

Finessing New Business Through Database Marketing



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Stories about companies that do not treat an existing customer as someone they know and value could fill volumes. They also speak of how well companies have to demonstrate that they care about good customers.

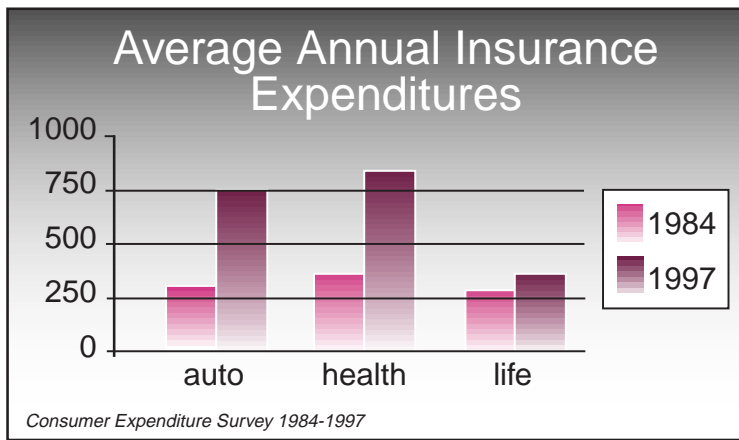
Failure to enhance the customer's opinion of the company can erode the customer's lifetime value to a company. Yet, advances in technology allow companies to develop and maintain demographic information, select products to match a customer's buying patterns, and identify propensities of the customer to buy new products from a trusted source.

When these innovations are coupled with the speed and cost-effectiveness of computer hardware/software, it is possible to integrate financial services and to positively impact one-on-one marketing.

A good marketing database, in simple terms, can help streamline an existing organization as it fosters a lifetime relationship with a customer. It is a strong centralizing tool to provide focus for companies who want to identify their best customers, offer products or services that are meaningful to them, and develop an honest and caring long-term relationship.

As a mature industry, life insurance is a zero-sum game. Sales increase at the expense of competitors; the cost of one party winning comes at the expense of another party losing. This is demonstrated by the increase in acquisition activity. It is cheaper to buy existing business than it is to create new business through sales of products. Marginal players want out of insurance, and thus, are providing acquisi-

tion and growth opportunities to stronger players. Changes to competitive positioning are reflected in the shifts in market share. Insurance, as a component of financial services, is not maintaining its share of the market - as a whole, it is losing ground. In 1984, the average annual expenditure on life insurance products was approximately 1.2% of total expenditures. In 1997, it was less than approximately .9%.¹



To remain competitive and viable in the marketplace, companies need to identify, acquire, maintain, and “grow” customers wisely. Database marketing can be used to support each of these goals. Good database marketing can assist a company to

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acquire the right customers, at the right price, at the right time. The “finessing” of the marketing database is the ability to move from what is known about the customer to predicting with

reasonable certainty what products and services a customer will need, when they will need those products, and from what channel they would like to buy those products. This enables a company to use

¹Bureau of Labor Statistics. Consumer Expenditure Survey, 1984-1997.

its resources in a much more efficient manner than has previously been possible.

Database marketing appears elementary in concept however, in practice many database systems have failed to deliver increased customer loyalty, market penetration or improved one-on-one marketing. Poor system design or data management is often the cause of a failed system. However, management’s role in the design and execution of a database marketing endeavor is an overriding factor in the success, or failure, of the system.

The following areas represent some of the most frequent management-based issues that contribute to poor database marketing results. Careful planning and diligent follow-through can help eliminate the following common pitfalls:

No Clear Return on the Database Marketing Investment

Developing a clear and concise business case for making the investment in database marketing is the first step in effective database management. A company can significantly increase its chances to obtain satisfactory results and returns by carefully defining, at the start of the project, how database marketing will be used and what it should accomplish.

Lack of Clear Focus: Confusion Between Having a Marketing Database and Having a Customer-Driven Marketing Strategy

Database marketing tools can promise much but deliver little if the company does not have a marketing strategy that is *supported* by the database marketing tools. In short, simply having a database cannot transform a product-driven company into a customer-driven organization. The database is only a tool to help focus the company on what it needs to do to become more customer-oriented. The ultimate marketing database serves the company best by serving its customers in the way they want, at the time they want.

Failure to Identify the Appropriate Target Markets

Out of any marketing strategy should come a clear statement as to who is the target customer, what they will buy, as well as how and when they want to buy. Failure to know the target market will result in failure to identify the best customers.

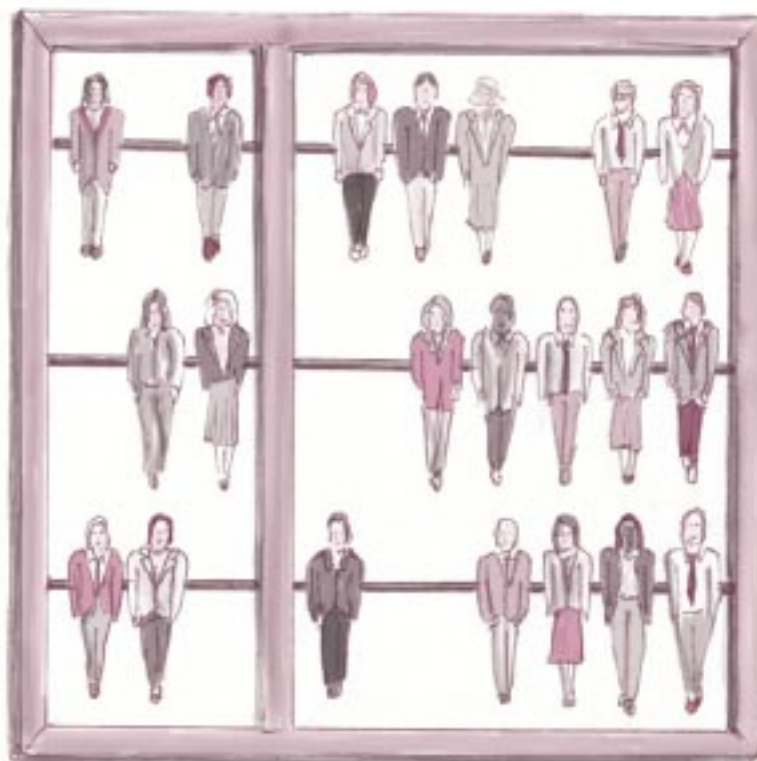
A description of the target customer assists companies to focus their approach in gathering information about the best customers. Information can be statistical, anecdotal, and even intuitive, but all of the data should be shared with old and new employees to help them get a better “sense” of the most efficient ways to sell and service customers in a relationship-building manner. Getting more of the target customers into the client base is the responsibility of the marketing and sales organizations. The responsibility of keeping those clients falls to the service people. Getting those customers to increase their Life Time Value (LTV) to the company is everyone’s responsibility.

LTV is a concept that is directly supported by database marketing tools and techniques. By increasing the quality of the customer’s relationship with the organization, it will increase the customer’s LTV. A customer who only buys one product in his/her lifetime is expensive to maintain. However, the customer who continues to buy products or services as his/her needs are identified offer the best long-term value to a company. In this case, the company that is focused on the lifetime relationship of the customer will build the largest LTV.

Ultimately, the best marketing strategy is to have every individual in the company look upon *every contact*, interface, and solicitation, as an opportunity to enhance the long-term relationship with the target customer.

Explicit Value Not Apparent to the Customer

The customer needs to be involved in providing sensitive (and confidential) information for the marketing database. They need to see value in providing data. For example, they should provide



their updated name and address before getting the billing notice. This simple act will save both the customer and the company time and money. The zip code can provide an update to the customer’s homeowners’ “insurance to value” and allow the customer to make critical coverage revisions. Accurate information will be used to trigger sales or service calls which will produce better value for each customer. Any company employee accessing the customer through sales and service opportunities (address changes, billing questions, claim processing) must gather and use this information efficiently, wisely, and sensitively to continually enhance the relationship.

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Lack of Clearly Designed Architecture

Without proper data, the database is nothing more than a collection of junk. Prior to building the database, the data requirements need to be determined so that it is understood what is critical data and what is variable data. Both the collectors and end-users of the data must agree on what data is required, how it is defined, and how it is used throughout the organization.

A sense of completion results when the database has been installed. In truth, the effort has just begun. As it is used, the marketing database must continue to change and grow in order to enhance the objectives of the organization.

All too often, the database designers collect all possible data and become overwhelmed in the process. If there is too much data, it is virtually impossible to transform it into meaningful information that the sales and service people can use to build relationships.

Intent for the Database Too Broad

The key measure of whether data should go into the marketing database is a determination of how it will help build or enhance the relationship with a customer. If the marketing database has to serve not only the actuaries, but the underwriters, accountants, and marketing people as well, it will ultimately have too much information collected in too many different ways to be valuable to anyone.

Stopping Short of Success

Installing a marketing database requires significant planning and effort by a team of dedicated individuals. A sense of completion results when the database has been installed. In truth, the effort has just begun. As it is used, the marketing database must continue to change and grow in order to

enhance the objectives of the organization. Any tool designed to encompass the entire life cycle of a customer has to adapt over time. If it is properly designed, flexibility will be an integral part of the program. Thereafter, the database changes as customers change. Responding to those changes in data needs should be kept simple and manageable.

Historically, organizations such as insurance companies, banks, and mutual funds tended to be product-focused rather than customer-oriented. They have focused more on peddling and maintaining policies than on identifying, nurturing, and growing customer relationships. The customer-focused organization is both respected and admired. There are a number of successful customer-focused organizations that have great images, great customer loyalty, great names, product persistence, and multiple products per household. They are profitable and have succeeded in implementing a marketing strategy that is supported by an effective marketing database. They are positive proof that customer orientation and marketing database management can work to increase sales, market share, and name recognition. ■

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