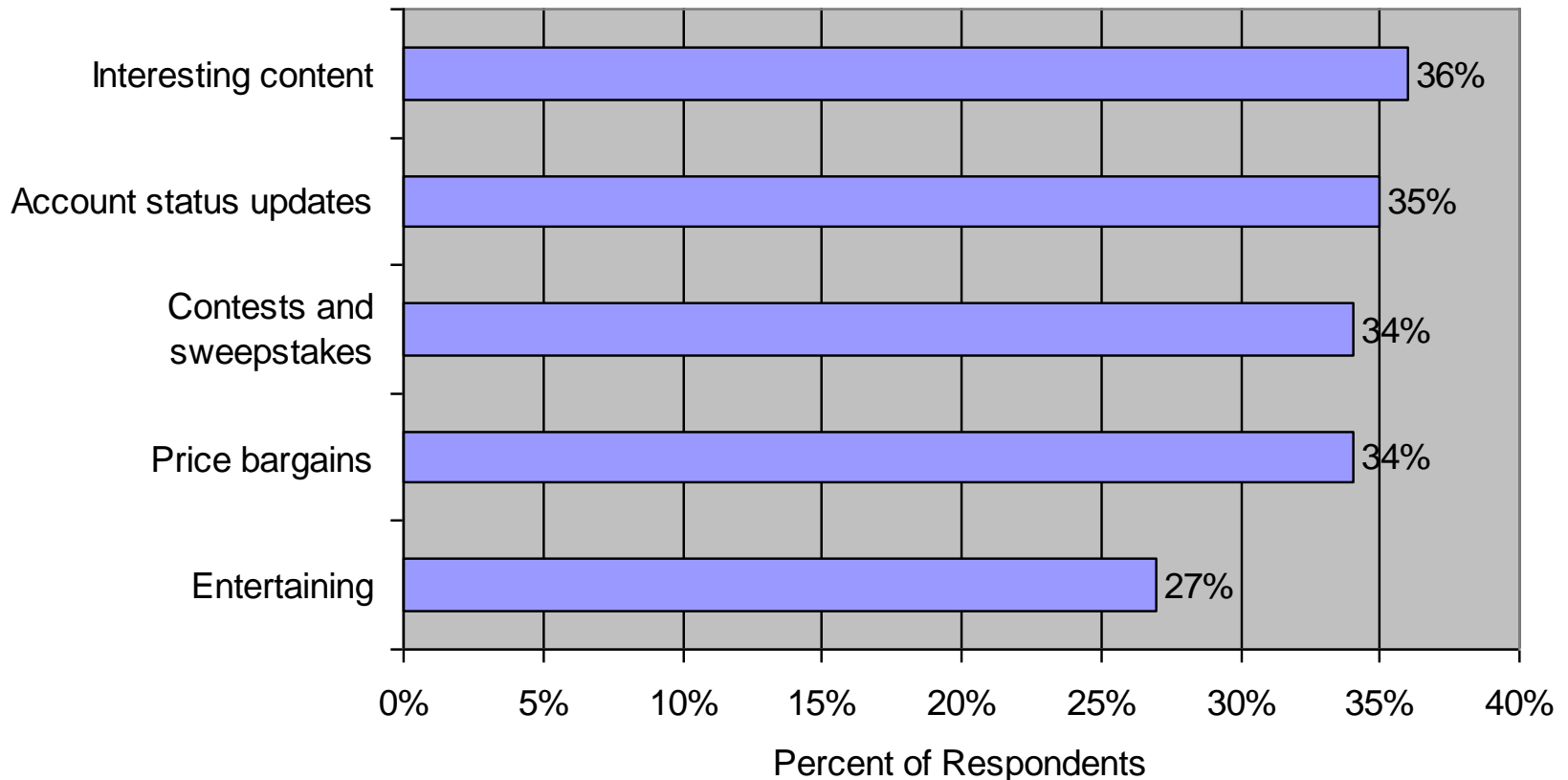
Reasons Consumers Opt into an E-mail Permission Program



Source: Based on Joseph Gatt, "Most Consumers Have Reached Permission E-mail Threshold," *Direct Marketing* (December 2003), pp. 1-2.

FIGURE 11.7

Reasons Customers Remain Loyal to a Permissions Relationship



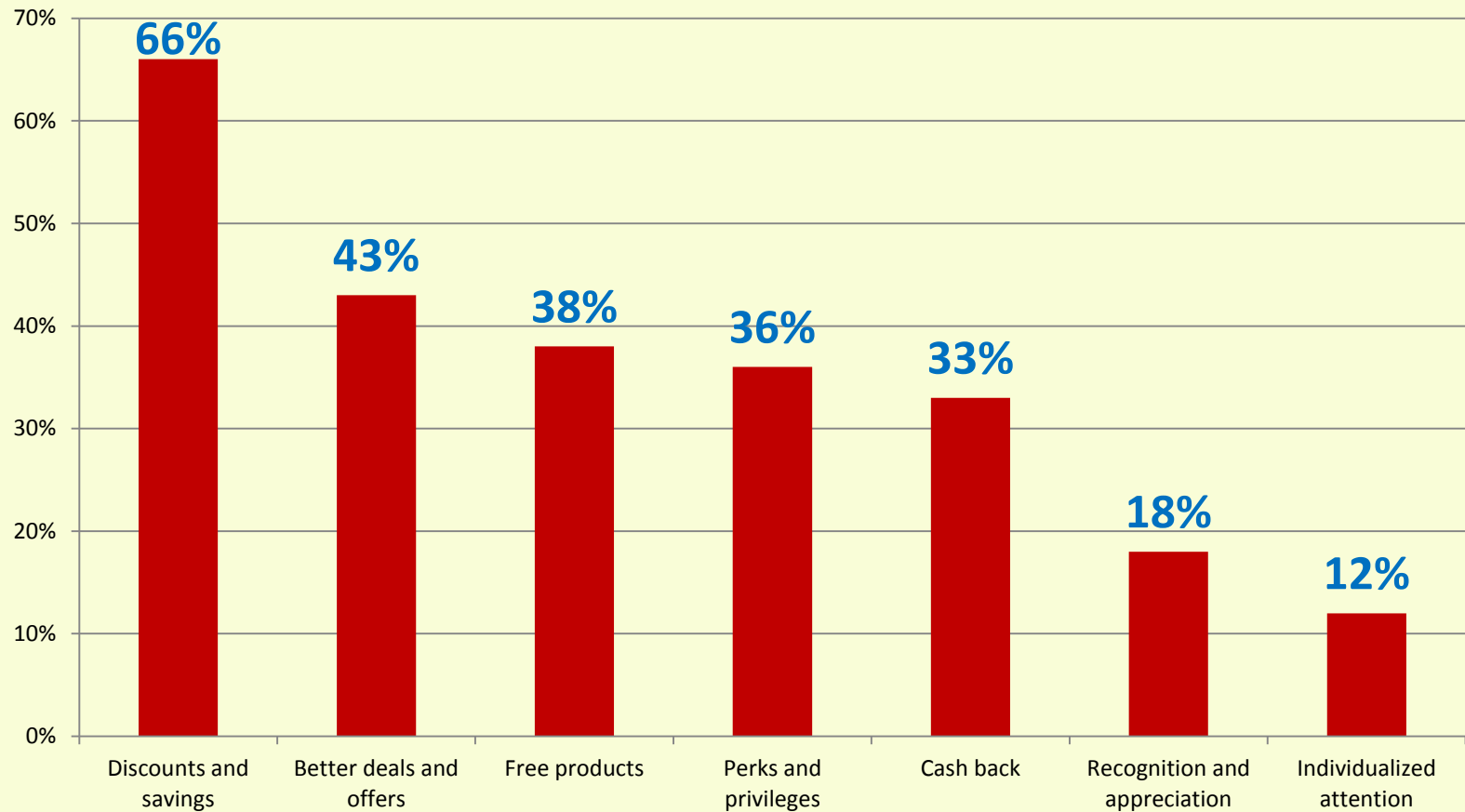
Source: Based on Joseph Gatt, "Most Consumers Have Reached Permission E-mail Threshold," *Direct Marketing* (December 2003), pp. 1-2.

Frequency Programs

- Reward loyalty
- Encourages repeat purchases
- Airlines and grocery stores
- 2/3 of consumers belong
- Average household in 14 programs
- Actively participate in 6 programs

FIGURE 11.8

Benefits of Loyalty Programs Cited By Customers



Source: Adapted from Mark Dolliver, "Gauging Customer Loyalty," *Adweek*,
www.adweek.com/aw/content_display/news/agency/e3i4a73f5d7451749a37c7fca20, February 16, 2010.

FIGURE 11.9

Frequency Program Goals

- Maintain or increase sales, margins, or profits
- Increase loyalty of existing customers
- Preempt or match a competitor's offer
- Encourage cross-selling
- Differentiate the brand
- Discourage entry of a new brand

Principles

Frequency Programs

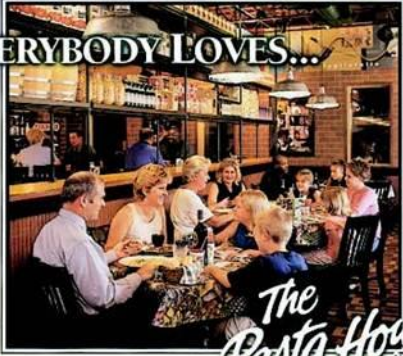
- Design the program to enhance the value of the product.
- Calculate the full cost of the program.
- Design a program that maximizes the customer's motivation to make the next purchase.

Frequent Diner Club

Sent letter to 4,000 offering \$5 discount on dinner.

- Average visits increased
 - From 25 to 42 during promotion
 - From 25 to 29 after promotion
- Card holders visits increased
- Incremental sales increased
 - \$17,100 during promotion
 - \$4,700 after promotion

EVERYBODY LOVES...



The Pasta House Co.

EVERY SUNDAY
Kids Eat Free!

EVERY MONDAY
All-You-Can-Eat
Pasta & Salad!

- More than 20 Different Pastas
- Chicken & Seafood Entrees
- Choice USDA Steaks
- Children's Menu
- Open Everyday for Lunch, Dinner and Cocktails

FREE PASTA COUPON
Purchase Any Large Order Of Pasta And Receive Any Order Of Pasta Of Equal Or Lesser Value, FREE.

Cool Springs GALLERIA
1800 Galleria Blvd.
Brentwood, TN 37027
951-778-0942

FREE PASTA COUPON
Purchase Any Large Order Of Pasta And Receive Any Order Of Pasta Of Equal Or Lesser Value, FREE.

Cool Springs GALLERIA
1800 Galleria Blvd.
Brentwood, TN 37027
951-778-0942

*For a limited time. Two children (12 years and under) per party only. Tax valid with any other offer.

This offer good at The Pasta House Co. Restaurant in Tennessee and is not valid with any other offer. One coupon per table per customer. Gratuity and sales tax not included. Regular menu only. Offer Expires: 10/31/04

Customer Relationship Management

- Database technology
 - Customize products
 - Customize communications
- Many CRM programs failed
- Built on two primary metrics
 - Lifetime value
 - Share of customer

Customer Relationship Management

Steps to Develop

1. Identify the company's customers.
2. Differentiate customers in terms of needs and value.
 - Lifetime value
 - Share of customer
3. Interact with customers.
 - Improve cost efficiency
 - Enhance effectiveness of interaction.
4. Customize goods or services.

Customer Relationship Management

Reasons for Failure

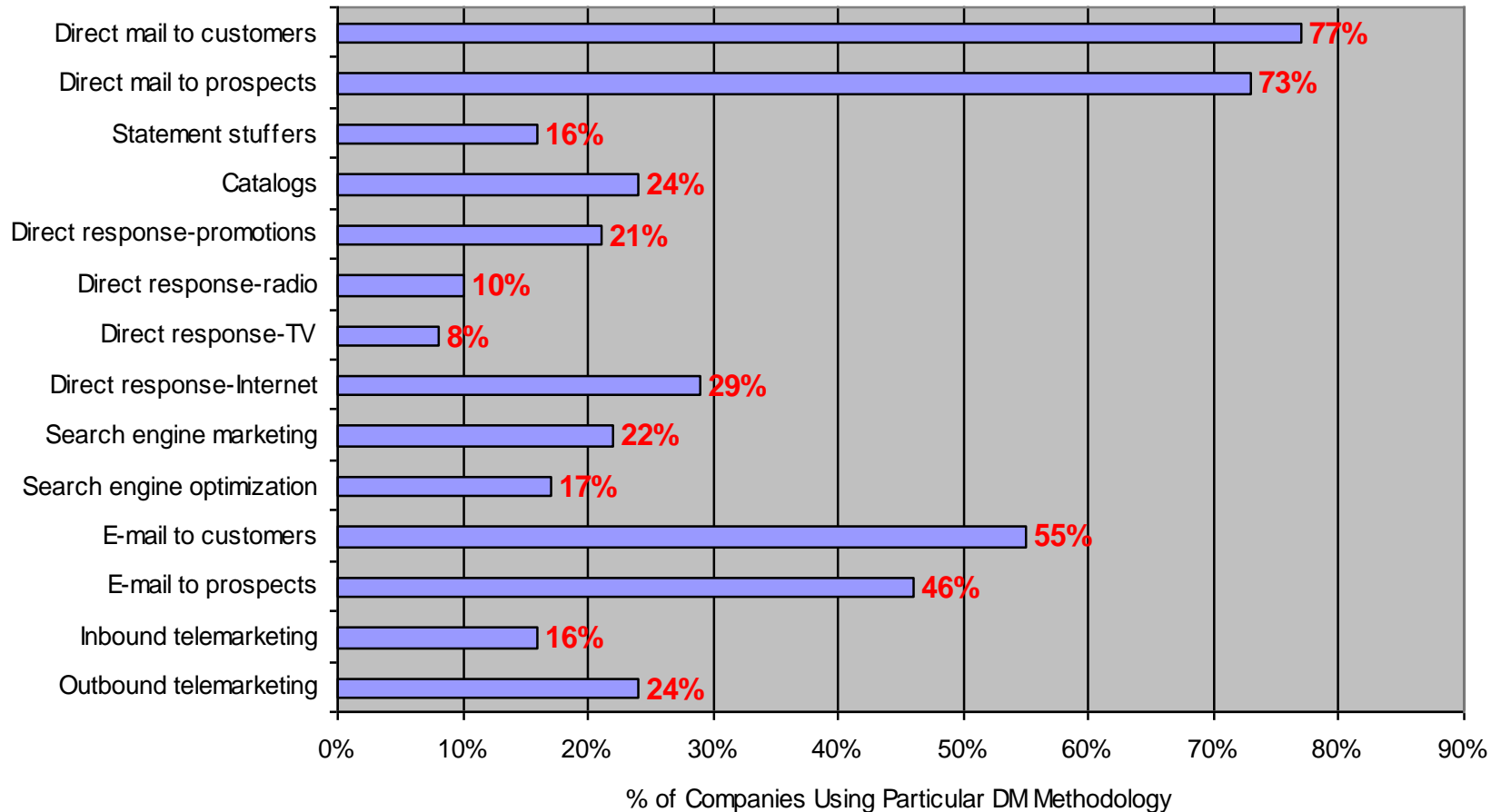
- Implemented before a solid customer strategy is created.
- Rolling out a CRM program before changing the organization to match the CRM program.
- Becoming technology driven rather than customer driven.
- Customers feel like they are being stalked instead of being wooed.

Direct Response Marketing

- Direct Marketing Association
 - Prospecting → 60%
 - Customer retention → 40%
- It works!
- Customers respond
 - Telephone
 - E-mail
 - Retail store
 - PURL

FIGURE 11.11

Methods of Direct Marketing



Source: Based on Richard H. Levy, "Prospects Look Good," *Direct*, Vol. 16 (December 1, 2004), pp. 1-5.

Direct Mail

Most common form of direct marketing

- Types of lists
 - Response list
 - Compiled list
- Advantages
 - Target mailings (consumer, B-to-B)
 - Measurable
 - Driver of online sales
- Disadvantages
 - Clutter
 - Costs
- Digital direct-to-press

Catalogs

- Long-term impact
- Low-pressure sales tactics
- First stage in buying cycle
- Database
- Specialty catalogs
- Business-to-business

Direct Response Media

- Television
- Radio
- Magazines
- Newspapers

Internet

- Direct response to ads
- Cost-effective
- Builds relationships
- Personalization of communication
- Customization of offer
- Search engine ads

Direct Sales

- Consumer direct sales
- Host parties
- Amway, Mary Kay, Avon
- Mark



Telemarketing

- Inbound telemarketing
 - Cross-selling
- Outbound telemarketing
 - Cold calling
 - Database
 - Prospects

Personal Selling

- Face-to-face opportunity
- Build relationships
 - New customers
 - Current customers
- Relationship selling
- Create customer for life

FIGURE 11.12

Steps in the Selling Process

- Generating leads
- Qualifying prospect
- Knowledge acquisition
- Sales presentation
- Handling objections
- Sales closing
- Follow-up

FIGURE 11.13

Methods of Generating Sales Leads

- Referrals
- Database-generated leads
 - Trawling
 - Analytical techniques
 - Data mining
- Networking
- Directories
- Cold calls

Qualifying Prospects

- Not all leads are viable
- Not all leads are equal in value
- Two dimensions
 - Potential income
 - Probability of acquiring
- Categorize prospects

Marketing Approaches

Prospect Categories

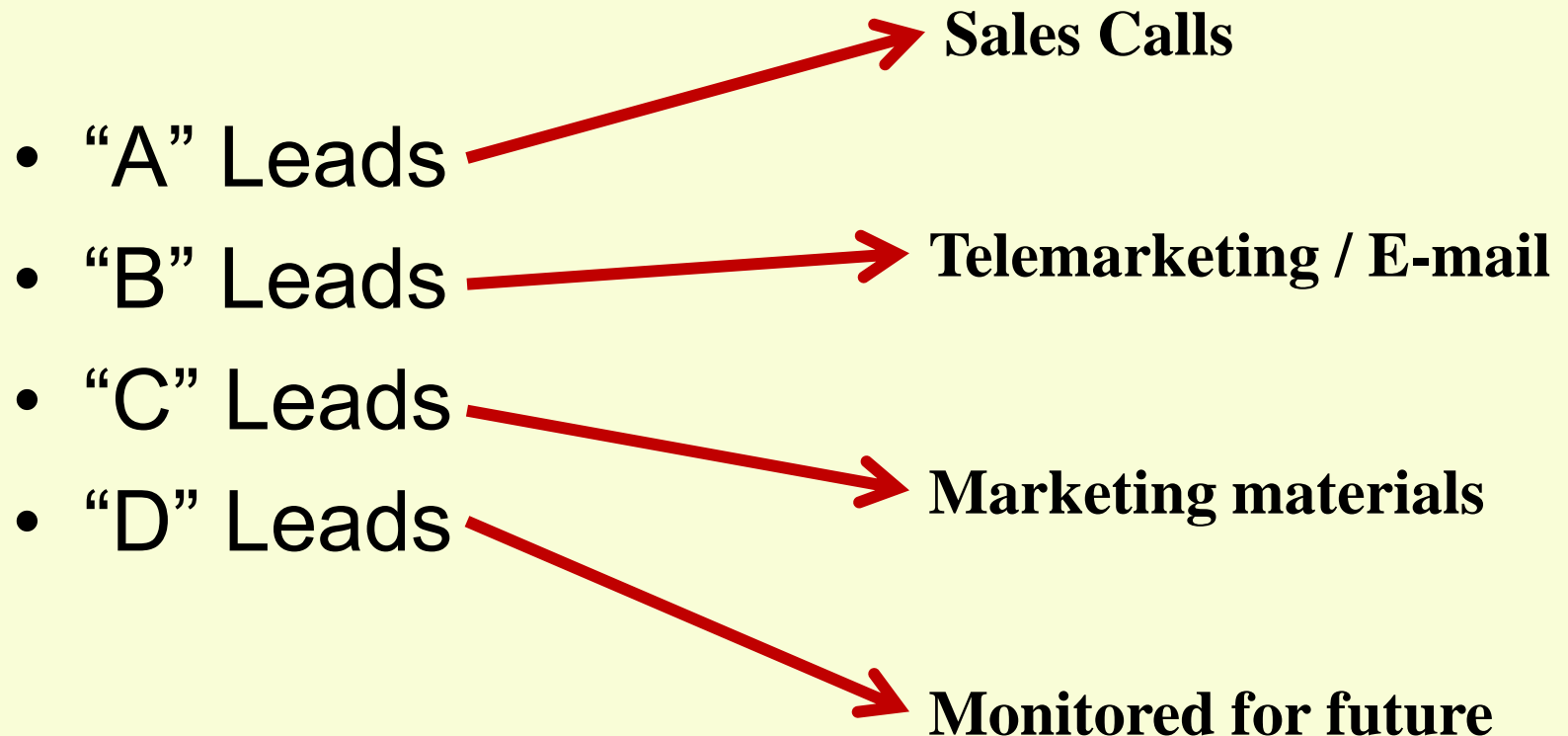


FIGURE 11.14

Knowledge Acquisition Information

- Understand the prospect's business.
- Know and understand the prospect's customers.
- Identify the prospect's needs.
- Evaluate risk factors and costs in switching vendors.
- Identify the decision makers and influencers.

Sales Presentation

- Stimulus-response
- Need-satisfaction
- Problem-solution
- Mission-sharing



FIGURE 11.15

Handling Objections

- Head-on method
- Indirect method
- Compensation method
- “Feel, Felt, Found”

FIGURE 11.16

Methods of Closing Sales

- Direct close
- Trial close
- Summarization close
- Continuous “yes” close
- Assumptive close

International Implications

- Differences in technology
- Laws and regulations
- Local customs
- Infrastructure

Integrated Campaigns in Action

Centric Federal Credit Union



The advertisement features a split background: a light grey left side and a green right side with a leaf pattern. On the left, the Centric Federal Credit Union logo is displayed, consisting of a stylized 'C' with a green leaf inside, followed by the text 'centric' in green and 'FEDERAL CREDIT UNION' in blue. Below the logo is the tagline 'Redefining Banking' in a grey script font. On the right, the main message 'Fewer Fees. Better Rates. Nicer People.' is written in large white bold text. Below this, the locations 'Ruston • West Monroe • Monroe' and the website 'mycentric.org' are listed. At the bottom right, there is a blue NCUA logo and a line of text stating 'Membership open to all who live, work or worship in Lincoln or Ouachita Parishes.'


centric
FEDERAL CREDIT UNION

Redefining Banking

**Fewer Fees.
Better Rates.
Nicer People.**

Ruston • West Monroe • Monroe • mycentric.org

*Membership open to all who live, work or
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