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Database marketing offers detailed sales information

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As the country drifts in or out of recession—take your pick—the need to generate more sales return from your marketing dollar becomes ever more important. Marketing's ability to increase sales is one area where companies often have the weakest quantitative grip on the cost-effectiveness of their spending.

Marketing and sales costs average 15% to 35% of corporate costs in the average company.

The National Association of accountants and the U.S. Trade Representative estimate that manufacturers' service activities account for 75% to 85% of all value added to their products. This means that the price a product can be sold for is less a function of raw materials and labor than of marketing-related services like selecting the proper product features, determining the product mix, developing market awareness and ensuring availability and delivery. Some areas of marketing spending are often reduced by companies as their markets soften. As a previous article in *The Business Journal* pointed out, "when the economy slows just spend more on marketing because you need it now more than ever." This is more often than not true.

But, it is very tough to increase spending in slowing markets when the actual results of past expenditures are unknown. "How much revenue does advertising in this magazine generate?" Over what period of time?" "And what comparisons can be made with other marketing options like direct mail, sales promotions, public relations, etc.?" All these questions are now quantifiable and answerable.

Database marketing (DBM), sometimes called marketing and sales productivity, offers a company the answer to these questions. It requires sophisticated, yet readily available, software to automate certain aspects of the marketing and sales processes in a company. The net result is more organized and better-focused information on all aspects of sales and marketing. Using DBM, this information is gathered and distributed to those who need it in a more timely and accurate manner. Since sales and marketing are very information-intensive activities, having the right knowledge in the right hands at the right time gives a company a competitive advantage.

What types of information are needed? To illustrate, let's use the real example of a local manufacturing company that has been very successful to date but also knew it needed a national market presence to meet its goals for growth. The goals are to double revenue in two years without significantly increasing headcount in sales and marketing. It recently began its first advertising, marketing and public relations efforts with the help of a local ad agency. It also wanted to measure the actual impact of the ad agency's efforts on its sales results. It hired a consultant to analyze its existing sales process, how that process should couple to the new marketing efforts and how they all could be accurately tracked.

The consultant then recommended an appropriate DBM automation package based on the critical information needing to be tracked, set up the important in-house support systems and trained employees within the company on how to capture and

feed information into and out of the system. This process is significantly improved by the operation of the DBM systems over time. For example, as the company adds records of prospective customers to the DBM database, it gathers accurate data on:

- * How they heard of the company (quantitative marketing results);
- * Why they responded to the ad or public relations or direct mail or other marketing/sales activity (qualitative results in statistically significant volume);
- * Who eventually purchased what;
- * What the sales cycle is; and
- * The processes and people that the customers use to make their purchasing decisions.

This information is input into the database in an organized format allowing the company to do a variety of very important tasks much more quickly and accurately. For instance, an inbound inquiry phone call generated by an ad or direct mail piece can be preliminary qualified at the company and prioritized in importance. The best leads are faxed or E-mailed to the proper field sales person.

Field sales staff not only know who responded, but why, in response to what marketing or sales effort, what their product interests are, who is involved in the decision making process and, most importantly, how urgent their need is - all before he even makes contact with the prospect. The sales force spends more time in closing situations, not prospecting and qualifying leads.

The marketing manager can now easily manipulate the lead generation and sales data to make strategic decisions with the DBM software. Key decisions can be made with confidence, such as, which ads or other marketing activities yield the most buyers (not leads) of the highest margin products in the shortest period of time from first contact.

This is productivity in its purest form. Using the same, or, in some cases, less

money and manpower, the company can generate a greater volume of sales while also optimizing its margins—a productivity increase in the sales and marketing services of the company. The marketing manager can now allocate his resources to those activities that yield the best return for the investment, and, this decision is based on quantitative analysis, not the usual gut-feel. Information on market trends, product features, changes in post-sale support, etc., can also be tracked, aggregated and used to make strategic decisions based on hard market data, not on intuition.

What is needed to do this at your company? First, a commitment from the top management to really improve the sales and marketing of the company over the long term. Next, you need to have or develop cooperation between marketing and sales. This ensures accurate and timely exchange of information. For example, the field sales force needs to give quick, relevant feedback on their contacts with the pre-qualified prospects. It is not uncommon for the sales force to resist these changes. They fear not only someone else having close contact with their customers' needs, feelings and decisions, but also the additional 'paperwork' and a more accurate measure of their performance on both a quantitative and qualitative basis.

What the sales force may lose sight of are the benefits: less cold prospecting, more good selling opportunities, better sales information, easier account tracking, better time management, etc.

Also needed are easy ways for the customer or prospect to provide the information you need (capably trained employees make it easy), and, easy ways for the company to capture and distribute this information.

It helps greatly to have a telemarketing capability, even if it is only handling incoming customer service phone calls. Telemarketing is the activity most capable of generating (outbound) and/or acquiring (in-

bound) information accurately, quickly and in significant volume. (I use the broadest definition of telemarketing as any organized and frequent contact with existing and potential customers by phone.)

Many added benefits come with these changes and they add up to better business performance. A few examples are:

Quicker account history retrieval and review-even when the prospect or customer calls you unannounced.

- A common format to account records used by all employees.
- Easy capture of the targeted information.
- This acquisition of information can be made virtually unavoidable by the system.
- Organized schedule of next contact, activities and objectives per account giving more accurate forecasting.
- More accurate and timely measurement of employee performance.
- Most direct marketing approaches are made simpler and easier.

The ability to react more quickly and accurately than your competitors is becoming critical. Whether it is being the first to send literature and a salesperson informed on the customer's needs after a trade show or the first to discern changing trends in your markets, quick reaction based upon good information is essential. Database marketing provides the canny marketer a significant competitive edge in the marketplace.

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