

# *Database and Direct Response Marketing*

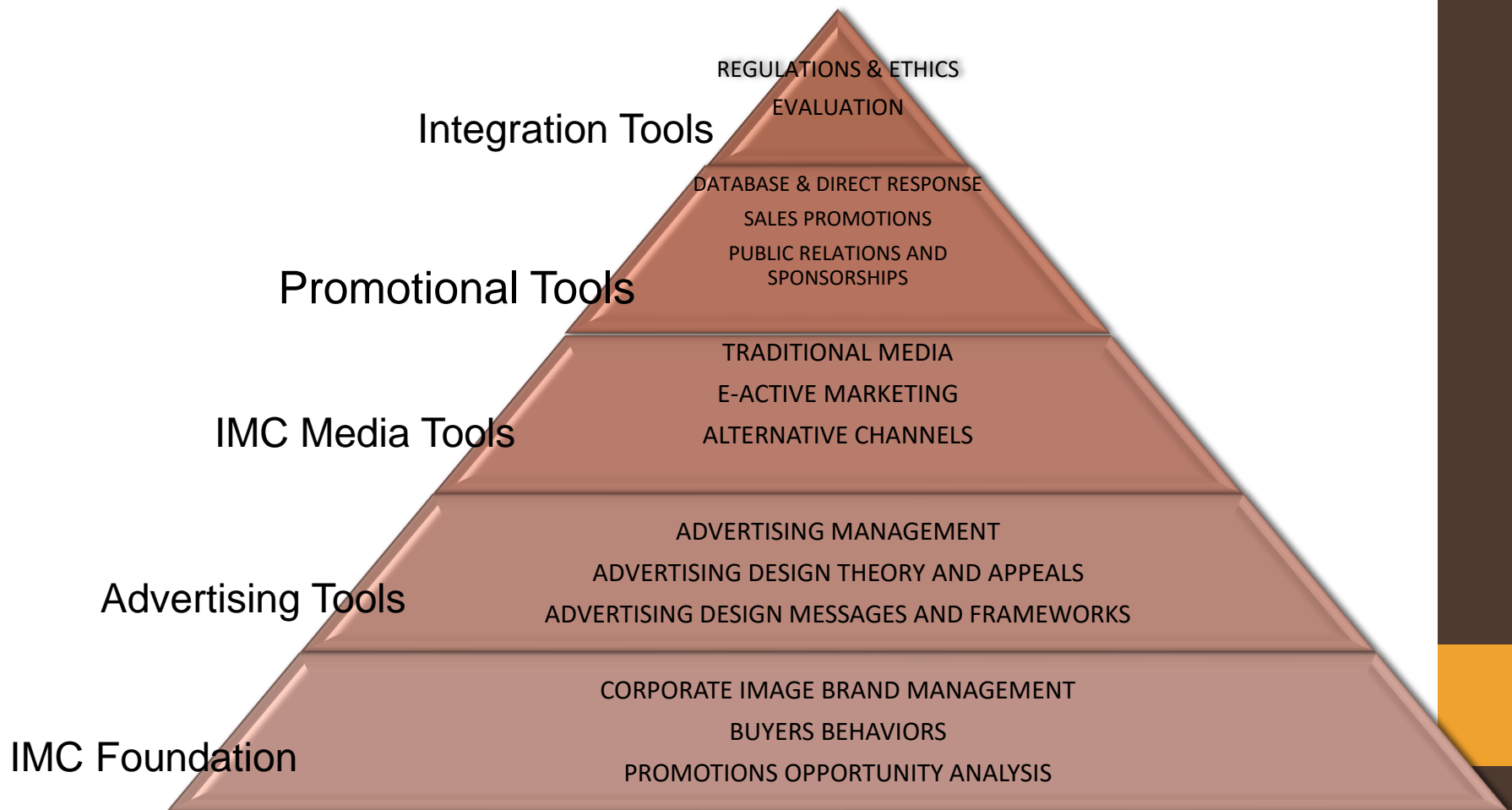
## Chapter 11



# Chapter Objectives

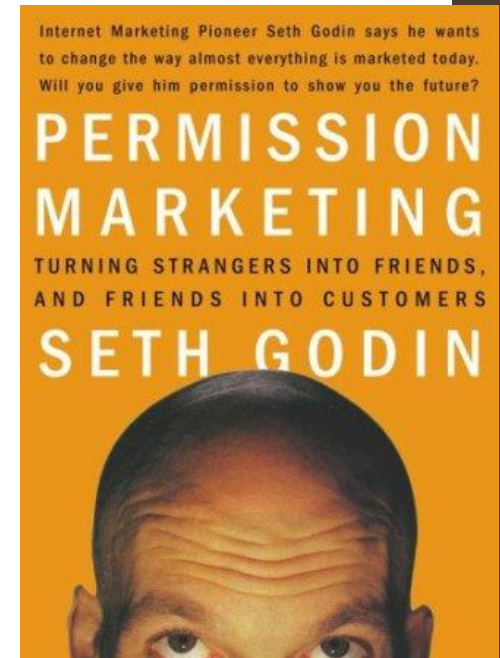
1. How can a marketing team match a database program with an [IMC](#) program?
2. What is meant by “database-driven marketing communications?”
3. Name the ways a company’s database can be used to create permission marketing, frequency marketing, and customer relationship management programs.
4. Which direct response marketing programs are most effective and least effective?

# Overview of Integrating Marketing Communications



# Database Marketing

- The secret to developing
  - Loyalty
  - Recognition
  - Relationships
  - Reward Programs



***Database marketing is a form of direct marketing using databases of customers or potential customers to generate personalized communications in order to promote a product or service for marketing purposes. The method of communication can be any addressable medium, as in direct marketing.***

# Database Marketing

- Collecting and utilizing customer data for the purposes of enhancing interactions with customers and developing customer loyalty.
- Successful database marketing involves identifying customers and building relationships.



# Data Warehouse

- Holds all customer data
  - Customer information
  - Purchasing patterns
  - Purchase history
  - Preferences

The screenshot displays a 'Call Centre' application window. At the top, there's a header bar with the title 'Call Centre'. Below it, a toolbar contains several icons: a folder, a calendar, a clock, a mail icon, a printer, and a 'Call Mode' dropdown menu currently set to 'INCOMING'. The main area is divided into several sections for data entry:

- Code**: A text field.
- Date**: A dropdown menu showing '09/03/2006'.
- Name**: A text field.
- Address ( Off )**: A section with fields for Designation, Office Name, Place/Street, City, State, and PIN.
- Address ( Res )**: A section with fields for House No, Place/Street, City, State, and PIN.
- Contact Details**: A section with fields for Phone (O), Phone (R), Mobile, Fax, E mail, and Web.
- Call Profile**: A section with fields for Product (Category, Name), Customer (Category, Response), and Call (Type, Referred by).
- Remarks**: A large text area for notes.

At the bottom, there's a standard Windows-style toolbar with icons for Find, New, Save, Edit, Delete, and Exit.

# Good Data Warehouse Should include:

- E-mail and Internet Data
- Purchase and Communication Histories
- Personal Preference Profiles
- Customer Information Companies
- Geocoding

# The Marketing Data Warehouse

- Customer names and addresses
- E-mail addresses
- Record of visits to the firm's Web site
- History of every purchase transaction
- History of customer interactions
- Customer survey results
- Preferences and profiles supplied by the customer
- Response history from marketing campaigns
- Appended data
- Database coding through customer analyses
- Appended demographic and psychographic data from other sources



# Tasks in Database Marketing

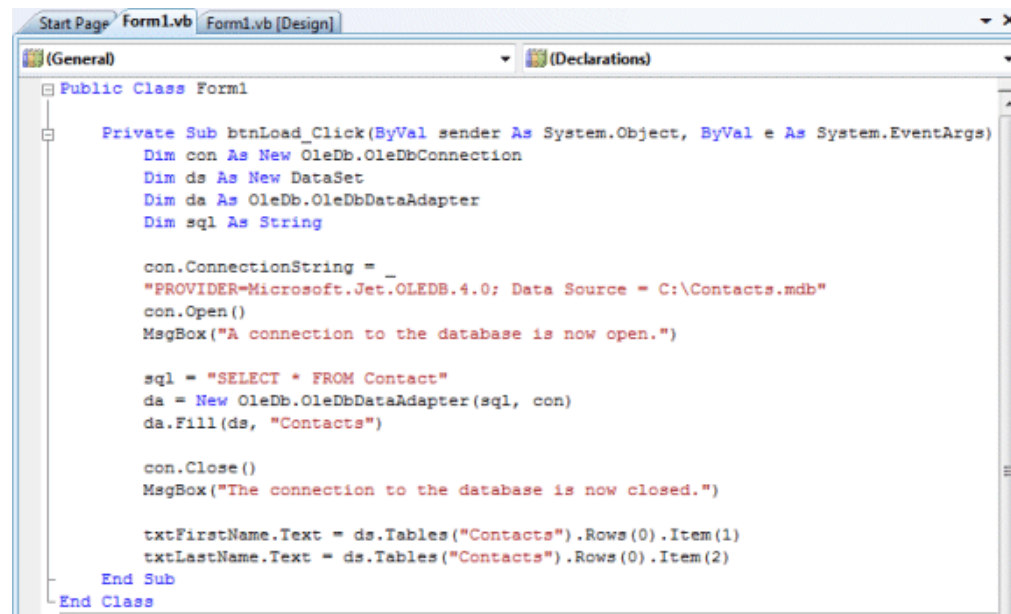
1. Building a data warehouse
2. Database coding and analysis
3. Data mining
4. Data-driven marketing communications
5. Data-driven marketing programs

# 1. Building a Data Warehouse

- A data warehouse holds all customer data.
- Data warehouses store current and historical data and are used for creating trending reports
- The data stored in the warehouse is uploaded from the operational systems (such as marketing, sales, etc., shown in the figure to the right).

## 2. Database Coding & Analysis

- The goal of this process is to be able to personalize marketing messages to customers based on the data collected.



```
Start Page Form1.vb Form1.vb [Design]
(General) (Declarations)
Public Class Form1
    Private Sub btnLoad_Click(ByVal sender As System.Object, ByVal e As System.EventArgs)
        Dim con As New OleDb.OleDbConnection
        Dim ds As New DataSet
        Dim da As OleDb.OleDbDataAdapter
        Dim sql As String

        con.ConnectionString = _
            "PROVIDER=Microsoft.Jet.OLEDB.4.0; Data Source = C:\Contacts.mdb"
        con.Open()
        MsgBox("A connection to the database is now open.")

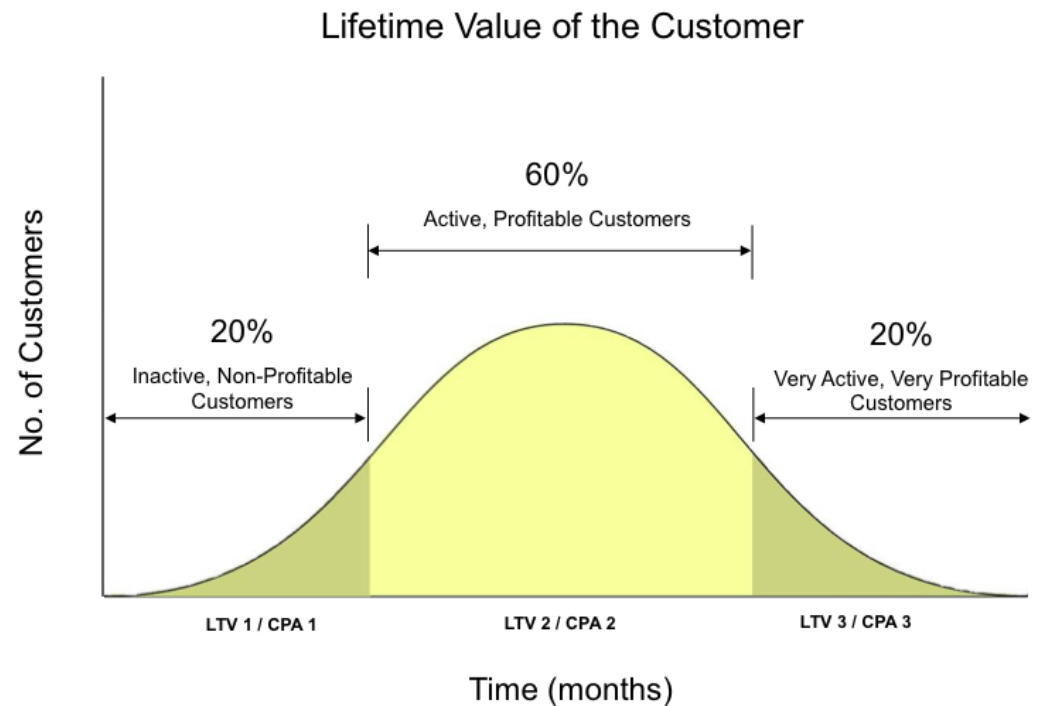
        sql = "SELECT * FROM Contact"
        da = New OleDb.OleDbDataAdapter(sql, con)
        da.Fill(ds, "Contacts")

        con.Close()
        MsgBox("The connection to the database is now closed.")

        txtFirstName.Text = ds.Tables("Contacts").Rows(0).Item(1)
        txtLastName.Text = ds.Tables("Contacts").Rows(0).Item(2)
    End Sub
End Class
```

# Lifetime Value

- A figure that represents the profit revenue of a customer throughout the lifetime of a relationship.

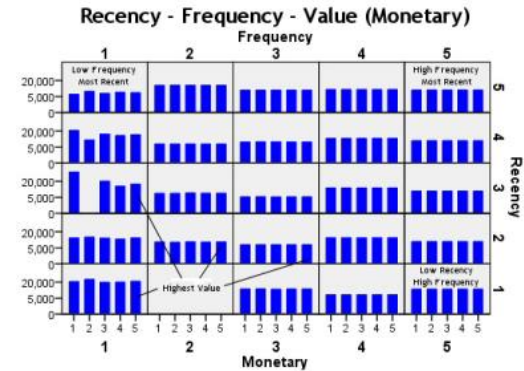


# Lifetime Value Analysis

- Some companies calculate the LTV of an individual customer.
  - Others of a target segment.
- Where would it make sense to calculate the LTV of an individual customer. (high end purchases)
  - Key figures in calculating the LTV of a consumer or set of consumer are revenues, costs, retention rates, visits or purchases per time period, normally 1 year.

# RFM Analysis

- Recency
  - The date of the last purchase
- Frequency
  - The number of purchases in a given time period
    - Normally one year
- Monetary
  - The cumulative monetary expenditures made during that time period



# 3. Data Mining

- Data mining normally involves one of two approaches:
  - Building profiles of customer groups.
  - Preparing models that predict future purchase behaviors based on past purchases.

# 4. Data Driven Communications

Revolutionized data driven messaging:

- It is the cheapest form of communication.
- It is available 24/7.
- Metric analysis reveals that the customer read the message, time it was read, and how much time was spent reading it.
- Customers are able to access additional information whenever they want.
- It can build a bond with customers.



# 5. Data-Driven Marketing Programs

1. Permission marketing
2. Frequency/loyalty programs
3. Customer relationship management

SUBSCRIBE?

Yes Please ☒

No Thanks ☐



# Permission Marketing

- The company only sends promotional information to customers who give permission
- Advantages:
  - Response rates are often higher
  - Marketing costs are reduced, because people who are not interested in the products do not receive marketing materials
  - Customers can be reached by telephone, mail, or e-mail

*Permission marketing is the privilege (not the right) of delivering anticipated, personal and relevant messages to people who actually want to get them. It recognizes the new power of the best consumers to ignore marketing. It realizes that treating people with respect is the best way to earn their attention. – Steve Godin*

# Reason Customers Opt-in:

- Sweepstakes or chance to win (41%)
- Found site randomly (37%)
- E-mail required to access content (38%)
- Already a customer (40%)
- Friends recommended (24%)

## Stay Loyal

- Interesting content (36%)
- Account status updates (35%)
- Price Bargains (34%)
- Entertainment (27%)

# Successful Permission Marketing

- Ensure recipients have granted permission
- Make e-mails/social media relevant
- Customize program
- Track member activity
- Empowerment

*Permission is like dating. You don't start by asking for the sale at first impression. You earn the right, over time, bit by bit. - [Steve Godin](#)*

# Frequency Programs

- A frequency program is an incentive plan designed to cause customers to make repeat purchases.
- Companies develop frequency programs for two primary reasons:
  1. To develop loyalty in customers.
  2. To match or preempt the competition.





Welcome to the Red Robin eClub

From: Red Robin Gourmet Burgers <redrobin@redrobin.fbmta.com>  
Reply-To: guestrelations@redrobin.com  
Date: Monday, June 29, 2009 6:17 PM  
To: Nick Moser <nmoser@fishbowl.com>  
Subject: Welcome to the Red Robin eClub

To ensure delivery, add redrobin@redrobin.fbmta.com to your address book.

LOCATE MENU BUY CARDS

**RED ROBIN**  
Discover Something

TELL US ABOUT YOURSELF  
CLICK HERE

Welcome to  
THE **RED ROBIN eCLUB**  
Thanks for joining!

Nick Moser,

We'd like to welcome you to the Red Robin® family by giving you  
**\$3 off your next purchase!**



# Customer Relationship Management (CRM)

- Programs designed to build long term loyalty and bonds with customers.
  - Include modifying products to meet individual needs.
- Built on two primary metrics
  - Lifetime value
  - Share of customer

# Social Media CRM





# Direct Response Marketing

- Designed to generate an immediate response from consumers, where each consumer response (and purchase) can be measured, and attributed to individual advertisements.
- There are no intermediaries such as retailers between the buyer and seller, and therefore the buyer must contact the seller directly to purchase products or services.
- Direct-response marketing is delivered through a wide variety of media

# Direct Response Marketing

- Direct marketing programs are designed to develop closer relationships with customers through direct contact by:

- Mail
- Catalogs
- Telemarketing
- Mass media
- Alternative media
- Internet
- E-mail

