

ABSTRACT

In the late 1980s, companies in a wide variety of industries began to implement segmented marketing strategies using database marketing (DBM) systems. Several surveys noted that some organisations were developing sophisticated DBM systems to achieve competitive advantage, while others, in similar marketplaces, seemed unable, or unwilling, to exploit the potential benefits of these powerful systems. Alternatively, evidence from industrial reports suggested that most companies were failing to fully exploit the capabilities of their systems. Hence, this research was designed to determine the factors affecting levels of sophistication in database marketing (DBM) systems.

First, theories from marketing and information systems were synthesised to develop a generic model of DBM systems. Next, notions about the sources of competitive advantage were reviewed to identify potential factors promoting the development of sophisticated DBM systems. This review resulted in four such factors being hypothesised: market orientation as a specific organisation culture, database size (i.e. number of customers) as a key resource, locus of control of the senior marketing manager as an important individual characteristic, and the difference between consumer and business markets as a factor in firms' external environment.

Empirical data were collected from two random samples of senior marketing managers in US catalogue companies using postal surveys. Data from the first sample (36 observations) were used to develop a valid and reliable construct to measure the level of sophistication in DBM systems. Further data were collected from a second random sample using two further postal surveys (69 observations), which confirmed and replicated the results obtained from the first sample.

Overall, the research findings show that the development of sophisticated DBM systems is positively associated with two factors: market orientation of organisation culture, and database size. The other two factors - locus of control and type of market - failed to show any association with the level of sophistication in DBM systems. Further data analyses revealed a strong association between the elements of sophisticated DBM systems and marketing notions of sources of competitive advantage.