

# DATABASE MARKETING

## What is database marketing?

Database marketing is a form of direct marketing that uses databases of customers to generate targeted lists for direct marketing communications.

Such databases include customers' names and addresses, phone numbers, e-mails, purchase histories, information requests, and any other data that can be legally and accurately collected. Information for these databases might be obtained through application forms for free products, credit applications, contest entry forms, product warranty cards, and subscriptions to product newsletters.

Using our opening example, a database at a technology store might well be able to produce a list of customers who had purchased similar products and might be interested in a new promotion. These databases, once built, allow businesses to identify and contact customers with a relevant marketing communication.

## Who employs database marketing?

Various businesses use database techniques to refine their direct marketing campaigns, including finance companies, retailers, technology vendors, internet service companies, insurance companies, and B2B companies.

Database marketing is particularly useful for large firms, which have large customer bases that generate huge amounts of transaction data. The larger the initial data set, the more opportunities that exist to find groups of customers and/or prospects that can be reached with customized communication.

## For what kinds of customers is database marketing effective?

As with other forms of direct marketing, the most responsive customers to database marketing are those who have opted in to mailing lists—such as when an online shopper checks a box marked "Send me information on future promotions." Such customers have already expressed interest in the company's products, and as such are more likely to be interested in new products and sales from that company.

## How is a database marketing campaign developed?

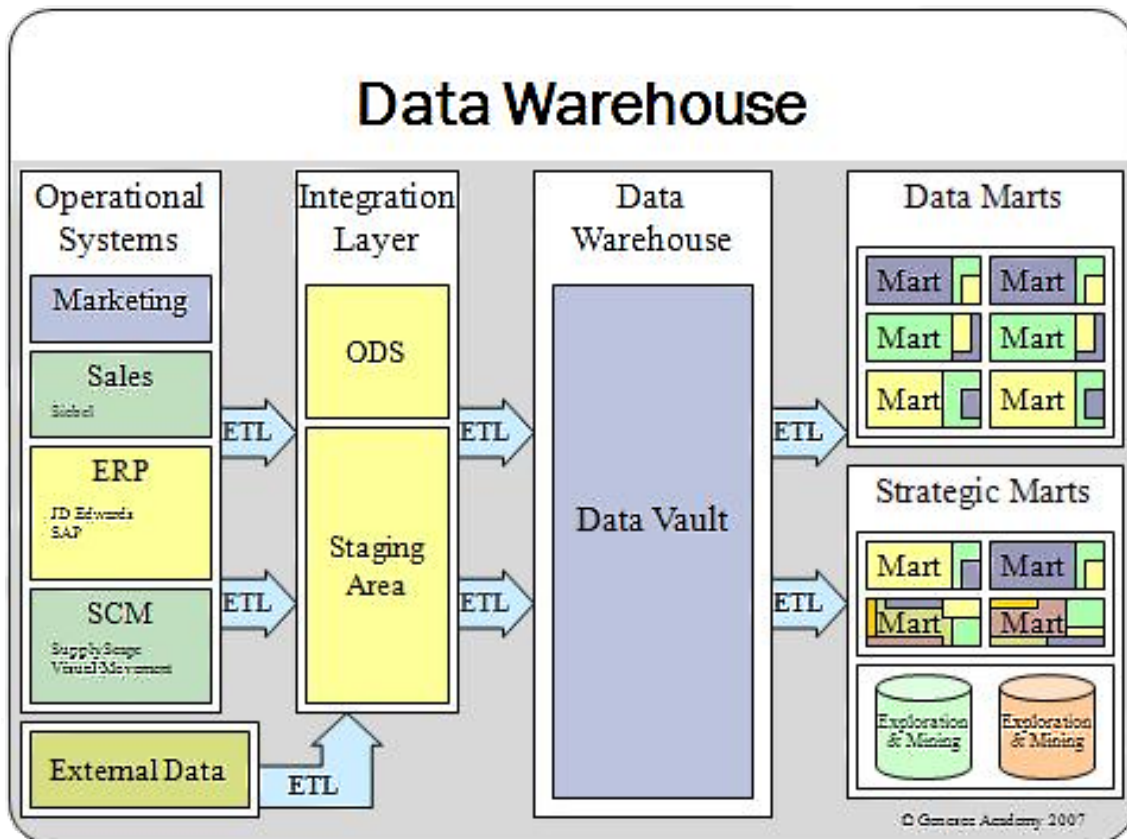
Database marketing begins with... data. The more useful data available, the more effective the campaign.

Such data comes from a number of sources. Many businesses collect data as part of a typical business transaction. For example, since finance and insurance companies already must collect name, address, and other information for a sale, it takes little extra effort to retain this information in a database. Online retailers can also easily collect such information, as well as purchase histories; offline retailers may use club-card systems to accomplish the same thing. Additional data comes in from customer service, which can keep a record of all their customer communications. Meanwhile, marketing and sales leads create additional customer records.

While data on existing customers can be collected through transactions, data on prospects is largely obtained (purchased) from third parties. Different countries have various laws controlling what information can and cannot be sold, often restricting it to name, address, telephone number, and perhaps some demographics. Many businesses will readily sell this information to marketers; others may have privacy agreements with their customers that prevent them from doing so.

Occasionally, transaction histories may also be sold. When Borders bookstores went out of business, the company sold customer records to Barnes and Noble, which was then able to market directly to Borders' former customers (for example, by offering Barnes and Noble member cards to those who had previously purchased Borders cards). In addition to third parties, prospect data can also be obtained through sweepstakes, on-line registrations, and other methods.

Larger companies will often manage all the data they collect from varying sources through a data warehouse. The warehouse receives diverse data sets from different departments and companies, integrates it into one mega-database (often several terabytes in size), and then parses it back out into smaller databases used for various functions. The use of a data warehouse allows a business to process much greater amounts of data—and again, the more data available, the more opportunities for finding groups of customers that will respond to a customized message.



At this point the real work of database marketing is done. Database analysts develop programs for filtering and mining the data for actionable information. They may segment customers based upon a number of different demographic and behavior factors. For example, they might use RFM analysis—segmenting groups by how recent, frequent, or how much monetary value customers' purchases are. They may also use statistical models, such as logistic regression, to predict future behavior and create customer lists.

In addition to direct marketing, database information can also be used in some systems to pull up customer information while interacting with the customer (known as real-time business intelligence), which allows for greater personalization. Additionally, databases fuel Customer Relationship Management (CRM) systems, which use the information to present personalized offerings of products and services.

The extent to which database systems can be effectively employed depends upon a number of factors—how up-to-date the information is, what analytics are used, and the software network and level of connectivity in the business. Major information technology companies, such as Google and Apple, are most effective at using their databases for real-time intelligence and personalization of business.

**Source:** <http://www.marketing-schools.org/types-of-marketing/database-marketing.html>