



NEW LEGISLATION

Has the price of stamps got you licked?

With the cost of direct mail escalating, you need to think about integrating channels of communication for best effect. – Page 2

How much SPAM can "Can SPAM" can?

Will the new federal law really stop illegitimate e-mail? And what are the six essentials of successful e-mail campaigns? – Page 4

The amazing shrinking call list.

Do-not-call lists allow consumers to take back their dinner hour but could leave telemarketers feeling hungry. Discover the secrets of maximizing customer value without missing a bite. – Page 6

Privacy concerns everyone.

If your organization collects data of any kind, you are subject to privacy laws and regulations. Targetbase offers specialized solutions. – Page 8

All this and more ... inside.

HOW DIRECT MARKETERS CAN SUCCEED IN SPITE OF THE TRENDS

Targetbase®

Turning data into profit for 25 years.



Targetbase intelligence is leveraged by some of the most successful brands in the world. To see how Targetbase can help you maximize your customer relationships, visit our web site at targetbase.com, or send an inquiry to customer.value@targetbase.com.

Touchpoints is a free quarterly newsletter provided to companies that want to turn data into profits, using actionable customer insights from Targetbase. Please send subscription requests, address changes and contact preferences to customer.value@targetbase.com.

Subscribe to our free e-mail insights.

We share our insights in maximizing customer value every month in the *Touchpoints* e-mail edition. To subscribe, just send a blank e-mail to opt-in.emails@targetbase.com.

To unsubscribe at any time, send an e-mail to opt-out.emails@targetbase.com.

***Touchpoints* Editor**

Cynthia Edwards
cynthia.edwards@targetbase.com

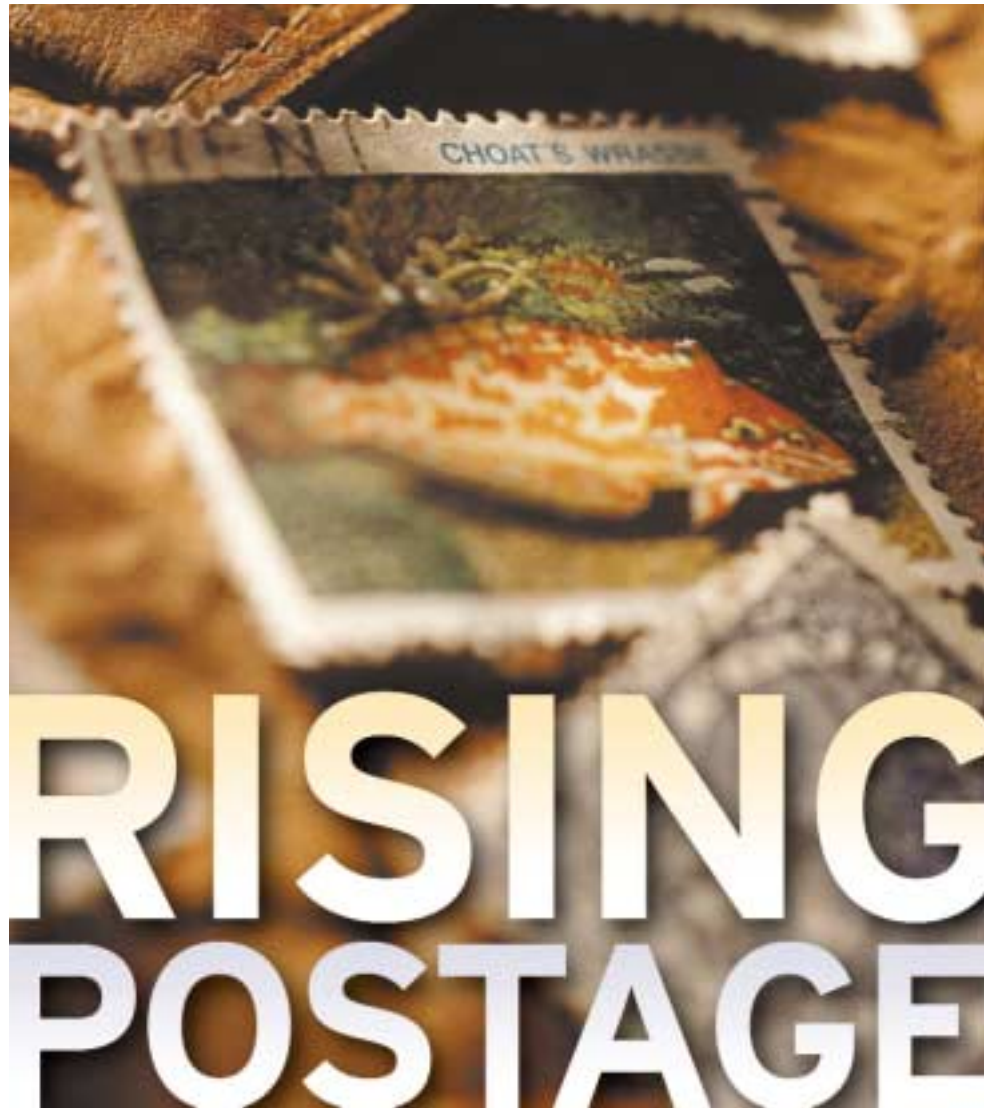
Targetbase Offices

7850 North Belt Line Road
Irving, TX 75063 USA
866.506.7850

202 CentrePort Drive
Greensboro, NC 27409
336.665.3800

Visit us on the web
at targetbase.com

©2004 Targetbase®



**If the price of stamps has you licked,
extend your thinking to "all-line" marketing.**

Direct mail is the preferred method of receiving commercial information for almost one third of the adult population in America.¹ In fact, many marketers are shifting portions of their outbound telemarketing budgets to direct mail to make up for narrowing opportunities in that channel. They know there is much gold still to be mined from consumers' mailboxes.

However, in the last three years, new problems have cropped up in the direct mail arena. These include the anthrax attacks of late 2001, which

were responsible for engendering a deep mistrust of letters and parcels from unknown senders; and the postage rate hikes of 2002, in which the average increase across all classes of mail was 7.7 percent.

The United States Postal Service is losing money as a result of new trends in commerce and communications such as electronic banking and e-mail. Whether the Postal Service will continue to raise rates to cover its losses, or will find alternate sources of revenue or cost

savings, remains to be seen.

As a prospecting tool, mass direct mail may be too expensive for all but the largest companies to deploy in any but the most targeted manner. To make direct mail succeed, marketers need to know which segments of the population can produce the greatest ROI, and focus on them with tested value propositions to maximize the acquisition of excellent new customers.

The Targetbase Approach

Think all-line—not just direct mail—for best results

Today's consumers do not distinguish much between online and offline channels of communication. Therefore, at Targetbase we put consumer knowledge at the center of our

strategy to create an all-line approach. We communicate the right value proposition, with the right medium, at the right time, for the right result.

Utilizing consumer data from across communications channels to develop a deep understanding of individual consumers, we create differentiated creative solutions based on each target's profitability potential, needs and attitudes.

By taking this all-line approach to many campaigns, we are easily able to optimize the media mix—be it web sites, direct mail, direct response TV, e-mail or any other medium—and optimize the frequency of communications. The media spend is allocated based on value segments.

We follow up with research to measure ROI and consumer reaction, which allows us to create continual program improvements.

This approach liberates our clients from over-reliance on any one channel. Targetbase has built a framework that allows us to be nimble and make quick adjustments as the industry continues to evolve.

Targetbase Success Story

Using business intelligence to perfect the timing and messaging of communications

Targetbase has developed an industry-specific business intelligence model that improves targeting and customer relationship management by predicting a current customer's relative purchase readiness. This knowledge allows for more timely and tailored marketing communications. A client of Targetbase had an extensive database of current and previous customers. An in-depth customer segmentation framework was developed for this base and had been used successfully for identifying target audiences for sales-oriented marketing communications. The results of programs that leveraged this segmentation framework

tool would increase targeting effectiveness substantially and allow for more tailored messaging. This predictor score was designed so that it could be used not only by the client's sales group, but also by its other marketing agency partners and other business divisions as well.

Insight: By leveraging all the rich behavioral and transactional data on the client's database across all of its divisions, Targetbase was able to develop a predictive score that clearly differentiated the customers most likely to purchase from those least likely to purchase.

Action: The resulting business intelligence model comprised separate algorithms developed for each distinct customer segment. The output from these models was then consolidated to form a single score for each customer. The scores could then be used to strategically

Use business intelligence to perfect the timing and messaging of communications

typically surpassed industry norms.

However, because of the wealth of behavioral data contained in this base, Targetbase recognized an opportunity to enhance the performance of the database as a tool for identifying current customers most likely to make a repeat purchase within a specified time frame. It was expected that, when used in conjunction with the existing customer segmentation scheme, the new

prioritize customers for a variety of marketing programs and CRM applications.

Results: The model improved upon the performance of the previous targeting method by as much as 80 percent. In all targeting scenarios evaluated, the model provided a significant lift in the client's ability to identify those most/least likely to be in market for another purchase. ✦

FREE POSTAGE GUIDE FROM TARGETBASE

What postage is right for my program?

There are many strategic, production and cost considerations to weigh when deciding on postage class and type. Targetbase experts understand these issues and incorporate postal recommendations in the design of communication strategies and creative elements. For your free guide, please send an e-mail request to customer.value@targetbase.com requesting the Postage Guide in your message, or use the enclosed reply card.

¹"Direct Mail Makes the Grade." Vertis, August 2003. <http://www.emarketer.com/news/article.php?1002526>



Marketers can still tap the power of e-mail, but they have to keep up with changing rules.

E-mail has emerged as one of the most attractive and cost-effective direct marketing channels for both customer acquisition and retention. However, the proliferation of deceptive, offensive and simply irrelevant e-mail engulfing consumers' inboxes has created a dark side. This is "SPAM"—the abuse of a channel of communication for unlawful marketing purposes.

SPAM is now so widespread that it has put a crunch on the very businesses that supported the growth of the Internet. Bill

Gates testified in a letter to the Senate Commerce Committee in May 2003 that "fully addressing this problem for the long run requires a coordinated, multifaceted approach that includes technology, industry self-regulation, effective legislation and targeted enforcement against the most egregious spammers."

It is already costing Internet Service Providers (ISPs) and corporations millions of dollars per month to handle complaints and to filter this popular communication gateway

to protect consumers.

In the EU, unsolicited commercial e-mail has been illegal since October 31, 2003. In the United States, the backlash against SPAM produced legislation in more than three dozen states. Unfortunately, there is a lack of consistency in these laws, and enforcement, especially on off-shore spammers, is easier said than done.

While the 2003 California law banning all unsolicited e-mail received a great deal of publicity, it and all state laws became moot with the adoption of U.S. Senate Bill 877—the

CAN-SPAM Act.² CAN-SPAM is the first attempt by the federal government to provide standards for legitimate e-mail marketing and consistent penalties for violators. Marketers across the land have hailed this legislation as being fair to consumers while still being pro-business.

- See the insert to read a summary of the key provisions of the federal anti-spam legislation.
- To request a complete version of the final CAN-SPAM Act of 2003, use the handy reply card enclosed.

The Targetbase Approach

Six components of e-mail success

E-mail is still the most economical marketing channel available today. It continues to be high performing and can add great efficiencies to testing and customer segmentation. Companies simply need to adjust to the complexity that now surrounds this channel.

Targetbase is working with clients to develop a robust approach to their online marketing by leveraging six essential components of interactive programs. Our teams of e-mail strategists, analysts and creative experts provide the framework and benchmarks to adapt existing programs or create new ones to meet the standards and dynamics of the industry.

1. Touchpoint Strategy

The way online programs are devised has changed. Organizations must take a 360-degree look at their customers' behavior and preferences, along with all of the methods used to communicate with them, past and present. The strategy going forward can include direct communications, as long as it allows for adaptive customer preference management and controls. Let your customers choose their preferred communication channel(s).

2. Program Integration

Offline and online marketing programs must be much more closely aligned than before. Today's successful programs use an adaptive test-measure-optimize-test approach. Because it is so economical, e-mail increasingly can be used as a testing tool for both offline and online strategies.

3. Program Management

Managing e-mail programs is becoming more complex. Organizations must spend more time and effort to develop content optimized to the target's environment, and to address the logic behind preference management and reply handling, segmentation and dynamic content, advancements in reporting and analysis (how to make sense of the reams of analytical data you receive), and to consider the timing, frequency and monitoring of deliverability.

4. Data Management

This practice takes on a new complexity that requires expert support in the way data is captured, validated and deployed, and how it is managed by both the customer and the marketer. Marketers need access to business intelligence that leverages qualitative and quantitative techniques to develop a deep understanding of customers.

5. Policy Management

Popular demand requires marketers to take an ever-increasing role in making the public aware of their privacy policies and commitment to high standards. Marketers need to leverage all channels to drive awareness and confidence in their consumer advocacy role and take a proactive approach to gauging consumers' preferences.

6. Measurement and Evaluation

Marketers must get past mere click-stream analysis to arrive at a true evaluation of the return on their e-mail marketing. They must use research and analysis to define the impact a program has on the value of a lead, prospect, customer or partner as it relates to specific customer touchpoints.

Targetbase Success Story

E-newsletters as a way of engaging customers and permitting e-mail

The gold standard for e-mail marketing is to have the consumer's opt-in, or permission, prior to sending a message. True permission-based e-mail is sanctioned under all anti-SPAM laws in the United States.

Insight: Customized newsletters delivered via e-mail offer marketers just such a means to engage with customers on a regular basis.

Recurring content-rich, permission-based contact can help solidify customer loyalty by creating intimacy and providing value. What's more, e-newsletters can liberate advertisers from reliance on expensive online media campaigns to bring customers back to their web site. The e-newsletter strategy is more cost-effective, targeted and reliable than banner advertising alone.

Marketers can also use information volunteered by customers through their interaction with newsletter components to develop additional targeted communications and subsequent revenue opportunities.

Action: Targetbase has designed an e-news program for two brands from a well-known producer of pet foods. The program gives new puppy and kitten owners useful information about the behavior and nutritional needs of their pets. We adapted the same strategy into two very different executions, each reflective of the specific brand's unique equity and personality.

Results: Every two weeks, these new pet owners receive requested expert advice and product information tailored to their pet's age. By helping educate the owner about their puppy's or kitten's development, the manufacturer can retain these customers through transition periods that traditionally triggered brand-switching behavior. ✦

Key issues affecting e-mail marketers

- Increased blocking of e-mail by major ISPs (over 17 percent of legitimate e-mail is undelivered)
- Increased sophistication of e-mail filtering systems (adaptive and e-mail "stripping")
- Legislative barriers
- Increasing public awareness and backlash
- Corporate liability

²Full name of the bill: "Controlling the Assault of Non-Solicited Pornography and Marketing Act"



Consumers want their
dinner hour back.

That's OK. We're
dishing up a better deal.



On October 7, 2003, the Federal Trade Commission's national Do-Not-Call Registry went into full effect with more than 50 million names on it. There have arisen some legal challenges over the list, testing the constitutionality of protecting some forms of speech over others, brought about by the fact that the Do-Not-Call rules do not apply to political candidates and charitable institutions, among others. Nonetheless, telemarketers are bound to respect the provisions of this law as well as the existing state laws restricting telemarketing.

Provisions in the Do-Not-Call registries vary from state to state, but generally they cover what type of organization may call and under what circumstances, the times of day telemarketing calls are permitted, a requirement to provide correct information in the Caller Name and Number ID, and the rate of abandoned calls, among others. (An abandoned call is one that is not connected to a live representative within two seconds of the consumer's completed greeting.)

In addition, marketers are still bound by the Telephone Consumer Protection Act of 1991.

Businesses can utilize teleservices as a means of cross-selling existing customers, thanks to the Established Business Relationship (EBR) exemption in the Do-Not-Call list. The exemption allows marketers to call customers even if they are listed on the registry, as long as the call is within 18 months of the customer's last purchase, transaction or end of a subscription or membership. Of course, customers requesting to have their names placed on the company's internal do-not-call list must be suppressed.

Number portability poses new problems for telemarketers

The recent law permitting consumers to take a landline phone number and use it on a cellular phone (and vice versa) poses a new pitfall for marketers. Since it is prohibited to place an automated call to a service that the consumer might have to pay for, marketers will need to find out which formerly landline phone numbers have been switched to a cellular service, or risk lawsuits and fines. Use the reply card to request a free PDF of "Q&A for Telemarketers and Sellers About the Do-Not-Call Provisions of the FTC's Telemarketing Sales Rule."

maximize the value of their customers through retention, loyalty, cross-sell, up-sell and re-sell. Optimizing the touchpoints used to reach them is a key component of our success.³ Being a relationship steward is another.

Relationship stewardship

Customer relationship management is all about stewardship. The relationship steward is responsible for keeping the brand message and customer experience relevant, and for overseeing how the individual consumer responds to the brand. As stewards, we at Targetbase improve the ways our clients' brands interact with their customers by deploying personalized, experiential communications

Targetbase Success Story

Retention is better than acquisition

The wireless telephone service industry is one that has been beset by price wars for almost a decade. Consumer demand is driven by factors such as contract length, cost and desire for new and improved services.

Wireless providers use two key metrics to determine the value of a customer: Average Revenue Per User (ARPU), based on minutes used, value-add services and features; and churn—customers ending their wireless service.

When we began work for our wireless client, we discovered that like the rest of the

We are passionate about helping our clients maximize the value of their customers through retention, loyalty, cross-sell, up-sell and re-sell.

A proven strategy to increase profits and strengthen your business is to protect and serve your existing customers. This strategy can increase profits four ways:

1. There is no acquisition cost for existing customers.
2. It costs less to service customers you know than ones you don't know.
3. It is relatively easy to sell existing customers more products or services.
4. Existing customers are a great source of referrals.



category they were focused on intensive acquisition efforts to fill the gaps left by annual churn rates of 35 % and trending higher. At that time the company's customer communications primarily took the form of bill inserts that were neither timed nor versioned for specific segments.

Insight: Targetbase advised that as new category subscribers level off, retention becomes critical to success. Targetbase built the financial business case for retention of our client's customers by forecasting the revenue impact of retaining a customer. This analysis helped determine how much we should invest to retain a customer on the verge of churning.

Action: We focused on value-based customer segmentation with an appropriate investment matrix. Then we developed an integrated customer life-cycle program utilizing multiple communication channels and stage-specific communications.

Results: Our highly versioned and targeted campaign created a positive return on retention spending. The life-cycle program we initiated has continued to evolve in customer-brand relationship building. ✦

The Targetbase Approach

The golden rule of CRM: protect and serve the customers you have

Consumers have spoken: they are telling us loud and clear which touchpoints they like and which ones they don't. At Targetbase, we are delighted to have this information. We believe that the key to profitability is to tend and grow the assets—customers—you already have. Many studies have proven that acquisition is much more costly than retention. What's more, the crucial issue of permission to contact is greatly eased when a business relationship already exists.

We are passionate about helping our clients

both online and offline, and integrating all lines and touchpoints where possible.

This total understanding of consumer needs drives the entire relationship strategy and the tactics of what we deliver one-to-one. The relationship extends beyond the confines of any single media channel into all contact points where the consumer will interface with the brand.

It is the consumer who decides which media are most relevant for conducting the relationship. An effective program is one that works in any kind of media.

All possible touchpoints, including television, in-store, outdoor, Internet, radio, direct mail, telephone and events come into play in the relationship, and the relationship steward must be adept at using all of them to their best advantage for the individual consumer.

³ To order a reprint of the article on Touchpoints Optimization from the November 2003 issue of *Touchpoints*, please use the enclosed reply card.



With the proliferation of data and the technology to capture, store and leverage it, came many blessings for businesses and consumers and, unfortunately, a new level of potential for abuse of sensitive or private information. Consumers are increasingly concerned about having their private actions tracked online or otherwise by strangers who will use data about their behavior for profit. Meanwhile tech-savvy criminals attempt to access and steal data such as credit card numbers en masse via hacking or other illegal means.

Maintaining consumer privacy is not a simple process, as numerous legal considerations can come into play all at once. For example, an interactive marketing program for over-the-counter pharmaceuticals might have to take into consideration patient's privacy rights, age concerns, privacy of consumer's financial data and consumer permission to make contact by e-mail.

The financial exposure enterprises, especially large enterprises, face should they make a mistake in handling protected data can amount to millions of dollars per incident. It pays to have a process in place to address privacy issues that the company may encounter, in the United States and abroad.

The Targetbase Approach

Writing a privacy statement

Privacy statements are no longer solely a legal backdrop when collecting data from customers and have emerged as a strategic means of differentiating a brand from its competitors. Consider that customers often exchange personal information for goods and services from relationship marketers. They invest their "information currency" where they anticipate the greatest return. As well, customers assume the risk of investing their most sensitive and valuable personal information with marketers who can assure that this data is maintained in a safe and accessible manner.

Here are several strategic considerations for crafting a winning privacy statement:

- Speak in your customers' language so it can be read and understood.
- Privacy statements are for employees as well. Develop an internal-facing version.

- Consider how it delivers the brand promise. How does it project and protect your brand experience?
- A recognizable, trusted third-party endorsement, such as the Good Housekeeping Seal, can sometimes be useful.
- Provide operational clarity. Defining reasonable boundaries should liberate creative thinking rather than stifle it.
- Be positive and transparent. Tell customers why you need the information and what you plan on doing with it. Avoid dwelling solely on what you will not do.
- Be consistent. Don't change your policy without very good reason, and provide adequate notice to customers when you do.
- Commit yourself to getting feedback. Confirm that you are delivering an acceptable return to your customers. And be prepared to respond appropriately.

By approaching your privacy statement strategically, you ensure that your customer touchpoints both exemplify the brand and enable deeper insights through increased information investment from your customers. ✦