

# DATABASE: THE SECRET OF SUCCESS

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## **DATABASE: THE SECRET OF SUCCESS**

A database is more than a simple list of names and addresses. What turns a list into a database is the additional information, coupled with your ability to select names from or report on the list using any combination of data elements.

In this report, you'll see some examples of the benefits of developing and maintaining a database. Then, the specific information that a database can contain will be detailed.

### **BENEFITS OF A DATABASE**

By maintaining your list as a database, you can segment in many ways for targeting. Targeting improves the productivity of your offers. You can use a database to isolate the segment of your list most likely to respond to a particular offer. With a good database, you're not "mass-mailing" your offer to parts of your list that may have no interest in it (based on their characteristics). Because the number you're mailing is smaller, your response rate (number responding/number mailed) - one measure of productivity - should be higher. (And, of course, you'll save on printing and postage costs.)

Here are two simple examples of targeting using database information:

1. You're the owner of a neighborhood beauty salon. For each customer, you keep a record (with dates) of all the services you've provided to that customer. You're planning a special pre-summer promotion on permanent waves for the month of May.

Instead of mailing an announcement of the sale to your entire customer list (many of whom don't have their hair permed), you select only those customers who had a permanent at least three months ago. In this way, you're targeting those customers who are most likely to take advantage of your upcoming sale.

2. You're the dinner chairperson of a local fund-raising organization. Your mailing list is made up of a wide range of contributors, from those who've donated only a few dollars to those who give annual gifts of thousands of dollars. For each contributor, you maintain a record of all past donations and functions he/she has attended, in addition to basic mailing information.

This year, you're asking for donations of \$100 a plate for the annual dinner dance. To get the best response to your invitation, you first target those contributors who were at last year's dinner dance. Then you target those who weren't at the dance, but who donated more than \$100 in the past year. Depending on the response you expect from these first two groups, you may next want to target those names on your list that didn't attend the last dance, but contributed \$50 in the last year. You may even want to have a phone follow-up to the first two groups but use the mailing only for the third group.

A properly set up database can provide many benefits for your business or organization. But the usefulness of a database depends entirely on what elements you include in it.

## WHAT TO INCLUDE IN THE DATABASE

Depending on your type of business or organization, you will want to include different fields in your database. Later in this report you will see some examples of the fields that are appropriate in specific instances. For all businesses or organizations, though, certain basic information is always necessary.

By including basic information in your database, you ensure that the people or companies on your list are deliverable. That is, the mailings you produce using your list will get where you want them to go - into the hands of the individual who is most likely to respond to your offer.

### 1. Basic information for Business Audiences

If your audience is made up of businesses, you will need to include the following fields for each name on your list:

- a. A unique account number.

This number should not be tied into any other information about the customer, for example, phone number or address, since this sort of information may change over time. The account number should never change throughout the life of the customer. A sequential numbering system is simple and effective.

- b. Company name.
- c. Street Address.
- d. Suite number, is necessary
- e. P.O. Box, if necessary.
- f. City
- g. State
- h. Zip Code, five or nine digit.
- i. Phone number (with area code).
- j. Job title or name of contact.

Some business mailers maintain the name of the individual within the customer's business or organization. Others simply use the appropriate job title. The alternative you choose will depend on the nature of your business and the amount of turnover associated with the position that is your contact.

### 2. Basic Information for Individual (Non-Business) Audiences

If your audience is made up of individuals, you will need to include the following

data for each name on the list:

- a. A unique account number.
- b. Individual's name.
- c. Street address or P.O. Box.
- d. Apartment number, is necessary.
- e. City.
- f. State.
- g. Zip Code, five or nine digit.
- h. Phone number (with area code).

The basic information listed above is necessary to make sure that the names on your mailing list are mailable. But how do you decide which names are more productive?

### 3. Data Elements to Evaluate - Recency, Frequency and Monetary Value

Regardless of whether you're mailing to businesses or individuals, there are three factors - recency, frequency and monetary value - that are commonly used to measure the value of a name.

- a. **Recency:** Recency refers to the last time that the customer ordered or responded to an offer.
- b. **Frequency:** Frequency is the number of orders or responses that the customer has made since becoming a customer (or during the last year or other specified time period).
- c. **Monetary Value:** The monetary value is the amount of money the customer has spent since becoming a customer (or during the last year or other specified time period).

How do these three factors determine the value of a customer (the likelihood he/she will order again)?

- \* The more recently a customer has ordered from you, the more likely he/she will be to respond to your next offer.
- \* The more often a customer orders from you, the more likely he/she will be to respond to your next offer.
- \* The more money a customer spends with you, the more likely he/she will be to respond to your next offer.

All three factors - recency, frequency, and monetary value - are considered to be

good indicators of whether or not a customer is likely to respond to a future offer. But they are not equal. Recency is thought to be the best indicator, followed by frequency and then monetary value.

In order to use these valuable pieces of information, here are the specific fields you need to maintain on your database:

- \* For recency: The date of the last transaction with the customer - the date of the customer's last order, purchase or donation.
- \* For frequency: The dates of all previous transactions with the customer over a certain period of time.
- \* For monetary value: The size (in dollars) of all of the customer's previous purchases or other transactions. (It is also common to maintain the dollar amount of the customer's most recent order as the monetary value indicator.)

In addition to evaluating the recency, frequency, and monetary worth of your audience, you will probably find that there are many other important ways to analyze the names on your database.

#### 4. Additional Information for Business Audiences

If your audience is made up of businesses, there is additional descriptive information, some specific to your product or offer, that could be valuable to have.

You might want to consider storing some of the following data elements for each of the names on your database:

- a. Number of employees in the business/organization.
- b. Type of business/organization.

The United States Government four-digit coding system, the Standard Industrial Classification (SIC) system, is commonly used to identify businesses. For example, the codes 5211 through 5999 identify "Retailers." Within that category, 5411 is the code for "Grocery Stores," 5441 the number for "Candy, Nut and Confectionery Stores." The SIC Manual is available through the Superintendent of Documents, U.S. Government Printing Office, Washington, DC 20402.

- c. Annual sales volume.
- d. Credit status code

The credit status code could be developed by you, based on the customer's payment history or perhaps obtained from a commercial credit report.

- e. Items ordered from you.

With data in this firm, you can select customer for programs designed to get

them to reorder an item, or to order complementary or supply items.

f. Location.

Is it a headquarters, subsidiary, branch, division, etc.? If you are making an offer that requires a decision by someone at the headquarters of a company, you may not want to send it to the branch office (unless there are employees involved in the decision too).

g. Source of the name.

This field is usually a code representing where you got the name. Assign a unique code for each referral program, publication advertisement, list, etc., you use to get a new name. Assigning a source code to each new customer allows you to evaluate the effectiveness of each technique you use to get customers or to collect prospect names.

5. Additional Information for Individual Audiences

If your audience is made up of individuals, you may want to collect information on the household unit, often the most relevant purchasing unit. Here are some suggestions for demographic information that could be useful to you in analyzing the names on your mailing list.

a. Household income.

b. Occupations of household members.

c. Number of people in the household.

d. Ages of the members of the household.

e. Genders of members of the household.

f. Marital status of members of the household.

g. Information on property belonging to the household:

\* Type of living quarters.

\* Owned or rented living quarters.

\* Number, make, model, etc. of each automobile.

\* Number, make, model, etc. of each major appliance.

h. Political affiliation.

i. Hobbies and leisure time activities.

Now you know the secrets of how a database can turn your mailing list into a valuable asset for your business or organization. You understand what basic fields to include. And you have had

an overview of what additional fields might be added to the basic ones that make a list mailable. Be sure to carefully analyze your own needs and to include information that would be of help to you in mailing smarter. In report #3504, we will start explaining the details of how to go about collecting the names for your mailing list, starting with your customer list.