Database Marketing

The science of marketing, while perhaps a bit out of hand in Tudog's view, affords marketers the ability to reach certain audiences based on demographic or geographic criteria. If the assumptions on the demographic group being targeted are correct (and they are not always so), then, the logic goes, the results of a database generated marketing campaign will be statistically higher that a broader, less focused and less targeted campaign. There is indeed a basis for this approach, so long as it is executed properly. In the end, database marketing boils down to how much a company really knows about its ideal customer.

The Benefits of the Database

Database marketing is not without controversy. Although there is discussion in the industry regarding the use of database information, the appropriate application of the information serves to benefit both the company and the customer. While there is a large movement for "permission marketing" or "opt-in" database marketing where customers are only targeted if they have given companies permission to send them offers, the general idea of database marketing is to bring before customers product opportunities and information that, according to who they are and what they typically buy, should be of interest to them. Certainly this practice gets abused, but usually by spammers and blanket communicators who send out messages without interacting first with the knowledge component of the process and instead send the message to anyone and everyone regardless of the prospect of their actual interest.

The benefits to a company from database maintenance include:

- The ability to maintain a customer centric business strategy by knowing what customers want
- The ability to maintain customer loyalty by giving them what they want
- The opportunity to demonstrate appreciation to excellent customers
- The opportunity to "upsell" the customer to larger ticket products and increase the frequency of purchases
- The ability to acquire new customers by leveraging existing ones
- The ability to retain existing customers by being able to communicate with them directly
- The ability to classify customers into groups of importance (VIP, Frequent Buyer, etc.) for the purposes of rewards programs

Just as the company benefits from database capabilities, consumers also derive advantages from the practice. These include:

- Recognition from companies they frequently buy from
- Promotions, sales and special offers from companies
- Reliable and useful product information
- Introductions to new products that are of particular interest
- Higher levels of service
- Greater convenience

Using the Database

The use of database marketing is most effective when applied to web based marketing campaigns and direct mail campaigns because both allow for the targeting of specific types of potential buyers based on identifiable criteria that could be stored on a database, such as age, income, race, location, and perhaps even habits (past purchases, etc.).

In approaching a database marketing campaign you should divide your strategy into two segments:

- Prospective Buyers – people who are not yet buying, but based on their profile, are likely to become buyers.
- Existing Customers – people who have purchased before and are being solicited to either purchase the same product again, or purchase a different product from the same company.

If in fact, as Tudog contends, database marketing is all about knowledge, the preparation for a database campaign requires that the criteria points to be targeted need to be exact and that the company's "elements of knowledge" be precise. The elements of knowledge refer to the foundation of information accumulated and cataloged in a company's database so that it has as comprehensive a picture of each customer and prospective customer as possible. Elements of knowledge could include:

- All demographic information (age, race, income, location, etc.)
- Buying patterns (likes and perhaps even dislikes – as shown through a record of products returned)
- Buying Interests as derived from magazines read, buying habits, and product inquiries

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In looking at the database marketing landscape Tudog has identified three ways the marketing is typically deployed. They are:

- Aggressive Posture – using the database to identify prospective customers according to specific characteristics or qualities and contacting them proactively, without any inquiry or request from the prospects.
- Active Posture – using the database to identify specific occasions in the lives of prospective customers, such as birthdays, anniversaries, etc., and contacting prospects under the guise of a greeting with a special offer enclosed.
- Target Posture – using the database to identify specific customer preferences and contacting prospects when a product related to the preference or similar to the preference can be offered.

Although permission marketing was previously mentioned in this article is merits one additional comment. The idea behind permission marketing is that consumers are interested, under the appropriate circumstances, to hear from marketers because they want to be exposed to information about products they are interested in, have opportunities for special offers, and be educated on their buying options. By granting consumers the option of receiving information they may feel in greater control and become more receptive to messages. Also, from the marketer's perspective, an

individual that has requested information can rightly be considered a more promising prospect, and a logical choice for a larger slice of the overall marketing effort.

The logic of database marketing is that it enables us to base almost every marketing decision on information that seemingly justifies the effort. The downside is that it is limiting, stifles creativity, and can be, under certain conditions intrusive and resented (by consumers). Certainly maintaining a database is a marketing necessity. Knowing when to deploy its information is an issue of timing. And timing, as we all know, is one marketing skill the database can't deliver.