

# Are You A Database Marketer?

**MERKLE**

A Database Marketing Agency

## Introduction

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**In this ever-changing technological, multi-channel, data-driven world, the term “database marketing” sounds fairly simplistic.** Many companies have shifted their focus from database marketing to what they believe are more “sophisticated” methods of marketing, such as CRM, one-to-one marketing, and customer-centric marketing. Unfortunately, this shift often leads to an environment where database marketing is under-utilized within the marketing enterprise. Worse yet, the majority of marketers actually believe they have already mastered this discipline when in fact, most companies lack the understanding to perform quantitative, results-driven database marketing.

To gain a competitive advantage, organizations must enact high-performance database marketing approaches that drive business results. The purpose of this paper is to describe how a world-class strategy, framework and approach to database marketing can have a major, positive impact on results. ■

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## Market Forces

The demand for database marketing capabilities and expertise in the marketplace is increasing dramatically. The primary factors driving this need are:

- **Accountability of Marketing Spend** – CMOs and marketing groups are under constant pressure to justify and be accountable for their marketing spend. CEOs are demanding relevant metrics and measurable ROI associated with each marketing dollar.
- **Addressable Media** – As marketing communications become increasingly addressable and measurable, more companies are decreasing their reliance on mass media channels and re-directing the dollars to more measurable and targeted forms of media, such as direct mail and email.
- **More Data** – An exponential increase in the availability of marketing data requires experienced people who can analyze this data and turn it into knowledge that is actionable. Experienced professionals who have the ability to utilize databases to improve marketing ROI are difficult to find, and their abilities come with a high price tag.
- **Technology Advances** – Databases are becoming more affordable, faster, and more flexible. The affordability of advanced technology is giving all marketers the unprecedented opportunity to apply new approaches to their marketing programs.

## The Critical Role of Database Marketing

The importance of database marketing as a key element of the overall marketing mix cannot be overlooked. Driven by the need to identify and expand the prospect universe, improve profitability, and increase the lifetime value of every customer interaction, direct marketers are turning to database marketing. By utilizing database marketing, marketers can gain insights and deliver measurable results. And as the science of database marketing continues to evolve, new processes and infrastructures are enabling possibilities that were unavailable only a few years ago.

When done correctly, database marketing serves three main purposes: It serves as an integrated element of an organization's marketing efforts, it aligns closely to organizational strategy, and it optimizes an organization's marketing efforts across all channels. True database marketing creates new opportunities for marketers who have already cut costs by streamlining their operations and have begun mailing "smarter" – strategies that, while effective, will only yield short-term benefits at the expense of sustainable results.

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## The Situation

With database marketing playing such an important role in the effectiveness of marketing programs, why do most companies fail in developing world-class programs? The reason is a lack of understanding of true database marketing. Simply put, companies “don’t know what they don’t know.” Many companies, for example, associate good database marketing as good direct marketing. While the two are somewhat related, good direct marketing is not good database marketing.

## Database Marketing Defined

There are many failures and successes that contribute to the misconceptions around database marketing. In a recently published book about database marketing, the author defines database marketing as “marketing activities that utilize a database.” This definition for database marketing is far too broad and does not represent what database marketing is and can be.

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Unfortunately, database marketing is not well understood in the marketplace. As a result, there is no universal definition. A review of literature about database marketing finds a wide range of definitions that are inconsistent and confusing.

The following list is a sample of standard definitions used throughout the industry:

- “Database marketing is delivering a relevant offer to a receptive audience.”
- “Database marketing is using your database to drive your marketing programs.”
- “Database marketing is the technique of gathering all the information available about your customer, leads, and prospects into a central database and using that information to drive all your marketing efforts.”
- “Database marketing is a technique where you use ALL the information available within your company’s databases, as well as ANY useful external information, to either improve or enhance your marketing efforts, or on the other hand, evaluate new markets or the potential of new products, that you plan to launch.”
- “Database marketing is the design, creation, and management of customer data lists containing information about each customer’s characteristics and history of interactions with the company in a database.”

This last definition is especially interesting, because it defines what a marketing *database* is and not database *marketing*, which is a common misconception. These definitions are also inconsistent and

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too general to be actionable in building database marketing capabilities. In fact, the term “database marketing” is misused to such an extent that the concept has lost much of its impact.

To better illustrate the definition of database marketing, it is necessary to define what database marketing is not.

Database marketing is **not**...

- building a high-powered marketing database,
- direct marketing,
- asking the customer what they want,
- a tool or technique,
- a concept that peaked in the 1990s and is now outdated, or
- CRM.

Conversely, database marketing **is**...

- utilizing specific marketing facts to improve marketing programs,
- a marketing discipline or approach,
- under-utilized in the marketplace, and
- a substantial competitive advantage for those who master it.

In contrast, the marketers who actually use database marketing strategies and leverage data to drive direct marketing programs are practicing “true” database marketing. True database marketing uses a quantitative, fact-based approach to manage the acquisition, retention and maximization of an organization’s customers at the lowest possible cost. Database marketing takes into account past behaviors and current knowledge to predict, maximize and optimize future marketing results, and enables marketers to use data to better understand the effectiveness and performance of marketing programs.

For more clarity, Merkle often uses the term “Quantitative Marketing” when referring to database marketing. Merkle defines the practice as:

**Quantitative Marketing: “The utilization of facts and knowledge to better understand the behaviors of consumers across the marketing enterprise to maximize marketing investment.”**

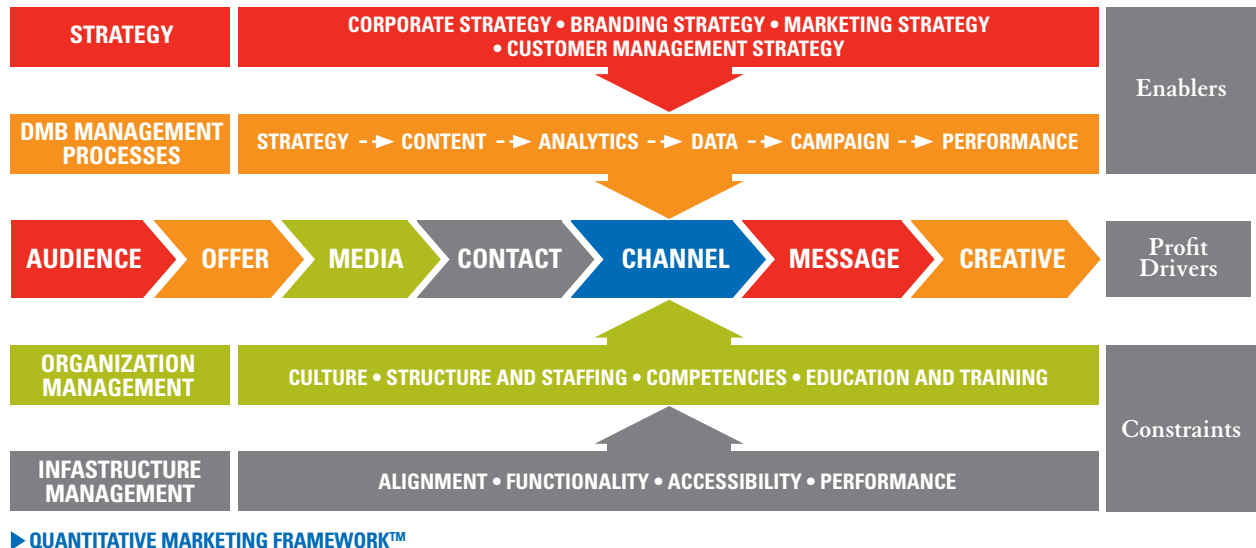
Quantitative marketing uses a specific set of strategies, processes and competencies that are rooted in facts and analytics. At its core, this definition is not very different than some of the definitions mentioned earlier and is relatively broad as well. Notice that the term “database” is not in the definition. Instead, it has been replaced here with the terms “facts and knowledge.”

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## Database Marketing in Action

To assist organizations and people with making database marketing actionable, Merkle created a framework for conducting database marketing strategies and initiatives within any organization. This is the Quantitative Marketing Framework (QMF):

Figure 1



The QMF is comprised of three groups: profit drivers, enablers and constraints.

### 1. The Profit Drivers

Profit drivers are the tactical components of direct marketing that directly influence results. This is the only place where an organization can directly make money and have an impact on results. The seven profit drivers are:

- Audience** – Group of individuals who are most likely to produce the desired outcome
- Offer** – The value proposition that is presented to the audience
- Contact** – The timing, frequency and sequence of communications
- Media** – The outbound vehicle used by the organization to communicate the offer to a prospect or customer
- Channel** – The inbound vehicle used by a prospect or customer to communicate with the organization
- Message** – The way in which the offer is communicated to a prospect or customer
- Creative** – The “look and feel” of the communication piece

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## 2. The Enablers

Enablers are areas within the QMF that make the maximization and optimization of the profit drivers possible. Enablers allow an organization to employ world-class DbM strategies and techniques. The two enablers are marketing strategy and database marketing (DbM) management functions.

- a. **Marketing Strategy** – The major components of marketing strategy are corporate initiatives, brand strategy, marketing strategy (the 4 Ps) and customer management strategies. When these components have a clear connection to a company’s marketing strategy, organizations can conduct world-class DbM.
- b. **DbM Management Functions** - The various management functions needed to develop and execute a database marketing program. This is the framework and roadmap for managing the various database marketing functions within a direct marketing program.

*Profit drivers are the only place where an organization can directly make money and have an impact on results.*

The six areas within DbM management functions:

- i. **Strategy Management** – How strategy is managed within a database marketing organization.
- ii. **Content Management** – How content (data contained within the database) is managed. This includes ensuring access to the best, most appropriate sources of data, evaluating each source and element for descriptive or predictive value, and integrating only the right content – that is, the data that carries value - into the database.
- iii. **Analytical Management** – The management of models and analytical methods within your infrastructure and direct marketing programs. This includes model scoring, model validation, testing and model development.
- iv. **Data Management** – The management and quality of data surrounding a database marketing program. This includes data hygiene, data quality, data capture and metadata management.
- v. **Campaign Management** – The planning, approach and execution of a campaign.
- vi. **Performance Management** - The measurement, tracking, testing and forecasting of marketing programs.

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## 3. The Constraints

Constraints are things that keep an organization from implementing database marketing strategies and realizing their full profit potential. The two primary constraints that organizations face involve infrastructure and organization.

- a. **Infrastructure** – Infrastructure is the environment, typically a database environment, where all data and knowledge is captured. Many organizations view their infrastructure as an enabler. However, infrastructure is often not an enabler within organizations, but is rather a significant constraint.
- b. **Organization** - Organizational constraints revolve around the people and resources associated with database marketing. Four key areas within this category involve organizational culture, structure, competency and education/training.

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True database marketers rely on facts and analytics to maximize their marketing investment across all areas of business. This is the foundation of database marketing. Good database marketers continue to build on this foundation and advance to higher levels of database marketing by increasing the scope and complexity of their methods.

To better illustrate this concept, some specific examples of top-tier database marketing practices are listed below.

**True database marketers rely on facts and analytics to maximize their marketing investment across all areas of business.**

### Customer Management Strategy

- Developing value segmentation schemes for prospects and customers matched to marketing spend
- Coordinating acquisition and retention efforts to maximize Lifetime Value (LTV)
- Coordinating customer strategies across business units or lines of business (LOBs)
- Developing a customer- or prospect-centric approach to marketing

### Strategy Management

- Determining how DbM interacts with other shareholders and clearly defining the role of DbM within the organization
- Giving DbM a seat at the executive marketing table
- Conducting quarterly database marketing strategy meetings to determine priorities
- Conducting formal thought leadership meetings centered around DbM

### Content Management

- Developing a comprehensive and on-going content evaluation process
- Developing a rigorous and consistent process and creating derived data (data from data)
- Creating metrics around the predictive and descriptive power of each data element
- Dedicating significant resources for acquiring and evaluating external data sources

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## Data Management

- Using a common and consistent ID to link prospects and customers
- Developing comprehensive data quality checks and anomaly reporting
- Developing a sophisticated process for customer data integration across media, channel and business unit
- Capturing historical data

## Analytical Management

- Holding thought leadership forums around best statistical techniques and tools
- Creating an analytical “playground” within the database
- Accessing formally trained analytical staff with vast experience in utilizing marketing data
- Having real-time model scoring and automated model updates

## Campaign Management

- Automating trigger-based campaigns
- Integrating campaign management tools
- Conducting multi-wave/multi-channel campaigns
- Forecasting integrated and updated with the campaign management tools

## Performance Management

- Creating comprehensive statistical test designs and scenario planning
- Calculating lifetime or long-term value for both prospects and customers
- Having real-time dashboards of key metrics
- Having a flexible process for multi-channel/multi-media response attribution
- Comprehensive knowledge and library of best practices

## Profit Drivers

- Utilizing predictive models across offer, channel, message and creative
- Arbitrate offers across audiences
- Utilizing contact history in predictive models and maximizing it across audience and offer
- Measuring and testing contact cadence and its impact over time
- Integrating offer and creative across each channel
- Understanding the ROI around different media and how to optimize each medium
- Arbitrating creative across audience, offer and channel

## Organization

- Rooting the organization’s culture in DbM and analytics
- The organization’s DbM capabilities are considered a strategic advantage
- Formalizing internal database marketing training
- Database Marketing executive is a peer with other direct reports of the CMO

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## Infrastructure

- A database that can be accessed 24/7 through a Web-enabled interface
- Running database queries in seconds or minutes
- Having all information about customers or prospects within a single marketing data warehouse
- Database acts as an enabler, not a constraint

Companies that are utilizing these types of strategies and behaviors are clearly at the forefront of database marketing.

## Summary

The effective use of database marketing can yield a substantial increase in marketing performance. Merkle has organized the QMF to allow marketers to focus on the right initiatives that have the most business impact. While companies believe they have mastered database marketing, in actuality most practices are under-utilized and under-served. Conducting true database marketing requires a specific set of competencies, processes and strategies that are not well understood or readily available in the marketplace.

Companies that embrace quantitative, result-driven, and “true” database marketing will realize incremental ROI and distance themselves from the competition. One thing is for certain: The new era of database marketing is now.

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## The Merkle Advantage

Merkle specializes in information-based marketing strategies and is one of the nation's leading database marketing firms<sup>1</sup>. With a 35-year proven track record developing winning strategies based on information insight for large consumer-focused organizations, Merkle works with many of the nation's leading businesses. Merkle's clients include Procter & Gamble, Dell, Capital One, Geico and DIRECTV.

Merkle turns clients' data into actionable marketing opportunities by helping businesses acquire, retain and maximize their most profitable customers. This is accomplished with sophisticated database marketing tools, including predictive modeling, prospect segmentation, customer profiling and direct marketing program analysis.

Providing the necessary framework to aggressively apply information-based strategies to marketing programs, Merkle leverages a highly disciplined and organized approach that helps businesses close the gap between strategy and implementation. The result is significant time-to-market improvements, knowledge expansion and greater profitability.

Merkle focuses on service by providing a strategy tailored to each of its client's unique needs. Combining data analysis, analytics and creative, Merkle helps its clients build custom marketing knowledge centers leveraging technology that best meets the needs of each client. Merkle has over 75 statisticians and analysts who build and deploy over 700 models and analytical projects annually.

Providing accurate, integrated and accessible customer data, Merkle helps ensure results. With information, campaigns can be created and delivered across channels, content can be targeted at specific customers, sales can be measured across all channels and trends can be identified, enabling further campaign refinement.

Technology, primarily in the form of database marketing infrastructure, is a critical component of information-based marketing. Merkle has extensive experience building, maintaining and enhancing marketing systems. The Merkle Knowledge Center is specifically designed to give marketers a platform that directly enables their strategy, analytic and campaign activities.

**Take your marketing efforts to a new level with Merkle. To begin your information-based marketing strategy, call 800-9-MERKLE or email Mike Savage at [msavage@merkleinc.com](mailto:msavage@merkleinc.com) for more information.**

**Merkle has  
been helping *the  
nation's leading  
consumer-focused  
businesses for 35  
years***



<sup>1</sup> Ranked as a market leader in 2006 by Forrester Research and as a top 20 marketing services agency by Advertising Age.