

ABC's of How to Compile, Maintain & Sell "Red Hot" Name Lists

NAME LISTS AND THEIR USE

Virtually every inquiry or buyer's name ultimately ends up on a mailing list. Some are small lists, while others contain millions of names. Some are meticulously maintained, while others are carelessly handled.

For those interest in mail order advertising, mailing lists can prove to be very valuable as well as a saleable commodity. If you wish to increase your sales, it is often a good idea to go into direct mail. To do this you would begin by renting another firm's mailing lists. Or, you would rent your list of customers' names to another firm. Either way, mailing lists can, and do play an important part in the every day world of mail order.

Basically, there are three types of lists. They are:

- house lists
- mail response lists
- compiled lists.

Let's examine each more closely.

HOUSE LISTS

A house list simply put is a list of your own customers. They may be active, or inactive. They may be inquiries or buyers. They may have made ten purchases or just one, or in the case of inquiries, none. They may have placed an order in the last four months, or in the last four years. They may have spent a great deal of money or a small amount. They may be credit card buyers or cash buyers.

Your house list contains your most valuable asset . . . the names of your own customers. These are the people who have purchased from you in the past and are very likely to purchase from you in the future. You can spend a great deal of money to rent outside lists, but none will bring you the financial rewards you will reap from your own customer list. These people know and trust you, and will order on a continuing basis.

MAIL RESPONSE LISTS

Second in importance are mail response lists. These are people who have responded to another firm's direct mail offer. The idea is to pick out a list of customers who have ordered products similar to those sold by your firm. Since it is a well-known fact that these people have previously responded to an offer similar to yours, there is an excellent chance that they will also respond favorably to your offer.

COMPILED LISTS

Although the people on compiled lists do not usually respond as well as the people on house lists or mail response lists, these lists can still be helpful if properly used. These lists are not generally used by small or medium sized business firms because they are too general in nature. But large firms, such as oil companies and insurance firms find them useful and even profitable. I have never used a compiled list and do not recommend their use for anyone but the largest mailers.

While there are no set rules which can be applied to mailing lists, here are few "rules of thumb" that can be regarded as reliable in most cases. They may not apply to your list situation, but they will give you food for thought.

The average list will change at least 15%-20% each year. Some mailing lists will change only 10%, while others have as high as a 100% rate of turnover. (Lists of high school seniors), etc.

A direct response list (people who have already purchased goods through the mail) will out-pull a compiled list.

A customer list will out-pull all other outside lists. By outside list I mean direct response or compiled lists.

Allocate 10% or more of your direct mail budget to list development and maintenance. The 10% figure is the minimum amount you should spend. Most successful businesses find the more they spend the more they prosper.

People over 35 years of age as a group, respond to mail order

offers at a much higher rate than do people under 35 years of age.

People living in rural areas respond to mail order offers at a higher rate than do people who live in urban areas.

People who have ordered through the mail within the last 3 - 6 months ("hot-line" buyers) are the most productive names you can get.

Multiple buyers (people who have made two or more separate purchases through the mail within a season) will always outpull buyers who have purchased only once within a season.

The results you can expect will vary by season and/or months of the year, and by regional areas and states.

Every list should be checked and cleaned at least twice a year or more. It is a good idea to review and update your list at least every six months whenever possible.

Responsibility for maintaining and updating of your list should be delegated to a single individual whenever possible. We've heard the expression "too many cooks spoil the broth", well, when it comes to mailing lists it is a good idea to limit the number of individuals who handle the list to as few as is possible. The fewer the better.

Use outside consultants and service organizations to help you with your list decision. These people have made it their business to study and understand lists.

SHOULD YOU USE LISTS

The first thing to consider when trying to make a decision about a particular list is whether or not the people on that list would be interested in your product. You want a list of people who have purchased something similar to your product, or at least something in the same general category. People who have already purchased cheese products are perfect for you if you are selling cheese products. But, if you are selling fishing supplies you would never want to rent a list of buyers interested in cheese products. Instead, you would want to rent

a list of people interested in fishing. You might consider renting a list of names from a publisher who publishes a fishing magazine. Or maybe, a list of people who have recently applied for a fishing license. When renting lists it is imperative to find a list that parallels as closely as possible your own list of customers. The right list can and usually does make a tremendous difference in the results you can expect.

WHAT TO SPEND

Today, there are thousands of mailing lists available in thousands of categories. Almost any offer, no matter how unusual, can be matched to an appropriate list. The price of a mailing list can start from as low as \$15 per thousand to as high as \$75 per thousand and more. A few of the factors that determine the price of a mailing list are:

- Freshness of list.
- Buyer or inquiry.
- Amount of purchase.
- Multiple or one time buyer.
- "Hot-line" buyers.
- Credit card buyers.
- Frequency of purchase.
- Brokers recommend it's use.

As you can see, many factors come into play when pricing a mailing list. The more desirable the list, the more you can expect to pay.

LIST BROKERS AND COMPILERS

It is almost impossible to succeed in direct marketing without the help and guidance of competent list brokers and compilers. It is the list broker's job to bring together the owner of a list and the firm who wishes to rent that particular list. The

fee for this service is usually a flat 20% on each rental. You can rent names through a list broker for the same price you would pay on your own. So, it is to your benefit to take advantage of this service. It is to the broker's advantage to help you choose the best list available for your needs, so that if your initial test proves successful, there is a good chance you will wish to rent the whole list in the future.

After a list broker arranges the rental, he next bills the firm renting the list and forwards the proper payment to the owner of the lists. These services are all included in his fees.

A list compiler represents those lists owned and maintained by the company that employs him. They are specialists for the compiled list they represent. Basically, the compiler offers the same services as a broker.

NAME LISTS - A PROFITS CENTER FOR YOU

Many companies with as few as a few thousand names are earning a substantial income from the rental of their list. Larger firms who have lists in excess of 50,000 names are reaping huge rewards. If you will simply bear in mind the fact that these small companies with small lists are able to gross \$40,000 a year and more in rental income fees alone, you begin to grasp a measure of the significance of just how profitable the buying and selling of names can be for you. It is truly a profit center without parallel in the mail order industry.

List prices depend on the time and money you spent compiling them. Some lists are easily accessible and you cannot charge a great deal for them. Other lists require a great deal of time and money to compile. These lists are usually very expensive.

NOTE: You have probably seen many dealers advertising their lists at cut-rate prices. In most cases these lists are worthless or so out-of-date that they are no longer of any use to anyone, except to sell to unsuspecting mail order buyers.

Try to stay away from these dealers. Most of them are selling garbage.

YOUR OWN LIST

Once you have gotten your mail order business off the ground and have acquired a large enough list of inquiries or buyers, or both, it is a good idea to put your customer list up for rental with as many brokers as possible.

While it is true that the primary purpose of compiling your own list of customers is to generate sales of your own products; an important secondary source of income can be generated through the rental of your list to non-competing firms. Profits from the rental of house lists can be enormous. It is not uncommon for many mail order businesses to make more money from the rental of their lists than they earn from the rest of their business. Indeed, if it were not for the monies received from list rentals, many a mail order firm would soon be forced to go out-of-business.

For example, let us assume that you have a customer list of 50,000 names. This list is considered small by most experts, but it will still account for hefty revenues. If you charge \$40 per thousand names, you will receive \$2,000 each time you rent your list. Of course, you will have to allow for the brokers commission of 20% or \$400. That still leaves you with \$1,600, assuming there are no other costs involved. If you rent your list ten times during the course of a year you should net approximately \$16,000.

Another benefit of renting your list to non-competing firms is that you will be able to get new ideas and insights about what your customers' likes and dislikes are. In addition, one of the firms that rents your list may try an approach that you might want to imitate.

Many firms rightly or wrongly, refuse to rent their house list to another firm. They feel that the results of their future mailings will be diluted if their customers are deluged with offers from other companies. Other firms feel just the opposite is true. They state that as long as they rent their list to a non-competing firm no harm will be done. In fact, many feel that by renting their list to other companies, they are helping to insure that their customers continue to be mail order buyers. Still other firms take a middle-of-the-road approach to the renting of their list. These firms make sure they rent only

their old subscribers list or inactive customer list. They do not rent their current subscribers list or the names of their active customers.

Finally, there are the firms who like to exchange lists with both their competitors and non-competitors. Usually, only inquiries of inactive customers names are swapped. The best party of list swapping is the cost. If you would normally have to pay \$40 per thousand names for a list, you can get it for only \$8 per thousand names when you swap lists. (You pay only the brokers fee, or 20% of \$40.)

FUNCTIONS OF LIST BROKERS

The DMAA research report lists the most important services performed by list brokers.

FINDS NEW LISTS - The broker is constantly seeking new lists and selecting for your consideration ones which will be of particular interest. In fact, brokers spend a great deal of their time encouraging list owners to enter the list rental field.

ACTS AS A CLEARING HOUSE FOR DATA - The broker saves you valuable time because you can go to one source for a considerable amount of information, rather than to many sources which may or may not be readily available.

SCREENS INFORMATION - The broker carefully screens the list information provided by the list owner. Where possible he or one of his representatives personally verifies the information provided by the list owner. In addition, brokers in the National Council of Mailing List Brokers have available to them a wealth of information resulting from the combined efforts of the members.

REPORTS ON PERFORMANCE - The broker knows the past history of many lists and usually knows the performance of ones which have previously been used by other mailers.

ADVISES ON TESTING - The broker's knowledge of the makeup of a list is often valuable in determining what will constitute a representative cross section of the list. Obviously, an error

in selecting a cross section will invalidate the results of the test and possibly eliminate from your schedule a group of names that could be responsive.

CHECKS INSTRUCTIONS - When you place an order with a list owner through a broker, he and his staff double check the accuracy and completeness of your instructions, thus often avoiding unnecessary misunderstandings and loss of time.

CLEARs OFFER - The broker clears for you in advance the mailing you wish to make. He supplies the list owner either with a sample of your piece or a description of it, and by getting prior approval minimizes the chance of any later disappointments.

CHECKS MECHANICS - The broker clears with the list owner the particular type of envelope, order card, or other material which is to be addressed.

CLEARs MAILING DATE - When contacting the list owner, the broker checks on the mailing date which you have requested and asks that it be held open as a protected time for you.

WORKS OUT TIMING - The broker arranges either for material to be addressed or labels to be sent to you at a specified time, thus enabling you to maintain your schedule of inserting and mailing.

LIST OWNER-BROKER RELATIONS

GET LIST MAINTENANCE ADVICE - Consult with the list broker when deciding how to maintain your list so you may set it up the most practical, economical and rentable way.

DISCUSS RATES - Discuss with your broker the price you will charge for rentals and decide on a price schedule that will bring you the greatest volume of profitable business.

SUPPLY ACCURATE DATA - Be sure the list information you furnish is accurate. If the addresses in a list have not been corrected within a reasonable period of time, tell the broker.

If a list contains a percentage of names of people who bought on open account and failed to pay, give this information to the broker.

If you represent your list as made up entirely of buyers, be sure it does not include any inquiry or prospect names.

If you have bought out a competitor and have included some of his names in your customer list, be sure to state this fact.

Aside from obvious aspects of misrepresentation, you will be the one who suffers when you mislead a broker.

ADDRESS ON SCHEDULE - Establish a reputation for addressing on time as promised. If you accept orders and fail to fulfil them on schedule, brokers become aware of this and find they can not conscientiously suggest your list to potential users. If, for some reason, you foresee a delay, advise the broker immediately, so he can advise the mailer.

FURNISH LATEST COUNTS - Keep the broker posted on current list counts, rates, changes in the sources of the names and the like. When the composition of a list changes, it may very well become more interest to a user who had previously felt that it was not suitable for his purpose. In addition, when current information is offered to a potential user through the broker, it is more likely to develop activity than is an out-dated description.

CHOOSE BROKERS WISELY - Consider carefully whether to make your list available to a number of list brokers or just to one broker. There are many things to be said in favor of working with several brokers. And at times there are also some good reasons for working exclusively with one broker. While the decision is yours, you should keep in mind the fact that brokers are people and each has his own particular personality, following, and sphere of influence. Therefore, as a list owner, you will be well advised not to narrow the field unless your facilities for addressing are so limited that the orders one broker can develop for you will be more than sufficient to take up all the available addressing time.

PROTECT BROKERS - It takes a lot of time and effort on the part of a broker to interest a mailer in testing your list. Therefore, continuation runs should be scheduled through the original broker so long as he continues to render satisfactory service to his client. The broker is a member of your sales

force, and he can only continue to do an effective job so long as you protect him on the accounts he develops for you.

Recently there has been a trend toward list management as opposed to list brokers. A list manager takes over complete management of your list for rental purposes. Under this form of contract, the list manager is responsible for the following functions:

- He solicits his own brokerage customers directly.
- Makes all contacts with list brokers and is responsible for processing their orders.
- Should at his own expense advertise the list.
- Analyzes the results of each mailing and offer suggestions and advice.
- Keeps all records and is responsible for all billings.
- Provides the list owner with a detailed list of activity, along with commissions earned, etc.

For this extra service he usually earns an additional 10%. Today, however, many list managers are asking for and getting even more. In my opinion, they are well worth the extra money. A good list manager will do his utmost to promote your list. In return, he will earn a substantial sum of money. But, not as much as the list owner. It is not unusual for a good list manager to double or even triple your previous rental income. Naturally, some list managers will do a better job than others. If you decide to use a list manager instead of a broker, make sure you select the best one available. It will take some time, but it will be time well spent.

I strongly suggest you subscribe to Direct Marketing Magazine, 224 Seventh St., Garden City, NY 11530. This magazine will keep you abreast of the latest information available dealing with direct marketing and list selection.

HOW TO TEST A LIST

Today the minimum number of names you are allowed to test is

usually around 5,000. However, many brokers will waive this rule. They do not want to lose a potentially good customer just because he or she wants to test 3,000 names instead of 5,000.

When testing a list always request Nth selection. This will insure that you will be testing the effectiveness of the entire list, and not just one small segment. Nth selection simply means that the computer randomly picks a few names from the entire list. The reason you should always use Nth selection is simple, besides the obvious reason already mentioned. It stops the broker or list owner from giving you his loaded names. Many a shrewd broker or list owner will rent you only their best names when you test a list. This will insure that you will get the best results possible. Later, when you return for additional names, you will get the shock of your life.

In order for a beginner to get a trustworthy list it might be a good idea to rent your first nm large, reputable firm. Later, as you grow, tests can be made with lists from smaller firms. Another reason for selecting larger lists is, that should the results be rewarding, you will have a larger selection of names for your future use.

Always try to rent a list consisting of buyers names only. The more recent the better. If you cannot get a list of buyers names only, go for a mixed list. This particular list will consist of both buyers and inquiries names. Once again, it is advisable to get the freshest names possible.

Note: Always make certain that any list you decide to rent has been cleaned within the last 6-12 months. Otherwise, you may be throwing your time and money away. Lists that have not been kept up-to-date deteriorate rapidly. Many lists are totally worthless unless they are constantly cleaned.

WHO BUYS MAILING LISTS

All mail order experts agree that there is no less expensive way to increase their sales than by using the medium of direct mail. The problem all direct mail users face is where can they obtain the lists they need to continue their mailing campaigns. That is where the "mailing list dealer" come in. By being able to supply these firms with names of authentic mail order

prospects he or she is able to build a very successful business.

Once a firm has faith in you and the list you furnish, you can be assured that they will continue to use your service as long as you give them the same excellent service and results as in the beginning. Remember, the compiling and selling names is a very competitive business, and yet many aspirants, most with little or no knowledge of the business, strike it rich in this field. However, you must at all times offer your clients top-notch service and order-pulling lists.

HOW TO GET STARTED

To be frank and candid, your chances of success are almost non-existent unless you have primary knowledge of mail order selling in general. So, it would be prudent to start out in another phase of mail order selling if you are a mail order neophyte.

The starting supplies needed to operate a mailing list business are moderate and inexpensive. You'll definitely need a typewriter (the best one you can possibly afford). Additionally, you'll need the following supplies . . . letterheads and envelopes, business cards, record books, some sort of filing cabinet, sheets of perforated gummed labels, (available at most stationery stores), carbon paper, shipping envelopes or containers, pens and pencils and a few other supplies as you start to grow.

There are two ways for beginners to compile name lists: (1) On standard gummed labels, (available from your local stationery store) (2) Computer labels, from a home computer or a large main frame computer, (available from firms who specialize in this field). Since this book is primarily for beginners we will first discuss the gummed labels. Later in this book there is a section devoted to computer lists.

Mailing lists are usually typed on sheets of perforated gummed labels ready to affix to envelopes. These standard sheets of perforated gummed labels come in 33 up sheets. Their cost is usually around \$25 per thousand sheets. You can also offer the customer name lists on plain bond paper, usually there are from 35-60 names typed on a plain piece of paper. I do not generally

recommend this method of name selling since it usually indicates the seller is a rank amateur. It is usually a good idea to sell your list on either gummed or pressure sensitive labels only.

Later, as you expand, you will want to use a method of list compiling that will allow you to put the names in exact zip code order. This is a very important factor when it comes to selling your list of names. But in the beginning, you will not have the experience or money needed to properly zip code your list.

When buying gummed, perforated labels, you should always get the ones with the carbon already inserted between each sheet of paper. In this manner, you will be able to type the name once on the original and have as many as 5 additional copies of each for sale.

Another method of reproduction of your mailing list is a copy machine. You simply insert your master copy into the machine and copy as many sheets as you need. You can do this for pressure sensitive labels as well as gummed labels. If you can afford to rent, lease or buy your own copy machine it will greatly increase your volume and also your profit potential.

There are many, many people using the above methods to reproduce and sell their name lists. Many are making a small fortune. But, the real big money cannot be made until you computerize your list.

HOW TO COMPUTERIZE AND MAINTAIN YOUR MAILING LIST FOR GREATER PROFITS

Probably the one question most frequently asked by mail order list compilers is, should I or shouldn't I computerize my list? The answer is, "that depends". There are many factors to be considered before you make up your mind one way or the other. But, one thing is for sure, if computerizing your list is right for you, it will improve your profit potential in 2 ways . . .
(1) By a more efficient marketing of your list (2) By increasing your income from the rental of your list.

Until recently, it was not a good idea to computerize your list if it contained fewer than 15,000-20,000 names. Today, however, with the aid of small office and home computers, anyone can

easily store and print out a large amount of names.

So, if you plan on increasing the size and profitability of your list, computerizing your list isn't only desirable, it's virtually indispensable.

HOW TO CLEAN YOUR LIST

You clean your list by putting the caption "address correction requested" in the upper left hand corner of your outer envelope when you mail to your own list. Or, you can offer your customers 10 new names for every 1 old name they return to you. This way you would not have to send out any mailings yourself. Your customers would be cleaning the list for you. Remember, computerized lists are like children. You have to maintain them after you've brought them into the world.

List maintenance is principally a matter of adding new names, deleting "nixies" (undeliverable mail) and entering changes of address as customers move. None of these tasks are difficult, but without the proper care and dedication a good list can soon become worthless.

WHERE TO OBTAIN NAMES FOR YOUR LIST

Naturally, you can rent out your own list of customers if you have such a list. This is the way most beginners start. We have previously discussed this aspect of name rentals. You can also compile other types of name lists. Examples . . . doctors, lawyers, drug stores, high school students, etc. Several books and directories have been published that specifically deal with these types of lists. Two of the best are "Mailing List Sources", and "Mailing List Directory". These books are not cheap, so if you do not wish to buy them, they are available at most large public libraries. Another valuable sources for these types of lists is "Guide to American Directories for Compiling Mailing Lists".

Another method of compiling names for a name list is to purchase the names from a mail order dealer. Many small mail order firms have no use for their names after they answer the original inquiry. They are only too glad to sell these names to the highest bidder. The price you offer for these names is usually

just a fraction of what they would have cost you if you had paid for the advertisements yourself. I know of one list compiler who has become a very rich man using this method. He sends out a form letter to mail order dealers who advertise in the classified sections of magazines. He offers to buy their current names and all their names in the future for a fair price. After he acquires these names, he has them put on a computer listing and sells them to some of the biggest mail order firms in the country. He has been doing this for a long time and he probably is the king of the opportunity-seekers name list market.

WHAT PRICES TO CHARGE

The price you charge for your list can vary greatly. Basically, lists, like any other commodity, have different values.

Always remember to keep your prices in line with what the other list sellers are charging. If you charge too little, most people will shy away, figuring that your list is not that good. On the other hand, if you set your price too high, most prospects will be financially unable or unwilling to spend too great a sum of money. Always try to be moderate in your price structure. If you are having good results renting your list, you might try raising the price slowly and see what happens. Never jump your price too rapidly if at all possible. This tends to scare away many good prospects and old customers.

HOW TO ADVERTISE

There are many and varied methods of reaching prospective buyers of your lists. We will try to discuss a few in this chapter. Please remember, that there are literally dozens of other ways to reach customers. We cannot and will not cover all the methods, but we will attempt to cover some of the most widely used methods.

Advertise in various trade and business publications. There are magazines like Zip Magazine and Direct Marketing Magazine that list dozens of mailing lists in each issue. These ads are usually placed by the list broker, list manager or the list owner. This is probably the best method to use if you are going after big results. It costs a little, but it is well worth the

price. You can also advertise your list in business opportunity magazines and periodicals. There are hundreds of these publications available for you to choose from. You will have to make test to see which one works the best for you.

You can place classified ads in magazines. Many advertisers use this method because it is cheap and yet reaches a very large audience. Never ask for money directly from a classified ad. These ads should be used only to solicit inquiries. When you receive the prospective buyer's inquiry, you send them all the relative information about your list. Price, names, zip code. Another very profitable method used by list sellers is to rent a list of prospective buyers from another seller. Once you attain this list, you mail out your list information to this list.

EXAMPLE . . . If you are selling a list containing the names of people who have inquired about a book on weight-watching, you might try to rent a list of names from another dealer who is selling a book dealing with the same subject.

You would ask the other dealer to send you a list of all the people who have rented his list. Since they rented his list of people interested in weight-watching, there is a good chance they would be interested in renting a similar list from you.

As previously stated, there are many more ways for you to reach prospective buyers. The list of inventive ways is almost endless. It is up to you to find out which method works best for you. There is no short-cut - the only way to accomplish this is by constantly testing all the methods until you hit the right one for you and for your list.

HOW TO PROTECT YOUR LISTS

If a mailer rents your list and is not specifically given permission to mail to it more than one time, and does so, then he is guilty of fraud. The Postal Service frowns on anyone who does this through the mail and the offender can be sued for damages as well. The best way to catch anyone doing this is to seed your list. Put the names and addresses of about a dozen people in the list and alert them to inform you if they receive more than one mail offer from the same person or firm. The fact that they do so does not automatically mean that you have been

defrauded. As you learned from the information presented, it is highly probable that the name is on more than one list. It is worth investigating though and I would investigate before filing any formal charges.

The best way to prevent multiple mailings is to include a letter with the name list informing the renter that the list is seeded and threaten prosecution for misuse. No mailer in his right mind wants problems with Uncle Sam or his Postal Service, and such a letter will cause an unscrupulous person to have second thoughts about taking liberties with your list.

HOW TO GET HELP FROM THE EXPERTS

It is a fact of life that no one will want to help you if he thinks you are trying to take the food out of their family's mouth. It is no different in the list selling and compiling field. If you need to, I would call some of the biggest names in the mailing list business and tell them that I was interested in having my list of names managed by them. I would tell them that my list contained 50,000 buyers of mail order books. As we discussed my list, I would ask a few off-the-cuff questions that I needed answered. Since they were interested in managing my list, they would only be too glad to answer any and all of my questions. You might say that my methods were sneaky and not above board. I would say that I did what I had to do to increase my knowledge of the mailing list business.