



A Short Course in Lists & Data

Warren Buffett once extolled the virtues of simplicity, citing a society that had only three numbers: one, two and more than two.

Although many non-practitioners view the whole area of lists and data as an arcane science shrouded in mystery, the Warren Buffett simplicity model actually works pretty well here.

A Brief History

By its nature, direct marketing depends on names, otherwise known as lists and data. In the beginning there were customer files. That was direct marketing 1.0.

As direct marketing matured, companies discovered it was mutually profitable to share or sell those “house lists” with other companies whose customers shared similar interests and characteristics. Enter DM 2.0 and the growth of vertical “**responder files**.”

Then, more and more companies outside the traditional direct marketing segments of catalogs, book and record clubs, magazines and credit card offers discovered the unique advantages of direct marketing’s **predictability** and **repeatability**. They began channeling more of their marketing dollars into direct mail. Welcome DM 3.0.

However, while direct marketing, especially direct mail offered powerful advantages over less targeted media, mass marketing companies such as brick and mortar retail chains, car rental companies, package goods manufacturers and so forth needed something more: **scalability**. That is having a large enough prospect universe to roll out successful tests. If you’re selling corporate jets, that could be as few as ten thousand or so. If you’re selling a specialty pet food, finding a way to reach a million-plus would be more appropriate.

Scalability and DM 4.0

The problem with vertical responder lists is a lack of scalability in many categories.

That is, if you’re a manufacturer of over-the-counter cough syrups, you know that your core customers consume about 8-times more cough medicine than the general public. Thus, the traditional avenues of mass market media such as radio, TV and print represent a huge media waste. A ha! You say, let’s use direct mail and eliminate that waste. Good idea, except for one thing. There was no responder list of cough syrup users. However, they do have identifiable demographic characteristics in terms of age, income and occupation. And that information became available through **compiled lists** which increased the number of mailable households exponentially.



There was just one catch. Because the households on compiled lists didn't actually order anything or indicate a specific desire for a particular kind of product, they tended to pull significantly less than responder lists.

However, as compiled lists grew in sophistication, various "appends" and "suppressions" became available such as broad age, income, home ownership, education, likelihood of children in the household and so forth, response rates improved.

Advanced Modeling and Analytics

Today, some of the companies we work with have the entire U.S. census, broken down by block group, resident on in-house computers.

To that we can add a wealth of in-depth demographic and psychographic information including zip code based models, brand preferences, grocery shopping patterns, charitable giving, pets owned and more. Indeed, with much of today's permission-based information, it's likely we can know many of your customers and prospects better than their own families.

That means that with the right modeling techniques, compiled lists can pull as well or better than responder files... adding the all-important scalability to predictability and repeatability.

However, modeling and analytics is not a one-size-fits-all "black box" solution. It is an iterative process that requires a pre-existing knowledge of the information and quality of individual databases and models.

For example, a client once told us about a previous agency that used a new movers file for a high-end home equity offer. The effort was a disaster, in part because it was littered with poor prospects such as one who tried to get a home equity line on the halfway house in which he was staying in after being released from prison.

Remember, the process is fairly simple. It's knowing the data you're working with backwards and forwards that counts.

Final Thoughts

A new model requires several tests before it is refined, working and consistent. Once proven and consistent, "tweaks" should be avoided. Far more often than not, they cause the successful model to unravel and move in the opposite direction.