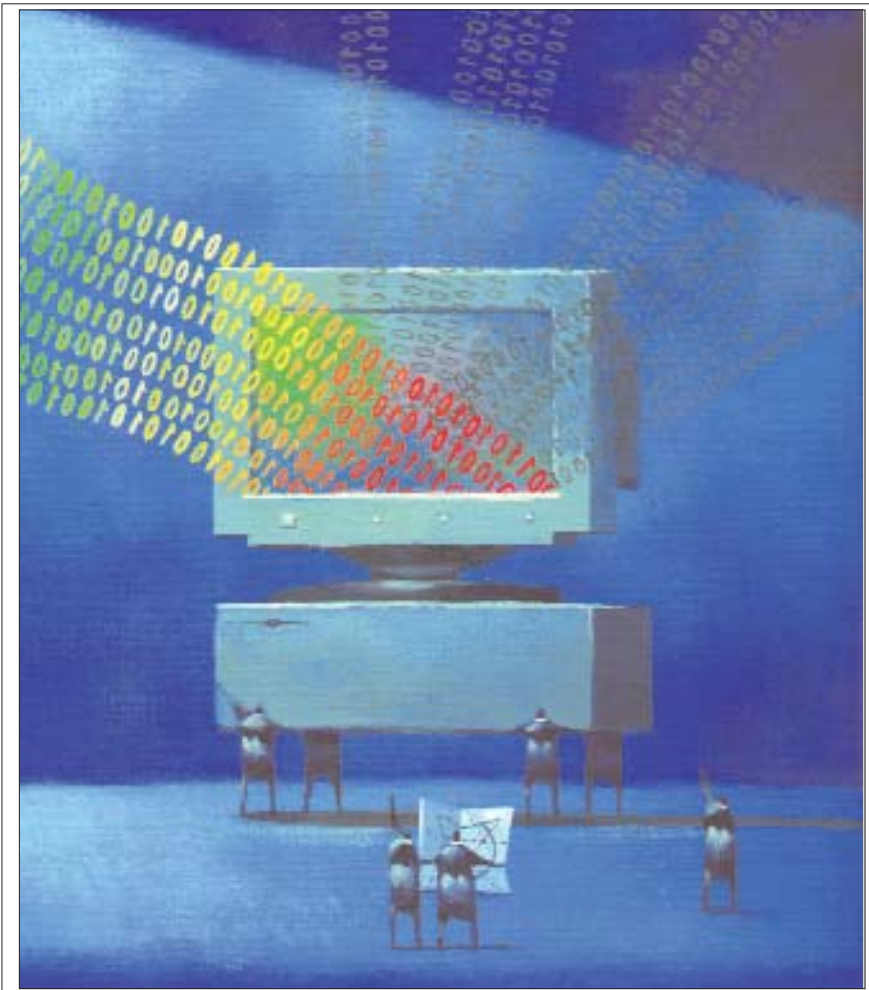


marketing Direct

Guide to data and permission marketing

Sponsored supplement



Contents

Importance of data: 2	Permission marketing: 3
Cost of permission: 4-5	Making opt-in work: 6-7
ER and beyond: 8-9	Data quality: 10-11
Suppression: 12	Data buying: 13
Online data-gathering: 14	Mobile marketing: 15



Perspective

“ Let’s talk about data. Most marketers’ eyes glaze over at this point, but I don’t understand why. I’m not techie – just a marketing man pure and simple. So why are so many of my colleagues put off by data?

This attitude is at best anachronistic, at worst potentially damaging. In these days of one-to-one marketing, if you’re not in control of your data, you’re not in control of your marketing. Mindsets are often focused on the ‘sexy issues’, including acquisition, prospecting and creativity, while the thinking about media selection and data usage is frequently outsourced. This means marketers don’t have a full understanding of data and its use within their organisation.

They should make it a priority to acquire this knowledge because failing to understand the end-to-end process can result in missed opportunities, misinterpretation, poor return on investment (ROI) and poor response to campaigns.

As a result of this lack of knowledge, I see a state of anarchy approaching the marketing industry. Many companies do not comply with the Data Protection Act or any other best practice, which could bring businesses to a standstill as these codes enter law. More European legislation could drive us to an opt-in system of one-to-one marketing, which would mean no more direct marketing without permission. If we haven’t collected data on a permission basis and kept it up to scratch, then we could be in trouble.

By using relevant, clean, good quality data, communications become more relevant, timely and effective, leading to an increase in marketing ROI. Brands may be enhanced, more sales made, and wastage reduced through improved targeting. And all of these benefits are readily available to those who are prepared to take the time to understand their data. ”

Richard Roche, director of data development, Royal Mail

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DPA brings home the importance of data

Data issues have been forced into the spotlight with the passing of UK and European laws on data privacy. Marketers have to tackle these issues sooner rather than later

Data is information and, so the saying goes, information is power. But are today’s marketers really the most powerful people in the country, exploiting the public to their commercial gain?

According to some in the Government and at civil liberties organisations, marketers have been exploiting their privileged positions for too long. Last October the requirements of the 1998 Data Protection Act (DPA) came fully into force (see box, below). While not originally aimed at marketers, it has had massive implications, creating a bandwagon for more legislation that threatens to choke an industry that believes in self regulation.

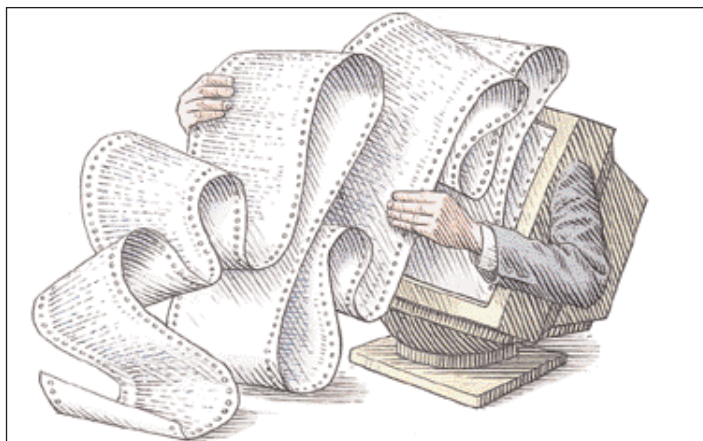
DPA provisions

The provisions of the DPA call for ‘clean’ data (although there is no definition of how often it must be cleaned), and that any marketing information is sent with the consumer’s consent. This implies permission, although it is not as didactic as this, with the interpretation being that anything not opted-out of constitutes opted-in.

Both permission and data quality are now among the most serious issues affecting marketers. In the first dedicated supplement of its kind, these next few pages advance the implications of this sea change in marketing communications. Permission marketing (pages 6-7), the implications of losing full access to the Electoral Roll (ER) (pages 8 and 9), and online data capture (page 14) are just some of the areas covered.

We gauge industry opinion to permission-based marketing. Will legislation be enforced before the industry has time to get its house in order? And what will all this mean for data quality? Will marketers finally clean up their act and keep accurate and clean data?

Already both permission and data quality have gained extra currency as more laws are nipping at marketers’ heels. While the



Direct Marketing Association firmly believes in a system of opting out of marketing communications, in July the European Parliament finally passed its Electronic Communications and Data Privacy Bill. Requiring that all EU-wide emails and text messaging are opt-in, permission is enforced in this channel, with marketers having until just October 2003 to set their houses in order.

But what of its caveat that opt-in is not required for existing customers? How does one define an ‘existing relationship’? Will the ruling for email only quicken the pace for putting opt-in regulations for direct mail?

As several public lists are already incorporating an opt-out option – the ER and Directors at Home lists being the most notable

– not only is the permission model making prospecting activity more difficult, but data quality is under threat as well. The full ER – the mainstay of the industry for validating address details – will not be available for list cleaning purposes, making it hard to comply with the requirements of the DPA.

Meanwhile, the new media marketing fraternity is already having to get to grips with the EU ruling (see page 14).

As the Government struggles to decide whether human rights are being breached by unsolicited direct marketing, far from being the less sexy side of marketing, data has never been more crucial.

We start this supplement by looking at permission – a small word but one which has big implications.

DPA in a minute

- Only necessary data should be held
- Individuals should know about the data held on them
- Data should be accurate
- Data should be shown to third parties only with the individual’s permission or with justification
- Data must be available for the individual’s inspection
- The individual may request amendment or destruction of the data
- The reasons for holding the data should be explained to the individual

EU rules in a minute

- Opt-in for all unsolicited emails across the European Union
- Where an email address has been acquired in a sales context, a company may send marketing emails for its own products without the prior consent of the recipient
- The use of cookies is opt-out but only after ‘clear and comprehensive’ information is provided on the ‘benefits and limitations’ of the technology

Permission is now reality

Permission marketing would seem ideally suited to the DM industry, ensuring that messages go straight to people who want them. But the idea has been met with confusion and concern that marketing activities will be restricted

The industry didn't ask for it, but 'permission' is here and it's here to stay. Seth Godin, whose seminal *Permission Marketing* book on the subject was published two years ago, is partly responsible.

But it's the former Information Commissioner Elizabeth France who has made this approach a commercial reality by pushing through the inclusion of an opt-out box on this year's Electoral Roll canvase (see feature, page 8).

France doesn't understand why this is an issue for today's marketers. "Direct marketers are constantly saying that they only want to send DM to people who really want it," she says. "Target, target, target is their mantra, so there should be no problem."

Recent legislation also demands that companies adopt a more permission-based approach to marketing. Earlier this year the European Parliament voted for an EU-wide soft opt-in on unsolicited emails which has subsequently been approved by the Council of Ministers. It means that where there is no existing relationship,

consumers must give prior consent to receive unsolicited emails. But the terminology itself is confusing with the term 'existing relationship' open to different interpretations (see box, below).

In fact, the concept of permission marketing generated a mixed response. One the one hand it has been welcomed. After all, permission marketing places the individual's needs and requests at the heart of a relationship – a central plank of good direct marketing.

The industry has always suffered from the perception of being unwelcome and intrusive. By allowing consumers to dictate a company's communications strategy, permission marketing is not only a logical extension of relationship marketing but is also a mark of the credibility of the industry.

On the other hand, there are plenty who feel that a purely permission-based direct marketing model will not work. Jon Ingall, managing director of agency Archibald Ingall Stretton, goes as far as to call it "commercial suicide", picking up on a common

argument about the changing nature of an individual's needs.

"What didn't interest them yesterday may be top of their priority list tomorrow. Consumers are fickle – they change their mind and it's their right to do so," he says. "Most people, for example, would tell you they don't want to receive direct mail if asked. These are the

same people, presumably, who make up the 80 per cent who have bought something through direct mail at some point."

Of course, if the consumer feels very strongly about receiving direct mail, there is always the option of registering with the Mailing Preference Service. The majority of mailers run their data

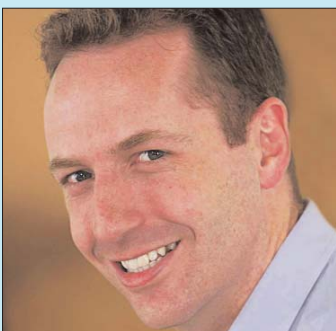
against this file, effectively ensuring that the doormats of the anti-mail lobby are not contaminated with direct mail. This represents a relatively small percentage of the population, which any marketer who doesn't want to alienate potential customers should avoid at all costs.

But it's the grey area – where people have neither given nor withheld permission – which is a core audience for brand owners to reach. Direct marketers are rightly concerned that restricting their marketing universe to those individuals who have explicitly given permission would be a severely limiting thing to do.

Whether the tide is inevitably turning to this approach remains to be seen. Many believe it is only a question of time before direct mail becomes subject to opt-in regulations. In the mean time, companies should go the extra mile to prove that targeted, timely, impactful activity might actually be welcomed by consumers rather than shunned.

"Direct marketers are constantly saying that they only want to send DM to people who really want it. Target, target, target is their mantra, so there should be no problem"

What do you understand by permission?



"Permission marketing implies that an interested party has contacted or been contacted by a company and that person has agreed to receiving information from them. It's increasingly being applied to the B2B sector, but I believe it shouldn't be such a big issue here. As business people we are, by definition, available to be contacted about business-related issues at work."
Mike Gray, managing director, Conduit



"Permission is one of those 'fine in theory, difficult in practice' ideas. We've worked on the database for the British Heart Foundation for the past ten years. We hold 100,000 donor names, but on the acquisition side, operating in a permission environment is almost impossible. I receive emails where I don't know how I've been contacted, but I can at least choose to opt-out."
Jonathan Maiden, managing director, DMS

What is an existing relationship?



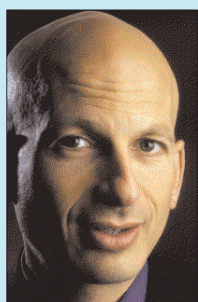
"There is no easy definition. What one may think of as a relationship, the consumer – or another firm – might see as a passing contact. We class people in terms of who buys our product or people that have signed up for more information. We try to get assurances from other list owners that their criteria is the same."
Helen Chester, internet marketing manager, Kodak Digital and applied imaging, EAMER



"My view is that there has to have been some trade taking place. If I was communicated to in a prospecting way this would not be so. This is ambiguous though. I think the prospecting model should give the person the opportunity to opt out. We will have to work within the guidelines and deploy opt-in lists, but realistically it won't stop the cowboys."
Philip Singh, head of ecommerce, Experian Marketing Services

Do permission

Perspective



Seth Godin has been described as the king of permission marketing, and is author of the best selling book Permission Marketing. He gave us his exclusive

Seth Godin

He gave us his exclusive thoughts on the debate:

Q: Why do marketers fear permission marketing for mail?

A: Direct marketers have two issues: they're used to the established way of doing things and permission changes everything. It's also a lot more work.

Q: Will opt-in put pressure on all direct mail being subject to permission?

A: It's a no-brainer and the marketers will be glad for it later. Opt-out is nothing but spam and it burns relationships, which is the only asset a direct marketer has.

Q: If the industry doesn't self-regulate in favour of permission, will it only be a matter of time before it is 'forced' to adopt this through more legislation?

A: You bet.

Q: Are the legal arguments for permission founded on reality? Do people really feel aggrieved by mail they haven't asked for?

A: Shoplifting is a crime, yet every theft is tiny compared to the annual gross of Marks & Spencer. So why try to stop small thefts? Because if everyone does it, the whole store is bankrupt. The same thing is true here.

Q: Does permission stack up? If someone didn't ask for mail or email, but it's been so well targeted that they actually find it useful, then is whether it was asked for or not irrelevant?

A: The fallacy of the serendipitous result of spam is based on the law of large numbers. So what if we annoy 1,000 people – one person was glad we came along.

A common argument cited against the introduction of the permission model is that the cost of generating a viable list of names from it is prohibitive. But many in the industry are keen to refute this – and they have the statistics to back it up

Mixed feelings about permission-based marketing has not dampened the spirits of several players in the industry, all of whom are convinced that this is the last chance for the direct marketing industry to shed its image as a sender of spam and unwanted mail.

Cost versus performance

One of the corners they are fighting is the perception that good data – data that in theory yields higher response – is more expensive data (see box, right). Because of the scarcity of opt-in names, it is presumed that those that do exist are pricier.

Cost is relative though. If the performance of opt-in names is so much better, aren't they worth paying for?

The most well-known opt-in list is the Postal Preference Service (PPS), which, according to Keith McNeilly, CRM director at the PPS, now comprises 2.3 million names with a million more expected to be added by December.

Consumers complete the PPS survey by ticking a 'yes', 'no' or 'don't mind' box to receiving mail in certain areas. The 'no' file be-

"It's a myth that this data costs more. The PPS suppression file is a relatively cheap one in terms of royalty – just 10p a name compared with the National Suppression File at 27p"



comes an opt-out suppression file marketed by The REAd Group, while the 'yes' responses generate a permission-based list available from the PPS. The company claims this list can generate an uplift in response from anywhere between 20-400 per cent.

Its detractors argue that not enough yes responses are filled in to enable PPS data to facilitate high volume, cost effective mailings – making it more of an opt-out suppression file rather than a permission list.

In addition PPS numbers are bolstered through assumed rather than clear, overt permission. The 'don't mind' category, says McNeilly, constitutes "more of a yes than a no" to be marketed to.

But the true story of PPS data is that its cost is comparable with that of other lists and clients are

using the data – despite limited names – with great success. Claire Babraff, senior account manager at creative relationship marketing agency, Chemistry, works with the database for the feminine hygiene brand, Bodyform.

"Bodyform had its own database of about 180,000 records," she says, "however we wanted to supplement this by acquiring new records from relevant cold lists. Last year we did a test using PPS data, mailing all those that had expressed an interest in the feminine hygiene category. We were delighted when we got a 13 per cent response, and we will consider using PPS data for future use."

The cost of the suppression element of PPS data compares favourably with other files on the market, according to Gary Bettle, managing director of data bureau

costs add up?

“What’s never talked about are the cost benefits email offers. With traditional DM, you need a minimum of 20,000 names. With email you can test 500 and see a higher response”

Data Direct. “It’s a myth that this data costs more,” he says. “The PPS suppression file is a relatively cheap one in terms of royalty – just 10p a name, which compares with the National Suppression File at 27p a record.”

Email opt-in data is also vying for respectability from a performance and cost effectiveness point of view. Martin Kiernowski is chief operating officer of IPT, a provider of online data capture through two main products.

The first is MyOffers, where consumers complete brand-sponsored questionnaires online, offering opt-in information in return for entry into prize draws. The second is OK-mail, which provides emails to opted-in consumers on behalf of companies.

Testing the waters

Together both hold one million names and addresses, with 400,000 email addresses on top of that. More than 500 categories of interests have been opted-in to.

“Companies are just dipping their toes into the water using these lists,” concedes Kiernowski. “It’s because of bad press about spam. In many ways I still think the argument is more whether to do email marketing or not, rather than opt-in or opt-out, as most lists are opt-in to some degree or another. The industry is waiting for the proof that it’s a real contender.

“What’s never talked about, though, are the real cost benefits this medium offers,” he adds. “Remember, with traditional DM you need a minimum of 20,000 names. With email you can do statistically valid tests with 500 and see higher response.”

Royal Mail research

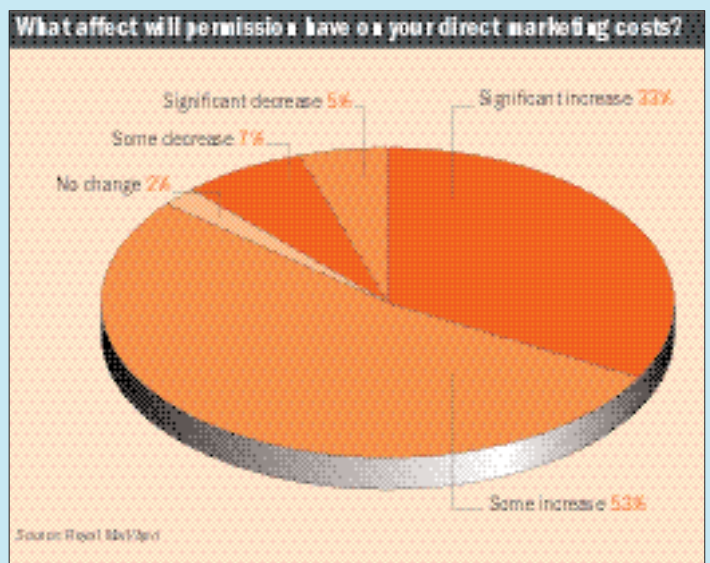
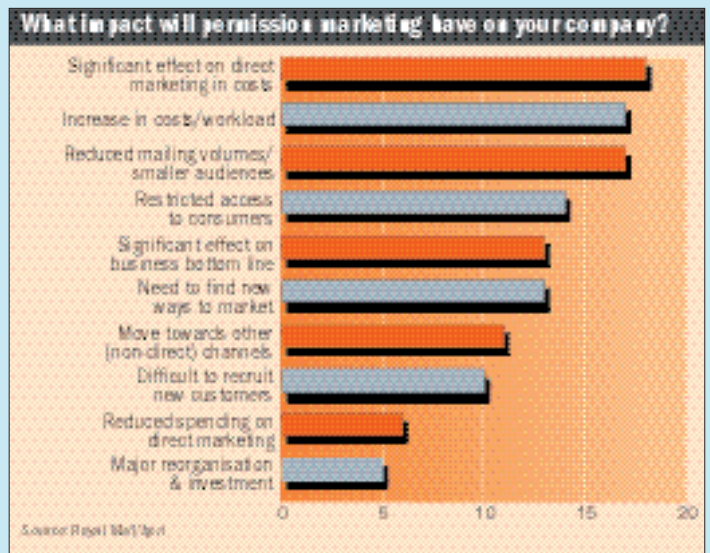
Fear about the cost of permission is one of the key concerns that marketers have about changes to the Data Protection Act (DPA), the Electoral Roll and the introduction of EU law, according to exclusive research by Royal Mail and The BPRI Group.

According to the study, which spoke to the UK’s top 2,000 advertisers (whose combined direct mail spend is a minimum of £49 million), 61 per cent said they would move away from personalised forms of DM because of these fears, with a third of one group of respondents saying that permission would mean a serious increase in their costs.

Alex Walsh, head of legislative development at Royal Mail Media Markets, says the research was conducted to test how well the industry was prepared for current permission legislation and a future opt-in world. He believes the results confirm that most in the industry are extremely worried. “The finance sector was saying that if it couldn’t cross-sell, which the EU legislation already makes it ambiguous to do, it would affect its whole economies for doing DM,” Walsh explains.

According to the research, 37 per cent thought changes to the DPA were ‘quite negative’, with a further 14 per cent saying they were ‘very negative’. Only 17 per cent spontaneously mentioned permission/opt-in marketing as an issue, but after they were given a definition of what permission marketing actually means, 52 per cent said the debate was more serious than they had thought. This compares to only 45 per cent who said the threat was about the same.

“As expected, marketers who had the highest budgets thought a permission environment would have a larger negative impact than those with smaller budgets,” says Walsh. “What was interesting, however, was that many said it would force them to reduce mail volumes [27 per cent] but not budget, indicating that they think cost is a major factor.”



Of those who said they would be forced to change the level of DM they do as a result of permission, 64 per cent said they would first re-allocate funds to press response advertising, with 36 per cent adding that telemarketing would also increase. Significantly, only six per cent of all respondents said permission-based marketing would reduce the ‘junk mail’ perception.

“These are real concerns about the degree of opt-in,” says Walsh. “In the next few years data won’t be as

liberally available as it is now. It will force marketers to come up with more innovative ways of talking to consumers. The real challenge for marketers is working out what you have to offer people to opt-in.”

He adds: “Harmonisation, with the same rules for doing DM applying throughout Europe, will happen. Our arguments may well delay the process, but they will only do that – delay them. But a well prepared industry shouldn’t have anything to fear.”

Survey

How to make

It seems that marketers will have to get to grips with opt-in sooner rather than later. We asked three people from different parts of the industry whether the model will actually work

We've heard about the regulations – current and impending. We've heard from the opt-in providers and the doubters of the permission model. We've heard from those who think it is absurd and those who think it is the only sensible way ahead.

One thing is for sure – this is a topic which stirs up strong views on both the client and agency side (see boxes, below).

But what about the all-important recipient – the consumer who everyone in the industry has a view on but whose voice is rarely heard? Over the page we hear from Eileen de Bruin, a housewife who scans and then throws away 90 per cent of her mail and is a firm advocate of permission-based marketing. But she adds an important proviso – that the company she gives her permission to sticks to the promises made.

Open and transparent dealings with the consumer are at the heart of permission-based marketing. And when a company really does comply with a consumer's requests it's "a win-win situation" says Royal Mail director of data development Richard Roche. "I'm not saying that this will be

easy, but if we can go down a permission route, 75 per cent of mailings could be relevant. This would be in marked contrast to the number that are relevant today."

It won't of course be easy to maintain a permission-based database once it has been established. For one thing, customers' needs and wants change over time, which means a programme of regular updating is essential. While information on a skiing holiday or a loan may be front of mind one month, as soon as that holiday is bought or the loan secured those preferences need to be 'de-activated'.

Keeping up to date with an individual's changing preferences is one of the real challenges the industry faces if this approach is to

become a reality. As marketing director of E4 Rufus Radcliffe points out, allowing recipients (or viewers in his case) to opt-out of a service at any point, is as important as securing the initial opt-in.

He also underlines the difference between consciously opting-in to a stated service or offer and the unconscious ticking (or failing to tick if it's opt-out) of a box which will see your details being passed onto third parties. E4 is clear about which route it takes.

It is just one of a number of companies adopting a 'whiter than white' approach to its contact with customers. While others have yet to fully commit, permission should at least be on the agenda before more legislation forces the industry's hand.

The agency view



Huw Davis

Permission can work if you get the balance right. The key to success with opt-in marketing is ensuring that the offer of future communications is clear and appropriate to the audience being addressed.

Often the opt-in wording is too vague or broad to really be of value. If a customer does not understand what they are opting in for, or what they will receive as a result of opting in, they are not making an informed choice and are not necessarily interested in the specific product or service.

Conversely, if the opt-in wording is too specific, people may immediately think that what is on offer is not for them and exclude themselves, although in reality there may be something in the bigger picture that would be of interest to them.

In an ideal world, you would have a range of message types appropriate to the company, product or service being offered.

The other key factor is maintenance and ensuring that opt-in data is properly managed and reviewed. This can be particularly important if company circumstances change.

For example, a company may offer a particular service and certain customers may decide not to opt-in to receive further details about it. However, the company may then diversify into a new area, offering a different service, which may be of interest to those customers. In this case, the time will be right to contact the customers again.

Huw Davis, managing director, EHS Brann Discovery

The client view



Rufus Radcliffe

For a brand to communicate with a consumer, it is essential that the brand not only has the 'permission' of the consumer, but where possible, the consumer has 'requested' the information/service from the brand.

We operate with text messaging campaigns through our interactive agency Flytxt. We offer viewers a text reminder service of when our key programmes transmit on E4. They subscribe to the service via on-air promotions, which appear at prime time viewing slots, for example after Dawson's Creek, ER and Friends.

These promotions explain what the service involves, initially alerts on extra special editions of *ER* and *Friends* which were sent out on a weekly to bi-weekly basis.

E4 would not be able to market itself via SMS without the permission of its viewers. Quite simply, we wouldn't be able to get hold of their mobile numbers any other way because we do not buy numbers from other sources.

We have always believed that it is just as important to allow viewers to opt-out from our service at any point as it is to get their initial opt-in. E4 believes there is a huge difference between consumers opting-in to information from a specific brand, and consumers agreeing to their details being passed on third parties.

The first involves deliberate and conscious opt-in to receive information relevant to his/her interests. The latter involves unconscious ticking or unticking of boxes to receive information that may or may not be relevant. I'll leave it to you to discuss which is more effective.

Rufus Radcliffe, marketing director, E4

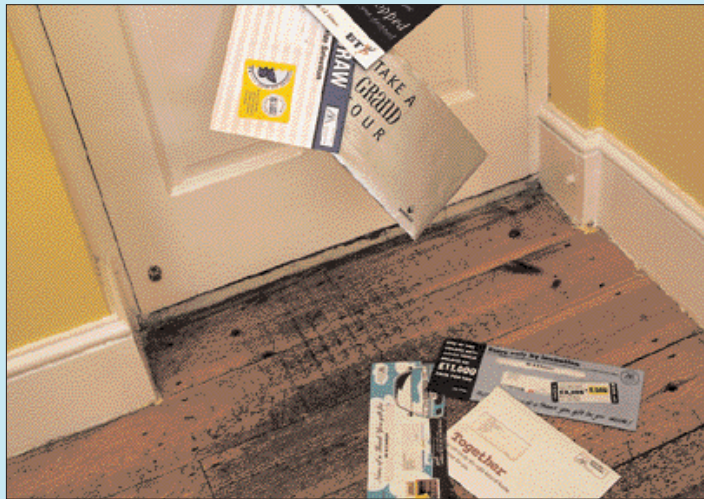
opt-in work

The consumer view

About 90 per cent of my morning mail is separated out into 'junk' to be briefly scanned and then put out with the rubbish within one hour of its arrival (I'm not kidding). Otherwise the piles build up over the week to uncontrollable levels.

All unsolicited mail, often including cheap pens or other such inducements, like a ten pence and a two pence coin to support a charity's bid for attention, goes straight into the bin. This is not because I am a hardened, uncaring individual. This is because I refuse to be coerced by such marketing psychology.

Allow me to mention a recent debacle I had with Bose, the hi-fi products manufacturer. It all started when I was sufficiently impressed by an advert in the national press to call its telephone number. The ad promised swift responses. I gave the requisite details and awaited information about a 30-day trial period. It never arrived.



Doormat challenge: nearly all unsolicited mail will end up in the bin

Some considerable time later a Bose package arrived addressed, not to me, but to the previous occupant of the household. He had left the property in November 1999. Clearly the information on Bose's database

had never been updated, despite my intervening telephone call handing them my details on a plate. It was obvious that my details and interest in its own advertising campaign had not been passed on.

I wrote back pointing out that its systems were clearly not 'joined up'. I also made it clear that the company had not only failed in its relationship management by telephone, but that it had lost a sale. I never heard anything again. It seems there is no clear-thinking individual within the organisation; if that is so, then Bose should take a long, hard look at itself.

My own experience of marketing is that it is full of acronyms and people who have been brainwashed into thinking that hard-hitting mail campaigns are enough 'in themselves'. I support permission-based marketing, but only so long as it is correctly carried out and keeps the promises that the consumer expects it to have made with them.

The 'correctly carried' and 'promises being kept' part are common sense, aren't they? You don't need a marketing psychologist to tell you that.

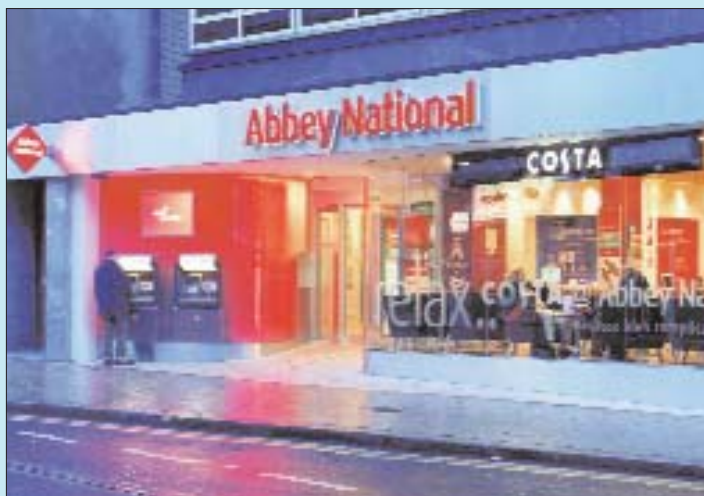
Eileen de Bruin, housewife

Case study: Abbey National

Ever since Abbey National launched its retail insurance policy in 1997, direct mail has played a significant part in an integrated marketing strategy to develop its products in a competitive sector.

The service provides home or motor insurance direct over the phone or through the internet. Yet in recent years, Abbey National was finding that the cost effectiveness of traditional lifestyle lists was gradually deteriorating, with response levels consistently falling below the company's target levels.

In 2001, John Hawkins, marketing manager of the retain insurance division at Abbey National, decided that he needed to try a different approach. Keen to sell competitive policies to consumers who had other insurance renewals approaching, Hawkins was interested in two questions included in the Postal



Abbey National: permission-based data led to increased response rates

Preference Service questionnaire: 'Would you like information that can save you money on car insurance?', and 'When do you renew your motor

insurance?'

If there was a yes answer to the first question and a date was provided for the second, then all these

consumers were mailed at the appropriate time before their insurance ran out.

Because these two questions were deemed targeted enough, other criteria for targeting did not need to come into play, cutting out the need for any additional profiling.

According to Hawkins, the response to the mailings, which targeted people between 25 and 75 years of age, was unprecedented. "We have used Postal Preference Service data since July 2001," he says, "and response rates are up by 25 per cent. This is compared to data bought from other leading lifestyle lists."

He adds: "PPS data, unlike other sources which rather mechanically supply data, has been one of the best providers of data we have used to date. We will certainly plan to use its data again in the future."

Life after the

This autumn marks the end of unrestricted access to the full Electoral Roll and with it a reliable source of cheap data. But marketers may find that other sources lead to better targeted and more successful mailings

for sale to marketers in the high-octane Thatcher era of 1980s. But the data nirvana that resulted is about to end with the creation this autumn of two ERs. One is the so-called 'full' ER of voters that will only be made available for voting, jury selection, political purposes, credit referencing and fraud prevention.

The second version of the ER is 'edited' in that it will contain the details of only those adults who, having been informed that their details can be sold to anyone "for any purpose", have opted to remain on file. This is the file that direct marketers will now have to make do.

TV advertising may be sexier, email might be considerably cheaper, but still the marketer's ardour for direct mail as a medium shows no signs of abating. Expenditure on direct mail increased by 10 per cent last year, according to figures from the Advertising Association. At the same time, spend on display press ads fell by 28 per cent.

If mail is the vehicle to communicate with customers, then data is the fuel. And for years UK direct marketers have been in the rather fortunate position of having access to the biggest source of fuel of them all – the Electoral Roll (ER) of all adults registered to vote in the UK.

The ER was first made available

Filling the gap

Although the level of opt-out is hard to predict – estimates range between 30 and 70 per cent – the void left by the removal of the full ER will be sorely felt. For marketers with a message to deliver by mail, the big attraction of the ER was its universality.

Canvassed each autumn, the ER contains the names and addresses of all 45 million people registered to vote in the UK. To companies prospecting for new customers, the ER facilitated the mass-market approach espoused by credit card players such as MBNA, Capital One and Morgan Stanley Dean Witter.

Those with a desire to target



more discerningly could make more refined selections from the ER that matched a profile of their existing customers. Typifying this approach are service companies that need to source data to replenish customer churn.

"We're continually looking to recruit new members and well-targeted extracts from the ER have been a consistently good source for us," explains Chris Wright, head of customer development at BUPA, the private healthcare giant.

The accuracy and comprehensiveness of the ER had another use, albeit one that is secondary to prospecting (see case study, left). It provided companies with a unique data set against which they could verify and clean their lists and databases, remove gone-aways and correct any errors in name and address details that often creep in at the point of collection.

To some, though, access to the full mailing universe in the UK has had the huge downside of encouraging the 'carpet bombing'

of homes. It is a practice that has resulted in the entire direct mail industry being saddled with the epithet 'junk'.

"The ER was sometimes used as a crutch to defend poor data management," admits Richard Roche, director of data development at Royal Mail. "Many believe that the availability of the ER led to complacency within our industry, with only lip service being paid to address management issues."

The cost of using ER data has something to do with its popularity and, some say, misuse. "The ER has been seductive because its cost per 1,000 names is so much lower than other data," says Gerry Scott, managing director of data broker and manager HLB. "It has become a habit and like any habit it's hard to break."

But Roche believes that the forthcoming demise of the full ER will have a silver lining. "It will force clients to think a lot harder about the quality of the data they use and to investigate alternative models," he says.

Case study: Britannia Music

Britannia Music needs to recruit around 750,000 customers a year and does so through direct mail, telesales and press ads. With mailing volumes of around 40 million packs a year, the impact of an edited Electoral Roll (ER) was always going to hit hard.

"Many of our business plans are built around the availability of the ER," says Tony Kane, former managing director of Britannia Music and now a Britannia consultant. "If there's any movement in any one of the routes, we still have to recruit 750,000 customers to cover churn."

As well as prospecting, the company uses the ER in other ways. For instance, Britannia sells certified films for over-18s.

"One strength of the ER was in validation of names for direct mail campaigns," says Kane. "We would never knowingly mail contractual information or sell PG films to those under 18 years of age."

To replace the ER, Britannia is looking at products like Experian's National Canvasser. "It will act as a clean replacement to the ER, and in an enhanced manner," says Kane.

Electoral Roll



Collected through surveys dropped regularly into millions of households, lifestyle data comes the closest to the ER in terms of coverage, but with one crucial difference: it delivers a more qualified and relevant set of prospects. While the ER had only a handful of variables for mailers to select from, purchasers of lifestyle data have up to 300 variables, such as car insurance renewal dates, from which to choose.

Some suppliers are yet to name their joint-venture partners, but we know that most of the new products (see box, below) are using the non-opted-out ER as their base, with lifestyle data and other publicly-available files added into the pot.

“The challenge for companies like us is to improve basic data with greater recency and more variables,” explains Oliver Davies, commercial director of Claritas. “Data with a recency of less than 12 months related to a person at a specific address, which also has core lifestyle variables attached, is invaluable to a direct marketer”.

The ER was almost 16 months out of date by the time it hit direct marketers, and volume data suppliers such as Experian are aiming to improve on this. The company’s

The key aspects underlining data quality are recency, accuracy and relevance, and the alternative models being launched by the industry’s large data suppliers, in particular by the lifestyle data companies, are aiming to provide all three.

Electoral Roll alternatives

Supplier: Experian

New product: National Canvasse

What’s in it: The non opted-out Electoral Roll (ER), Experian’s Canvasse lifestyle survey data, plus data from two unnamed organisations

Supplier: Claritas

New product: About to be launched (as this supplement went to press)

What’s in it: The non opted-out ER, Claritas lifestyle survey data, including BehaviourBank, Lifestyle Selector and Claritas Interactive data collected via the internet

Supplier: CACI

New product: About to be launched (as this supplement went to press)

What’s in it: The non opted-out ER, lifestyle data from a joint venture partner, data from shareholders’ registers and an additional high volume data source

Supplier: EuroDirect

Revamped product: Data Exchange

What’s in it: The non opted-out ER, data from the original Data Exchange (a data pool of 22 million people), EuroDirect’s UK Lifestyle data and the Investors Database for Footsie 350

Supplier: Acxiom

Product: Infobase UK Marketing File

What’s in it: Fifteen data sources, including data from Claritas and EuroDirect (see above)



‘The ER has been seductive because its cost per 1,000 names is so much lower than other data. It has become a habit and like most habits it’s hard to break’

Gerry Scott, HLB

ER alternative, National Canvasse, will contain lifestyle data collected every quarter.

In using the non-opted-out ER, a key task for suppliers will be to identify those people who have moved since that register was collected. “We know that five million people move home each year and our major objective is to fill that gap,” says Caroline Kimber, vice president of direct marketing and CRM at CACI.

CACI is set to join forces with a competitor and as this supplement went to press was negotiating with other file owners to obtain access to their data. “Each of these files has a date stamp and we’ll use the more recent ones to flag individuals on the old ER who have moved since the 2001 ER was collected,” explains Kimber.

The new products aim to get as close to the ER’s universality as possible to satisfy mass-market mailers such as financial services and utilities.

For clients with a more niche, upmarket offering, the fear is that the proportion of people who opt-out will be heavily skewed in favour of their target market.

“If the opt-out is over-representative of our target audience, then the impact on that route to market will be severe,” points out BUPA’s Wright.

In answer to that conundrum, the data suppliers point to their niche product offerings. With the contingency of an upmarket opt-out in mind, EuroDirect has data-captured the shareholders’ registers from Companies House and released them as a file called The Investors Database for Footsie 350.

Rising prices

Whatever the effectiveness of the new data products, one certainty is that data post full ER will become more expensive. “If we have to supplement data with other files, then of course this will be at a cost,” says CACI’s Kimber.

And are clients, accustomed to the relatively low price of ER data, now willing to pay the premium? Not according to Carlos Garcia, media manager at publisher Which? Ltd.

“We don’t want to pay a premium for data that is a substitute for ER data as this data worked, partly because of the low cost,” he says. Wright adds: “Like most clients our approach is to look at both the cost and benefits of the data.”

Both BUPA and Which? Ltd say they will keep an open mind on ER replacements and will test samples on a small scale before making a decision. Clearly, the pressure on the new data products to perform will be intense.

After this autumn, that decision-making will begin in earnest. Practical issues aside, there are some who are looking forward to life after the ER.

“I’m not worried about a market without the full Electoral Roll,” says Oliver Davies of Claritas. “We’re finding that consumers are actually more willing to trade their data for better offers that are more targeted.”

Quality data, it seems, will survive the Electoral Roll.

Quality counts

It seems many companies are still giving data quality a low priority, with data cleaning services seen as a costly luxury. But using out-of-date and inaccurate information will be more financially damaging in the long run

When SDM won the contract to build a prospect database for the Telegraph Group, the database consultancy was prepared to educate its client about data quality. As it turned out, the lecture wasn't required.

"Through its experience of years of mailing, the Telegraph Group had already homed in on the data quality issue," says Phillipa Riddleston, operations director at SDM. "We didn't have to sell it the idea of data quality."



'We've experienced clients who, after we've run gone-away suppression against their databases, have said they can't justify the cost because we found too many'

Jon Cano-Lopez, Altwood Systems

Since then SDM has used the whole range of industry-standard tools to clean the Telegraph Group database, including the Postal Address File (PAF), the National Change of Address (NCOA) file and the Mailing Preference Service (MPS).

The result is greater targeting in Telegraph Group mailings to the point where mailing volumes have reduced in size and subscriptions have risen at the same time.

So far, so good for the cause of data quality. The bad news is that if the statistics are to be believed, the Telegraph Group is the exception rather than the rule. According to a Consumer Trends survey by the Direct Mail Information Service (DMIS) in 2001, more than 10 per cent of consumers said companies mailing them were getting their name and address details correct less often.

Data decay

In the business-to-business world, data degrades even more quickly than its consumer counterpart as people move jobs more often than they move homes. According to Conduit's Data Decay 2001 survey, 28 per cent of business data decays year-on-year. If left uncorrected, the company estimates this would represent £180 million a year in wasted mail.

It all points to data quality's low status in the glamorous world of client marketing, where being a champion of accurate data is more likely to win you the nickname 'anorak' than get you promoted.

So why the complacency about data quality? "On any campaign your budget is broken down into the cost of creative, production, postage and data," explains Lee Waite, sales director at Conduit. "A lot of clients focus the bulk on creative, having put aside the postage budget. The final add-on part is to sort the data."

Data bureaux, such as Altwood Systems, have found that the suppression element of cleaning is seen by clients as costly because it incurs a royalty for each name

Top tips for a clean database

- The first step is to set yourself clear objectives – what do you want the data for, how is it to be used and what response are you seeking from your customers?
- Developing a new database or updating an old one requires ensuring at the point of data collection that information gathered is relevant, accurate and timely. Get it right first time and it stays right.
- Think hygiene. Around ten per cent of a database will become outdated annually, so customer data must be regularly reviewed and updated either through direct communication or through the various address and suppression files.
- Make your use of data SMART – Strategic, Measurable, Actionable, Reliable and Targeted.
- Relevance is also vital to a clean database because campaigns can only be tailored to customer needs if the database contains recent and relevant information. There are two key forms of relevance – relevance of customer information to your business and relevance of your offerings to customers.
- Keep it simple – don't clutter your database with unnecessary information. Also, don't mistake gathering customer data for prying (a common perception among consumers). Standardise procedures and platforms where possible.
- Evaluate your data at each stage of the process. Establish where errors may be occurring and plug the gaps. Miscommunication through poor quality data wastes investment, damages brands and turns off customers.
- Keep up to date with the law. Changes in UK and European legislation could shortly result in an opt-in system of marketing that could radically change how marketers may obtain, store and use customer data. Opt-in legislation, although certain to produce some shock waves at its introduction, will result in new, significantly higher benchmarks in response levels and ROI for direct marketing activity, but only if data owners and users are aware of these developments and have prepared for the changes they might bring.

Source: Royal Mail Media Markets

suppressed. And as suppression is often the last stage in the data preparation process, it can be the most obvious cost to axe.

Jon Cano-Lopez, managing director of Altwood Systems, says: "We've experienced clients who, after we've run gone-away suppression against their databases, have said they can't justify the cost because we've found too many. They ask us to reinstate them."

Small wonder, then, that it costs Royal Mail more than £60 million to redirect gone-aways – which is more than the cost of the original postal collection.

According to Richard Roche, head of data development at Royal Mail Media Markets, the rise of CRM has led clients to believe that because they're in regular contact with customers and often capturing their data, it's

therefore accurate and up to date.

"But it's at the point of data capture where 99 per cent of the errors occur and once in, they're hard to correct," he points out.

Even among those clients who have grasped the quality nettle, the degree of data literacy is not high. "We conducted research early last year and it revealed an inconsistency among marketers about what data quality is," says Antony Allen, sales and marketing director of GB Group. "People think that verifying against PAF means you have quality data. We have to inform clients that it's a far longer journey than that."

Experts say this lack of awareness of cleaning systems, and the implications of not using them, means that data quality is not high on most clients' agendas.

The irony is that there have

for databases

never been more data cleaning tools available on the market. Best known among these are PAF and a raft of suppression files led by the MPS (see box, page 12). There is also a range of highly sophisticated address management software tools, such as those produced by QAS and EuroDirect, that use these underlying data sets to correct data at the point of capture.

New legislation

For clients, it may be easy to caricature data quality as not worth the trouble. Easy, but also wrong. For one, the legislative pressures are building a head of steam.

“Existing law in the shape of the Data Protection Act 1998 has a specific reference to keeping data accurate, and even future environmental laws may target the direct mail industry for its waste of paper,” warns Alex Walsh, head of legislative development at Royal Mail Media Markets.

If the firm hand of the law isn't enough to concentrate database owners' minds, then the bottom line is sure to do so. Now that the hype surrounding CRM technologies has died down, chief executives are querying the delay on their financial return.

“Firms have invested millions in campaign management software and hardware such as predictive dialling, yet are pouring poor data into them,” says GB Group's Allen. “It's like putting diesel in a petrol car – it just won't work.”

The return on investment argument is easier to demonstrate with something as stark and tangible as piles of returned direct mail. “We recently trimmed a customer's mailing down from 100,000 to 60,000, to the initial horror of that client,” says Allen. “We then pointed out that the 40,000 would have come back as returned mail.”

So is there a way of propelling the issue of data quality onto client wish lists? There is, as yet, no such job title as ‘data hygienist’ on client company payrolls, but some feel there should be.

Guy Bracewell, data director at

Broadsystem, says: “You need a data enforcer within companies to oversee the collection of data and to decide how that data is going to be used down the line.”

One example of where a data strategy would help is when a company's computer programmers write the codes for data capture. “Without a data strategy in place, the programmers won't necessarily appreciate how data will later be used for marketing purposes, and so won't adapt the data capture codes accordingly,” Bracewell explains.

He highlights the confusion that can result. The classic case is where a company will have 10 representations of a title, like Mr or Mrs. “You would have to write ten computer program queries to handle that,” he says.

Bracewell's ‘data enforcer’ idea is echoed by Allen. “In our experience there's never one person responsible for data quality within an organisation,” he says, “which is strange, given that under the Data Protection Act, company directors would be prosecuted and not the companies.”

To help justify the financial case



‘You need a data enforcer within companies to oversee the collection of data and to decide how that data is going to be used down the line’

Guy Bracewell, Broadsystem

for cleaning, most bureaux now perform data health checks free of charge, to enable clients to see the extent of their problem.

Another step forward is the increasing automation of data cleaning. While the million-plus database cleansing jobs are likely to remain the territory of database bureaux, companies such as Experian and Marketingfile.com have carved a niche in quick, cost-effective online cleaning of smaller databases (see case study, below).

For clients such as the Telegraph Group, the return on the financial cost of data quality is measured in brand perception. “The paper is very specific about how data goes out, as it does so under the Telegraph banner,” says SDM's Riddleston. “It has a quality image and that means not mailing people who have died, as well as avoiding the wastage that comes from poor quality data.”

What with ROI calculations, brand perception and legislative threats, it seems data quality has become a fairly complex subject. The underlying principle is, of course, a very simple one.

Case study: Nottingham Forest

Like most databases, football club supporter files contain gone-aways and deceased individuals. After that there are idiosyncrasies, the primary one being multiple supporters residing in the same household.

Nottingham Forest Football Club's database of more than 45,000 supporters and purchasers of club merchandise is a key marketing resource for the club.

To improve its targeting and gain cost efficiencies, the club used Experian's online service Intact to clean the database before the start of the current season.

A data audit revealed that 20 per cent of the 45,000 were registered with the Telephone Preference Service, between 10 and 20 per cent were gone-aways and two per cent were deceased. A deduping check



found that the 45,000 individuals on file were living in only 30,000 households.

Nottingham Forest used the National Change of Address File to clean for gone-aways, the Postal Address File for postcode correction,

had the households deduped and the names of deceased suppressed.

The cleaning exercise has had tangible results. Some 90 per cent of last year's season ticket holders renewed pre-season and £10,000 was saved on mailing costs.

Suppression files can help clean up the image of DM

The anti-direct mail brigade is at its most vociferous when packs arrive addressed to previous occupants or, worse still, to the deceased. Suppression files are the key to overcoming this pitfall and are more plentiful than ever

Mailing a dead person is a direct marketer's nightmare, but for one company it became all too real. The mailing from Scottish Widows to 400,000 people on the insurance giant's database included one to Mair Watkins, offering her insurance against illness. The trouble was, Mair Watkins had died a year earlier of cancer.

The company did, in fact, know that Mrs Watkins was deceased, but had mailed its own deceased file by accident. It apologised profusely. But the tale still serves to illustrate an important fact: that mailing deceased, gone-away or duplicate data can do untold damage to a company's brand.

Yet surprisingly, suppression of such data is the very part of the quality debate most likely to divide client opinion.

To some extent the ambivalence is understandable. Suppression involves removing a person's name and address from an active database, and some companies cannot contemplate losing such a hard-won asset.

At the same time, the financial case for removing invalid records is far from cast-iron, as clients

must pay a royalty fee for every suppressed name.

Home shopping group GUS has been testing the use of suppression files and sums up the financial dilemma. "It's a trade off," says Tony Preedy, general manager of database marketing at GUS. "If screening a file against something like the National Change of Address File means that we knock off 10,000 packs costing 50p each, then in theory we've saved £5,000. But if it cost £5,000 to clean the file then you have to question it."

Long-term benefits

The suppression industry – the file owners and the bureaux that resell them – counter this by arguing that the cost of suppression should be worked out over the long term, and not just on a per-mailing basis.

Mail order company Haysbridge sells nostalgic music and videos. Intellidata applies suppression files to the Haysbridge database every year, and in one such exercise found that seven per cent of Haysbridge data was either gone-away or deceased. Suppression reduced the database from 754,000 records to 702,000 – a saving of £28,000 per mailing.

Suppression file providers such as The REAd Group say the benefits outweigh the upfront costs. "The cost of any kind of suppression averages around 20p, which is significantly less than the 60p average cost of your typical mailing pack," argues Martin King, business development director at The REAd Group.

Another criticism levelled at the suppression industry is that there is no single, universal file to cover areas such as the deceased (see box, above right). The solution comes from those data bureaux that license all the relevant suppression files. Used together, they can screen up to 85 per cent of all deceased names from mailings.

The goal for suppliers like The

Key suppression files

Preference services (all are voluntary and run by the UK Direct Marketing Association, unless otherwise stated)

- The Telephone Preference Service (TPS) is a central register of individuals requesting no DM calls (statutory)
- The Facsimile Preference Service (FPS) allows businesses and individuals to object to receiving DM faxes (statutory)
- The Mailing Preference Service (MPS) is funded by the DM industry and comprises individuals who prefer not to receive unsolicited mail
- The Email Preference Service (e-MPS) is run by the US Direct Marketing Association and allows consumers to opt out of commercial email

Bereavement suppression

- Mortascreen is a list of deceased people sourced by Smee & Ford from Probate Registries in Great Britain
- The Bereavement Register is compiled by The REAd Group and allows relatives of the deceased persons to register deaths and avoid receiving mail
- The Deceased Register is compiled by Active Media from information provided by individuals to registrar of birth, marriages and deaths
- The Baby Mailing Preference Service (Baby MPS) is run by the DMA and allows parents who have suffered a miscarriage or bereavement of a baby in the first weeks of life to register their wish not to receive baby-related mailings

Gone-away suppression

- The Gone-away Suppression (GAS) File is a list of gone-away household members compiled by The REAd Group from sources including property and mortgage companies and matched to the Electoral Roll
- The Royal Mail National Change of Address (NCOA) File is compiled by Royal Mail from requests to redirect post
- The National Suppression File (NSF) is a DMA product bringing together data from six data providers, including the REAd Group, Royal Mail and Tri-Direct

Business suppression

- The REAd Group's Business Suppression File is a monthly update of business gone-aways derived from different sources, including D&B and Market Location
- The Business Suppression File from the BSF consortium contains data from such providers as ICC, Reed Business Information and Seton
- Blue Sheep's Business Suppression File contains more than 700,000 business movers. Sources include Companies House and Blue Sheep's own UK Business Universe file



'Suppression files are there for a good reason. It makes sense economically but also publicises the fact that this industry is self-regulated'

Alex Walsh,
Royal Mail Media Markets

REAd Group is universality, although this is some way off. "It's true that there is fragmentation," says King. "Mortascreen (see box, above) has names that we don't, and vice versa. We always recommend that the client will have to run two or three files to get as many deceased suppressed as they can."

But perhaps the strongest arguments in favour of suppression are to do with a company's brand image, and also that of the

direct marketing industry.

"Suppression files are there for a very good reason," says Alex Walsh, head of legislative development at Royal Mail Media Markets. "They're lists of people who don't want to be mailed, or shouldn't be mailed. It makes sense economically but also publicises the fact that this industry is self-regulated. And ultimately, if the industry doesn't make full use of suppression files, we'll see stricter legislation."

How to buy the best data

Negotiating the crowded data market isn't the easiest of tasks, which is why many people rely on brokers to guide them through the process. However, it's the responsibility of all involved to ensure the best data reaches the marketers

The Romans had a phrase for it: *caveat emptor*, or 'buyer beware'. With more data sources claiming to be the most accurate, recent and most like your customer profile, the data market is a confusing place for clients to navigate.

So just whose job is it to assess the data that you are buying? The answer is a long one, but if everyone follows the script, you should end up with quality data and good response rates. As a client, you are somewhat removed, as you've most likely hired a broker or an agency data planner to do the buying for you.

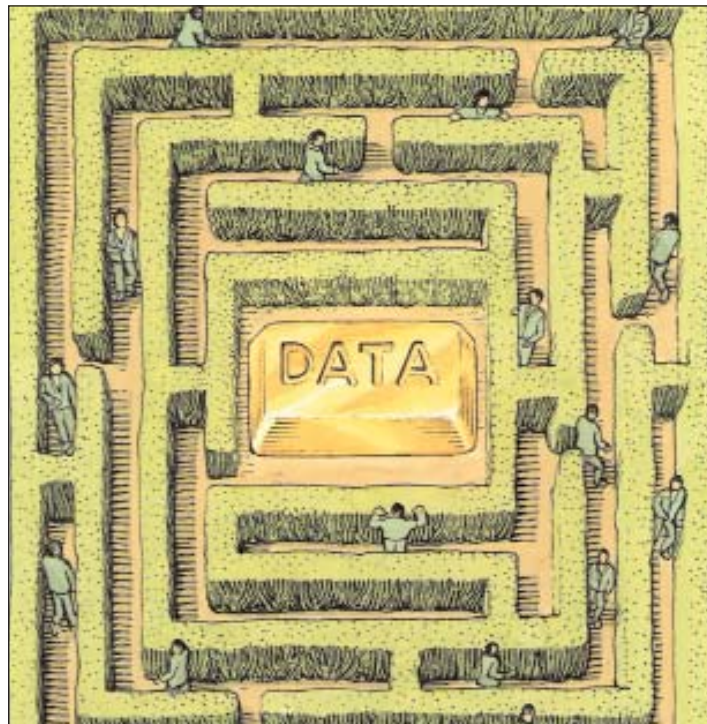
Data expertise

Brokers and planners become experts on particular data markets. Adrian Williams, senior data planner at agency Target Direct, keeps a 'black book' of between 700 and 800 lists that he refers to.

"In a one million-piece mailing, I'll have previous experience of between 70 and 80 per cent of the data we use," he explains.

The buying chain starts with the data or list owner. According to the Data Protection Act 1998 (DPA), it is the list owner's responsibility to verify data, as it is the owner who is viewed as having the closest access to it.

That said, the majority of lists



are marketed by a list manager whose job it is to ensure that their client, the owner, is complying with industry norms such as verification against Royal Mail's Postal Address File (PAF).

"It's in the manager's interests to ensure that the data is as good as possible, or at least be honest about the state that it's in," says

Tracey Weinrib, managing director of AWA Media.

Step forward the brokers and agency data planners to pose the hygiene questions. Are those selling the list, be they a manager or owner, approved by the Direct Marketing Association? And has that list been compiled according to the DPA?

What the DPA cannot do, however, is cover issues of data quality. These are again questions best asked by your broker (see box, below). "The recency and source of the data are very important as they affect response rates," explains Gerry Scott, managing director of list broker and manager HLB. "You really need to know how the data was compiled, for instance, were consumers responding to a prize draw or did they transact with you?"

Frequency of use

A more awkward issue is how often a particular list has been used. "If I want to buy a list for an insurance client, and that list has just been rented to a competitor, should the manager tell you? As a broker I have to ask, but I can only rely on the answers I've been given, and the list owners aren't obliged to tell you," says Weinrib.

Once the list has been chosen, your broker will pass it on to your data bureau for data processing against your own in-house file.

This is literally the moment of truth, when the bureau produces a data health check report on the list you've rented. And if all the members of the data-buying cast have played their parts, you should not be disappointed.

Top tips for buying data

Data comes in various guises, from numerous sources and has many uses, so each campaign or scenario will have different approaches. The following tips and questions will enable any buyer to enter any negotiations fully prepared.

Use what you can from historical analysis

- Which sources, types of data or selection variables performed cost effectively?
- Did the merge-purge process highlight any issues with quality or delivery?
- Who else has rolled out to the data and who is currently using it? Frequency of use may indicate quality but could point to saturation.

Understand how the data is captured, verified and maintained

- Active customer data is usually more up to date but not always more accurate. If captured offline, most errors occur with free form entry. Ask for a copy of the data capture form and privacy statements.
- Were strong incentives used? The subject may be more interested in the prize than entering correct information.
- Which media channels were used? For example, those captured via direct mail are usually more responsive to postal offers.
- Older data is not necessarily of poorer quality. Often cheaper and under used, it can be just as effective if screened correctly. Remember that the older people become, the less likely they are to move house.
- If in doubt, ask for a random sample, with telephone numbers, to verify.

Understand what you are buying and always negotiate

- Know your allowable cost-per-sale. Work out what cost-per-thousand you can actually afford.
- Data owners, such as the suppliers of lifestyle surveys, are often more flexible, as they don't operate on restrictive commissions as list managers tend to do.
- Ask for a net name agreement to cover the base rental cost of data lost through duplication. Make sure you claim within three months.
- Are you getting what you pay for? This is a volume game, with many suppliers licensing their data to other managers to sell under different guises. It's the same letterbox at the end of the day, so you should ask.

Follow the Direct Marketing Association (DMA) guidelines and codes of practice

- Ensure that data complies with the Data Protection Act 1998
- Register with the List User Warranty
- Use the data within six months
- Screen the data against the relevant DMA preference services
- Sort and return all gone-aways. Ask for credits on levels exceeding the DMA guidelines – six per cent on compiled data, three per cent on responsive.

Mark Arnold, head of data broking, Zed Media

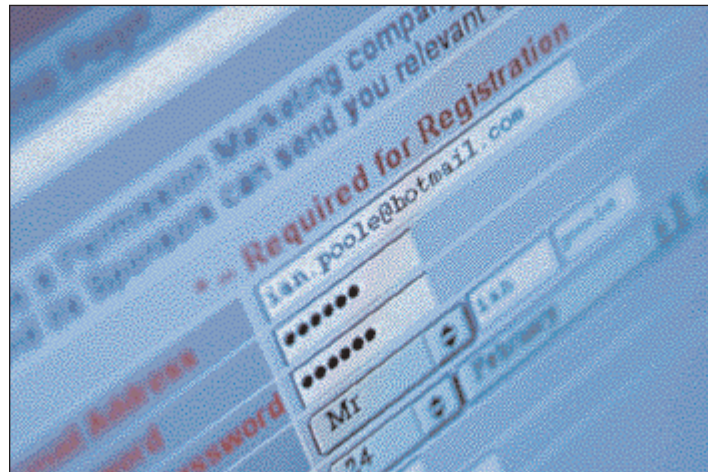
Careful targeting can open doors to online community

The same data protection principles apply to online activity as to offline marketing methods, and web marketers are having to find ways of tapping into the data-rich internet without falling foul of the EU ruling on electronic marketing

The potential of the internet for acquiring customer information and building relationships has not been lost on most marketers. But with data regulations applying just as much to online as well as offline channels, getting the best out of the available information while staying within the law has emerged as one of the most important skills of internet marketing.

While the Direct Marketing Association supports opt-out, because offline direct marketing uses the same permission method, the Email Marketing Association says a higher level of permission is required as email is more intimate than a letter. It also argues that the opt-out standard will damage the internet marketing business by raising consumers' hackles.

But both sides agree that those doing most damage to the digital-marketing industry are the firms



that collect personal details without seeking permission and then spam consumers. Such data collection techniques include 'harvesting' addresses from emails that have been passed on many times. Virus warnings, randomly gener-

ating email addresses to the template of a large organisation, and sending an agent onto the net to record anything that looks like an email address are just some of the examples of this approach.

While there is no shortage of examples of bad practice, the potential of the internet to reveal rare insights into customers at the same time as dealing openly with users should not be ignored (see column, page 15). For example, companies can augment data they already have on a customer with information captured by tracking online behaviour. This 'clickstream data' might indicate which web pages users have visited and what have they bought.

Ivan Southall, director of Interactive Prospect Targeting, which runs OK-mail, explains: "The theory is that car manufacturers with, say, a leather upholstery offer, will know who is interested in such a thing from the web pages that have been viewed."

The same principle applies to collecting data from responses to promotional emails. It is one that many companies are using to take advantage of the internet's data-richness. David Hughes, group account director at email marketing application service provider Email Vision, says: "Watch, don't ask" is the principle a lot of firms

are following. You can see who is opening HTML emails, which links they are clicking on and then what they are doing on a website."

Clickstream data can be collected anonymously, in which case it can be used to give indications in general terms about the effectiveness of different pages on the site. If the site knows the identity of the subject, it can be used as personal data that can be entered on a member database. In this case, it comes under the DPA and needs subject agreement before it can be collected.

Marketers had feared that the collection of clickstream data would be jeopardised as a result of EU plans to change the way cookies, which track users to produce clickstream data, work. The European Commission wanted to force websites to warn users in advance when cookies are being served.

However, in the final vote the Data Protection in Electronic Communications Directive was amended to remove the requirement that sites using cookies provide information in advance. It now states only that clear and comprehensive information about cookies must be provided somewhere on the site, such as in the privacy policy.

"The privacy policy is the industry's standard way of setting terms and conditions," says Mark Wilding, client services director at web analytics firm Intellitracker. "It's the lawyers' way of minimising the risk, but in reality people don't read huge privacy policies."

Using cookies is vital, as most firms agree that a combination of anonymous clickstream data and the personal data held in large commercial databases is required to drive a really effective online marketing campaign. As Adrian Moss, group managing director of ad agency The Deal Group, says: "You need both – anonymous data to know what's working and personal data to mould the offer."

Case study: Handbag.com

Handbag.com has a database of 220,000 women, mostly aged between 20 and 45. It has been built up over 18 months, primarily through competitions and ads in glossy magazines. Alicen Stenner, brand director at handbag.com, says the company strictly adheres to the principles of the Data Protection Act. "We have a lot of general information on the database, but we don't break it down to each member," she explains.

The database was recently used for two marketing campaigns. In the first, the entire database was mailed as part of a promotion for the Boots Advantage card. It aimed to drive customers to Boots outlets and to test the responsiveness of different segments to online couponing. A 'Double Advantage Points' voucher was promoted via links and banners on the site and in an email newsletter sent to the database. A total of 26,000 vouchers were printed off, 12 per cent of which were redeemed during the 12-day promotion period.



In the second, members were invited to Pure Beauty stores across the country to attend a co-branded promotion involving a discount shopping evening with makeovers and manicures. It aimed to drive footfall into the stores, reward loyal users of handbag.com and to recruit their friends to the site. Guests were invited via an email to the handbag.com database and through the site's most popular sections. About 1,500 women registered and 917 attended. Store takings rose, especially in Manchester (+250 per cent) and Covent Garden (+190 per cent).

Marketing by mobile

The use of SMS technology is becoming more common as the industry catches on to its potential. However, marketers need to ensure data complies with the DPA

The ability to reach customers, be they at home, in the office, in a bar or in transit, would have sounded like marketing nirvana three years ago. Now, the penetration of mobile phones coupled with the popularity of text messaging has given birth to a relatively new communication channel, SMS.

SMS has phenomenal power to target people on the move with succinct messages, so it is little wonder that many companies are including SMS as part of their marketing campaigns. Increasingly it is being used as a complementary channel in tandem with email or offline activity (see case study, below).

But as with any media, it is the quality of the data which ultimately powers the effectiveness of the activity, and companies such as Flytxt and Nightfly are working hard to develop opt-in email data-



bases. Many of the databases not only contain demographic data, such as postcode and gender, but psychographic information, such as which ads or competitions an individual has responded to.

But Pamir Gelenbe, co-founder of Flytxt, warns marketers to be wary of lists from ringtone and logo retailers, which might not be truly opt-in. The new e-commerce regulations demand that where there has been no previous contact with a consumer, prior con-

sent must be given before SMS contact is established.

The Direct Marketing Association is producing a guide for members about the significance of these new regulations for both email and SMS activity. The sort of questions that need to be asked include what the members of the database have opted in to, how they opted in and when they were last contacted.

In the main, mobile numbers are collected using techniques similar to those used for email addresses. Royal Mail gathered 7,222 email addresses and 2,946 mobile numbers last Christmas as part of an electronic 'last posting date' reminder service. Subscribers were asked if they wanted to opt out of receiving further messages; only 19 per cent did so, allowing Royal Mail to target the database with a Valentine's Day promotion the next year.

With information such as mobile numbers, as well as personal data and clickstream data, companies are in a strong position to make deductions about the individuals on their database. But this information is also covered by the Data Protection Act (DPA), and has to be accurate to be legal.

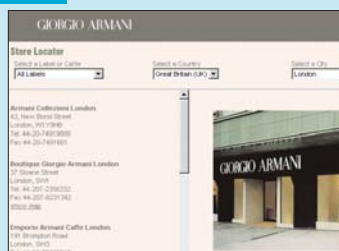
The growing efficiency of digital media at gathering data is likely to make meeting this accuracy test more manageable. However, as 3G technology and increased mobile interactivity brings about another leap in the amount of information available, the DPA will come ever more into play.

Case study: Emporio Armani

Emporio Armani was looking for an innovative way to promote the opening of its flagship store on London's New Bond Street. Working with SMS agency Flytxt, the retailer sourced email and SMS databases containing details of ABC1 Londoners who were interested in fashion.

Messages were sent to 50,000 email addresses and 10,000 mobile numbers asking recipients to choose their 'style': creative, individual or effortless. If they replied, they were sent a voucher for a free T-shirt to be collected in-store on a specific day. The SMS campaign saw a 16.6 per cent response rate. More than half of the respondents used their mobiles, although five times more emails were sent out than text messages.

"A targeted SMS campaign will deliver a better response than a random one," says Flytxt co-founder Pamir Gelenbe. "We asked those we sent emails to fill in their mobile numbers to receive a voucher, which was a nice way to link email and SMS."



The Armani campaign was geographically targeted by postcode data but, according to Gelenbe, companies will soon be able to target activity using a dynamic database that records the subject's physical location and thus allows stores to draw in consumers in the area.

"The technology is there for location-based targeting on several networks," he says. "For this, the database member will need to opt in to accept that the network can know where they are; then the marketer will make a request to the operator, which will return a co-ordinate that can be plotted on a map."

Perspective

/// The web gives businesses the chance to get close to customers for the first time and understand what is really going on. But to use online data capture to build successful relationships that deliver real insights, companies need to



Louise Ainsworth

ensure they are using responsible data capture and management policies. There are seven key steps to achieving this transparency:

- **Compliance:** data must be managed in accordance with UK data protection legislation. Make sure you know who in your organisation deals with this, and that he or she is kept informed of your activities.

- **Trust:** confidence in data security is one of the biggest barriers to web use. If you have a trusted brand, users will be more confident to divulge and transact. If you don't, work out ways in which you can build trust, which may include partnership with a relevant trusted brand.

- **Transparency:** let users know what you plan to do with their data. Give a short, simple statement of what your policy is, as well as a more detailed privacy policy.

- **Choice:** if customers can choose what levels of data you have access to, they remain in control. By remaining in control, they stay comfortable. Make sure they have easy access to unsubscribe features.

- **Branded contact:** just because you are talking about data and privacy issues, you do not need to hide your meaning in legalese. The simpler and clearer the language, the more comfortable your customer will be. If you can add to this by using an appropriate tone of voice to suit your brand, then what you are saying will be even more credible.

- **Value exchange:** if you are asking customers for information, provide them with a relevant reward where possible. For example, if you need postcode information and provide a *quid pro quo* of information relevant to their postcode, you are far more likely to get accurate data.

- **Reliability:** if you promise valuable content or functionality, **///** make sure you can deliver it.

Louise Ainsworth, director of strategy, Ogilvy Interactive