



# A New Acquisition Strategy in the War to Save Margin

A Cross Country Computer White Paper

February 26, 2008



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Thomas J. Berger | CEO, Cross Country Computer

## Overview

Nodoubt, 2008 will be marked as a year when many marketers were forced to make dramatic changes in their acquisition strategy. The industry struggles to grow business with rising paper and postage costs that threaten the most effective means of proactively acquiring new buyers – direct mail. This scenario is highlighting the need for cost reduction when many are finding themselves paying too much for prospect names that never make it into the mail due to high duplication across multiple list providers. To solve this problem, a growing group has decided to move away from the complexity involved with traditional list rental and basic RFM selection towards a prospect database solution that will truly optimize selects while simplifying efforts and reducing cost to mail.

Prospect databases enable marketers to gain profit margin in this rising cost environment by enabling them to mail faster at a lower cost with more qualified prospects. The end result is a more profitable campaign with a higher new customer acquisition rate and a more robust buyer file over time. In the traditional environment, marketers rent names using RFM selections or model scores from disparate compiled lists, co-ops and response lists, then send all of the names to their list processing vendor for de-duplication, suppression and final hygiene. Final counts of available names are only known after the merge process when the circulation manager (often the broker or agency) requests final counts from their service bureau.

## Illustration: Cost Savings Projection with a Prospect Database

Rental Names Input to Merge Process	<b>2,024,179</b>
Names Output of Merge Process	<b>1,260,410</b>
Names Rented but not Used	<b>763,769</b>
Merge Net Rate	<b>62%</b>
Typical Net Name Arrangement	<b>70%</b>
Avg. % Names Paid for but not Used	<b>8%</b>
Names Paid for but not Used	<b>61,102</b>
Avg. PPM B2B Names	<b>\$ 225/M</b>
Cost of Names Not Mailed (Inc. \$10/M run charge on all unused)	<b>\$ 21,386</b>
Projected Cost of Names Not Mailed with circulation of 25MM	<b>\$424,187</b>

## Prospect Database Benefits

With a prospect database, marketers establish agreements with their most trusted list sources to receive a larger volume of names once per quarter to be repeatedly targeted and stored in a mini-marketing database. Names are de-duplicated using a variety of logic ranging from proprietary match code creation to elaborate pinning systems. Suppression files are applied against this file in batch such as housefile, as well as other files (to address channel conflict, bad debt, fraud, resellers and competitive companies as identified through company name, etc.). Throughout the quarter, hotline suppression and rental files may be uploaded into the system as needed.



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Ideally, the prospect database allows the marketer complete control over the entire campaign process; from quick counts on strategic selection criteria or model score, to test cell and source code creation to final output. It also serves as a promotional history database housing campaign name and segment so the optimal times to contact a prospect by offer can be determined and the point of diminishing payback identified. A good prospect database will also streamline your royalty reporting to the original list owners based upon the selection criteria utilized to make the final selects.

Prospect databases also reduce the time to mail by reducing file transfers and processing. For each week gained in the mail, response rates have been noted to increase by 1%. These gains can add up quickly, easily paying for the cost of the prospect database development and maintenance many times over.

Illustration: The Impact of 1 Week Gain in Recency on Annual Sales

Annual Circulation	25,000,000
Revenue on 2% order rate & \$100 AOV	\$50,000,000
Revenue with 1 week Recency Gain	\$50,500,000
Incremental Revenue Potential with Prospect Database	\$ 500,000

Perhaps one of the most exciting benefits of the prospect database is that it enables the use of predictive modeling to enhance mail selection beyond RFM. In addition to past promotional history variables like number of times previously targeted and number of months since last mailing, marketers can append firmographic, demographic, transactional and lifestyle behavior to score prospects based upon how closely they “look” like their best customers – leading to better new customer acquisition rates.

With a prospect database, marketers achieve higher returns on their campaigns through optimized targeting at a lower cost. The end result is a higher return on investment and fast growth of the customer database.

**About Cross Country Computer**

Headquartered in Central Islip, New York, Cross Country Computer has been a long time provider of data management services since 1975, specializing in the unique needs of B2B marketers including database management, merge/purge, list hygiene, analytical services as well as list and email fulfillment.

For more information, call: 631-231-4200 or send an email to: [Inquiry@crosscountrycomputer.com](mailto:Inquiry@crosscountrycomputer.com)

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