

AMPLIFYING THE DATABASE

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Alvin Toffler says in Powershift that television beats spies to the punch.

Business people demand this type of information **edge**. [1] Millions of businesses routinely purchase lists of prospects. Programmers have given small business and multinationals the tools needed to pinpoint prospects in a many ways. We take this marketing tool for granted because greater and greater precision is needed. The costs of creative, printing, fulfillment, and postal services continues to rise. In February 1991, **third-class** rates could escalate an average 17 **percent**. [2] As you know, self-selection tactics, 900 numbers, and audio and video promotions are powerful marketing tools. but their success is often dependent upon the marketer's ability to get detailed information about individual people, particular companies or industries, and the key decision makers in those organizations.

In today's competitive world, the majority of the database producers are making efforts to respond to this demand. Increasing the the information content of a database is the heart of database **amplification**.

A definition

What do I mean by amplification? I remember my high-school physics teacher telling us about how to increase the magnitude of a variable quantity. She was crazy about electronics and talked about voltages, gain, and circuits. These are concepts I didn't understand then

and certainly don't now. But I do remember the key thought that by modifying one variable a great jump in output was the consequence. So what I mean by database amplification is the addition of one or more information elements to electronic files. An amplification can be as simple as adding an SMSA code or as complex as adding the full-text of a Harvard Business Review article about Ford Motor Co.'s executive team. This full-text article could be linked to the Dun's Market Identifiers company record about Ford or to the Who's Who entry for Don Peterson.

The key to making each direct marketing dollar pay is having the information needed to make a one-to-one sales presentation. Precision and impact--these are the forces fueling database development.

Database amplification moves like two **mutually-reinforcing** waves. One impulse pursues information about each person's:

- . Habits (hobbies, TV, radio)
- . Preferences (food, autos)
- . Dislikes (films, magazines)
- . Buying patterns (product and service)
- . Finances (credit and cash)
- . Family (who, finances, etc.)
- . Friends (clubs, income)
- . Sex
- . **Age**

The goal is to give more ways to slice and dice data. Such parsing of information allows the direct marketer to pinpoint the individuals most likely to buy his product. Although some questions have been raised in the popular about the use of bank-card data, the concern about the use of personal financial information is not

likely to be a barrier to database builders. According to a recent study by **Equifax**, if safeguards can be put into **place**, direct marketers and credit card issuers should be free to use personal information about consumers in making their marketing decisions and implementing their marketing strategies. [3]

The other impulse in database amplification is capturing richer, more varied data about organizations. Basic company records can be enhanced by adding more information about:

- . Products and patents
- . History
- . Services
- . Finances
- . Articles about the company
- . News about products and people
- . **Analysis by** experts
- . Video footage
- . Broadcast
- . Pictures
- . The people who make up the organization.

A look back

At the beginning the **1980s**, the term database described a collection of information organized around a single, tightly structured collections of data. A typical 1980 information product would be a list of members in a particular association. If the list marketer were running a state-of-the-art operation, a direct marketer could target prospects by postal codes, possibly title, and obtain merge-purge across complementary lists.

In the last two years, great strides have been made. It is possible to obtain from companies like Dun's

in-depth statistical analyses of a list of current customers. Proprietary software permits Dun's to pinpoint other groups of prospects. These lists contain the names of people who are likely to purchase the marketer's product.

The search for precision

As we move into the **90s**, the goal of direct marketing is to achieve greater precision in direct marketing. The success of the personalized mailing of one approach of The Small Back Room, a design consultancy in the United Kingdom approach. For developer Speyhawk, which wanted to acquire a particular anchor tenant for the Centre Court development at Wimbledon, the firm created a heavily personalized presentation sent to the select retailers: the campaign virtually sold **itself**.**[4]**

Let's take a quick look at the key information developments in business-to-business databases. Since many direct marketers have great familiarity with, so let me highlight three important sources which may be less well-known:

- . In-depth financial information about public, private, and not-for-profit corporations.
- . Full-text information from magazines and newspapers
- . Comprehensive stock and bond data available in real time.

There are numerous databases which take a detailed look at the financial health of a company. Dun & Bradstreet dominates this area. One excellent source of brand and product line **financials** is Investext. Produced by Thomson Financial Network, Investext is a database consisting of the full text of analysts' reports about

12,000 companies and more than 50 major industries. A typical example of Investext financial data appears in Exhibit 1. One of the valuable features of the Investext database is that the content of the reports is based upon a synthesis of many sources, print, online, and primary. In fact, many Investext reports include direct quotations from the company's executives. Remember: Investext includes extensive reports about industries and provides a wide range of intercompany comparisons.

Full text gets a great deal of coverage in the database world. Most lawyers make use of the full text of legal documents. Patent attorneys have access to the description of the patent but not the actual patent drawing. In addition to these specialized sources, databases of the full text of articles from thousands of popular magazines, trade journals, newsletters, and newspapers are available in a wide range of databases. The company which I represent is one of the world's largest producers of full-text databases. One of the most useful for business is called Trade & Industry ASAP. An article about Ziff Communications can be printed on a standard PC printer for about \$2.50 in less than one minute. T&I ASAP includes articles from more than 600 publications. An example of portion of a full-text article appears in Exhibit 2.

Real-time stock and bond quotes take the form of the company's ticker symbol followed by the current price. The interesting development is that these quotes are now available on a variety of consumer timesharing services, including CompuServe, Dow Jones News/Retrieval, and GENie. Only five years ago, this type of company information had to be obtained from a stockbroker or bond dealer. One important database

publisher in this area is Reuters. Long associated with newspaper wire service information, Reuters has become one of the major players in company information.

To sum up: a person wanting to develop a more thorough understanding of a company or an industry has a wide range of sources to consult. There is a downside to this abundance of information. And that downside is so steep that many direct marketers have not taken advantage of the types of information services I just described. There are too many databases, more than 3,500 commercial ones. The content of these files overlaps in many areas. It is difficult to identify gaps in coverage. Many databases are accessible through hard-to-use electronic information systems. Many online services have complex rate structures which people like you and I find unfamiliar or uncomfortable.

The key to making full use of electronic direct marketing information is getting all of the information needed for prospect selection in one, convenient place. This type of automatic linking is not yet readily available. There are, however, many companies working to provide this type of service to their customers, including Dun & Bradstreet and the Japanese telecommunications giant Nippon Telephone & Telegraph.

What is not available at this time, however, are many valuable information sources like radio and television business news programs, numerical data in chart and graph form, and graphical images of products, plant sites, blueprints, and the like.

What's coming in year 2000

Let's look ahead 10 years. Imagine using a sophisticated software package to analyze your current client base for

your firm's principal product--polyester film. In a few years you will have on your desk, probably as part of your telephone equipment, a software tools which allows you to identify new market segments: for example, manufacturers of automobile covers and resellers of shrink-wrap film used to cover pallet cargo.

Your telephone-computer transparently connects you to a comprehensive, international business-to-business database like Dun's Market Identifiers. You answer the questions the software asks you, and the system delivers to your terminal data about 1,200 prospects. You screen the data with these criteria:

- . The purchasing departments must be within two hours of cities in which you have field sales offices
- . The firm should have a history of payment within 45 days
- . Film volume should be more than 100,000 square feet per quarter
- . The purchasing manager must speak either English or French.

You examine the resulting list of prospects. The yields about 100 firms in these two businesses. You instruct the computer to obtain a biographical profile of each firm's purchasing manager, a picture of the person, a list of the company's products, a map giving directions to each purchasing location, and a list of known suppliers.

The computer processes these commands and the direct marketer receives by facsimile transmission or electronic form the information.

How realistic is this scenario? It may surprise you to learn that most of these data are available

today. Before a marketer try to assemble this data, recognize that many different databases must be painstakingly investigated. If this information were gathered on some of today's systems like Mead Data Central LEXIS/NEXIS service or Knight-Ridder's Dialog Information Services, you could easily spend hundreds of dollars in fifteen or twenty minutes. Today's systems offer no guarantee of comprehensive, consistent coverage in business information. You would find that some of the companies will be fully covered: others partially.

In the next 10 years the missing pieces will be added to the information available now. Pictures are not easily available, but the innovative Digital Imaging Laboratory (San Jose, California) has introduced a low-cost device to allow images from video cameras to be anchored into a traditional database. Database producers like Dun's are working hard to provide this type of database amplifications.

Therefore, you will have many of these pinpointing tools in the near future. Such precise targeting makes the prospect feel that his/her needs are being met by the marketer. The return on such targeted selling is far greater than the costly and often inefficient methods which many in the direct marketing business use today.

EXHIBITS

Exhibit 1: Sample Investext record

Computer Manufacturing - Industry Report

THE ROBINSON-HUMPHREY COMPANY, INC.

Anastasi, R.P., et al

31 August 1990

INVESTEXT(tm) REPORT NUMBER: 1028915, PAGE 2 OF 11

Fig 1 - Co. Operating Margin 1980-90

TEXT:

On balance, while we remain concerned about the trends which are driving margins lower, a comparison to other industries suggests that profitability could be nearing a bottom and that earnings growth could equal or exceed revenue growth during the 1990's. Revenue growth, in fact, has not been a problem, as shown in Figure 11. Even during 1989, computer industry revenues rose 8.3% on a weighted average basis.

Excluding IBM that figure was 11.8%. Assuming that industry revenue continues to grow at an 8% pace through 1995 and that operating margins recover to perhaps 10%, then earnings growth of 12%-13% could result.

Since P/E ratios for the computer industry are already in line with those of other capital equipment **groups**, share price growth should approximate earnings growth, in our opinion.

Computer Manufacturers'
 Operating Margin
 (As a Percent of Revenue)

[Part 1 of 2]

	1980	1982	1984	1986
Amdahl Corporation	7.4%	-0.4%	5.3%	8.1%
Apollo Computer (*)	NM	1.1%	18.2%	5.3%
Apple Computer (S)	20.1%	17.5%	5.7%	14.4%
COMPAQ Computer	NM	NM	6.0%	13.7%
Cray Research	30.5%	22.8%	28.0%	36.3%
Data General	16.3%	4.5%	8.8%	2.5%
Digital Equipment	16.2%	15.1%	7.1%	10.9%
Hewlett Packard	16.6%	16.1%	14.2%	11.3%
IBM	21.2%	24.3%	24.4%	15.8%
Intergraph (M, U)	15.4%	16.0%	26.9%	18.8%
NCR Corp.	13.7%	11.2%	12.8%	12.2%
Prime Computer	19.8%	15.7%	11.4%	7.4%
Sun Microsystems(S)	NM	NM	9.6%	9.3%
Tandem Computers	17.7%	13.0%	9.3%	13.8%
Unisys Corporation	NM	NM	NM	-0.2%
Wang Labs	17.2%	13.9%	12.8%	4.1%
Average	17.7%	13.2%	13.4%	11.5%

Exhibit 2: Sample Trade & Industry ASAP Record

D&B sells Focus Research to Ziff; restructuring underway. (Dun and Bradstreet) IDP Report v11 p1(3) May 18, 1990

D&B Sells Focus Research To Ziff; Restructuring Underway

Dun & Bradstreet, one of the most **strategically**-directed information businesses, is cleaning house. IDP has learned that D&B quietly sold its Focus Research subsidiary to its strongest competitor, Computer intelligence (La Jolla, CA), in March. CI is a subsidiary of Ziff-Davis Publishing. Both companies maintain comprehensive databases of computer installations and management, including lists, labels and various studies on the computer industry. With D&B out of the picture, Ziff only has one other competitor in this business, International Data Corporation (Framingham, MA).

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- [text omitted from handout available online]
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When the current divestiture program has run its course, it is likely that D&B will have added up to \$500 million dollars to its 1989 year-end cash balance of \$730 million. While this would allow it to go shopping once more for a large deal that would give it dominant market share, this does not seem likely.

Given its recent history, the company is more likely to make very targeted and strategic acquisitions while reserving its cash to make the internal technology-based capital investments needed to maintain 'its market share in its core businesses.

ENDNOTES

[1] Alvin Toffler, Powershift (New York: Bantam Books, 1990), See the chapters on information power.

[2] Alicia Lasek, "Fighting the Postal Rate Monster: Execs Offer **Solutions**," Advertisins Aae, September 24, 1990, Vol. 61, No. 39, page 39.

[3] Robert J. Posch, Jr., "**Legal** Outlook: We Are Citizens First, Not '**Consumers**,'" Direct Marketing, September 1990, Vol. 53, No. 5, pages 78-79.

[4] Louella Miles, "Business-to-Business: No One Way," Marketing (UK), July 5, 1990, pages 27-32.

COMPANIES MENTIONED

Digital Imaging Group

A unit of Everware, Inc.

San Jose, California

Telephone: 408-922-209

Dun's Marketing Services

Parsippany, New Jersey

Telephone: 201-605-6000

Investext

A database produced by Thomson Financial Network

Boston, Massachusetts

Telephone: 617-345-2000

Trade & Industry ASAP

Information Access Co.

Foster City, California

Telephone: 415-378-5000