

The Rewards & Challenges of Building a Marketing Database

WFMA Conference, Oct-2011



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Session Outline

- **The Rewards and Challenges of Building a Marketing Database**
 - This session will provide real examples of the business logic behind building a marketing database
 - the challenges faced during the build process
 - and then the benefits over time.
 - The focus will be on evaluating the benefits of database marketing on a campaign by campaign basis and also additional benefits realized outside of subscription marketing, which can be substantial.

About IMT & SP

- Database Provider specializing in Publishing
- GOAL: Enhance marketing and advertising ROI
- Key Capabilities:
 - Corporate data integration across all marketing channels
 - Marketing Campaign Optimization (DM, Traditional Channels, Digital)
 - Cooperative Databases for Publishers
 - Email/Digital Coop
 - High value analytics (LTV, forensics, etc.)

About Active Interest Media

- Formed in 2003
- Enthusiast publisher of magazines, events, books, and websites
- Over 30 Magazines reaching over 10 million readers
 - Equine
 - Healthy Living
 - Home Buyer
 - Marine
 - Outdoor

Why Build a Marketing Database?

- **Strategic Considerations**
 - Audience development – analysis & business opportunity
 - Subscription marketing - Cross promotion, pricing
 - Advertising – research & support
- **ROI**
 - Scoring algorithms/segmentation – Greatly improve the profitability of marketing campaigns
 - Increase subscription revenue
 - Increase ancillary income
- **Efficiency & Cost Savings**
 - Sophisticated selections across all marketing channels increase response & lower promo qty
 - Lower cost option to generate various files – list rental, MP, etc.
 - Save staff time

Challenges During The Build

- **Decide “Type” of Marketing Database**
 - In House
 - Outside Vendor
 - Cooperative
- **During Build**
 - Clear scope of work
 - Build in defined phases
 - Have well defined acceptance criteria that “trigger” payments
- **Internal Communication**
 - Develop a database mindset
 - Rethink segmentation possibilities

Considerations for Active Interest Media

- **Decision was made to create company-wide data base given 20+ Magazines, many with big overlap. Why?**
 - Improve ROI when marketing to our own audience
 - Cross Marketing – Conferences & Magazines
 - Having all names in one place:
 - Subscribers
 - Product Buyers
 - Conference Attendees
 - Email Names
- **Overall goal is to improve ROI for all business units.**

Getting Started

- **Investigate different database options – PCD, Millard, IMT & Non-Magazine**
- **Considerations were:**
 - Cost
 - Capabilities
 - Enable hands-on access to data
 - Responsive vendor
- **Long process to populate DB with data:**
 - Fulfillment data (easiest piece)
 - Many other prospect, subscriber, customer lists dispersed among staff (harder to coordinate)

First Step: Testing

- **Direct Mail:**
 - Reactivation - Test current vendor against IMT
 - Prospecting
 - Cross Promotion
- **Gift:**
 - Cold mail – Test segments not mailed to like agents & special programs
 - Donor renewal – Test High/Low prices based on model scoring
- **Other (to come):**
 - Renewal – Test price based on model scoring
 - LTV – Look at ROI over time & make marketing decisions over a longer term

Rollout

- Where successful, roll out!
- If no successful, back test

Results

DM TESTS: REACTIVATION

	<u>Gross %</u>	<u>Net %</u>	<u>Index</u>
CONTROL DATABASE 25+ EXPIRES:	2.39	2.27	100
TEST IMT BUCKET 0-1 TEST:	2.46	2.29	101
CONTROL 7-12 MO <u>DTP</u> EXPIRES:	3.14	2.67	N/A
CONTROL 13-24 MOS DTP EXPIRES:	1.73	1.44	100
TEST IMT <u>AGTS</u> 7-24 MO EXPIRES:	1.88	1.48	103
CONTROL CROSS SELL LIST:	2.45	0.93	100
TEST IMT MODEL OVERLAY:	1.66	1.52	163

Results

DM TESTS: REACTIVATION

	<u>Gross %</u>	<u>Net %</u>	<u>Index</u>
CONTROL DATABASE 25+ EXPIRES:	0.73	0.7	100
TEST IMT BUCKETS 0-1:	1.8	1.65	236
TEST IMT BUCKET 2:	1.17	1.11	159

Results

DM TESTS: PROSPECTING

CONTROL DATABASE PROSPECTING:	0.73	0.73	100
TEST IMT PROSPECTING:	1.48	1.48	203

Results

DM TESTS: PROSPECTING

CONTROL DATABASE PROSPECTING:	0.90	0.85	100
TEST IMT PROSPECTING:	6.12	5.69	669

Results

DM TESTS: PROSPECTING & REACTIVATION

CONTROL PROSPECTING:	1.12	1.08	100
TEST IMT PROSPECTING:	1.11	1.11	103
CONTROL DATABASE 25+ EXPIRES:	1.93	1.83	100
TEST IMT 25+ EXPIRES:	2.03	1.93	105

Coop ROI Example

- Base Assumptions

	Base Assumptions					Base P&L				
Audience Development	Price	Promo Qty	Resp %	Cost	Qty Subs	Revenue	Expense	Profit	NPNS	Gain
Direct Mail	\$12.00	500,000	2.00%	\$0.45	10,000	\$120,000	\$225,000	-\$105,000	-\$10.50	
Email	\$12.00	2,500,000	0.20%	\$0.05	5,000	\$60,000	\$112,500	-\$52,500	-\$5.25	
Gifts	\$12.00	60,000	5.00%	\$0.45	3,000	\$36,000	\$27,000	\$9,000	\$0.90	
Renewals	\$12.00	300,000	5.00%	\$0.40	15,000	\$180,000	\$120,000	\$60,000	\$6.00	
Online	\$12.00	N/A		N/A	6,000	\$72,000	\$45,000	\$27,000	\$2.70	
TOTAL					39,000	\$468,000	\$529,500	-\$61,500	-\$6.15	

Coop ROI Example

- Impact of Scored Marketing Campaigns

Audience Development	Modeled Assumptions					Modeled P&L				
	Price	Promo Qty	Resp %	Cost	Qty Subs	Revenue	Expense	Profit	NPNS	Gain
Direct Mail	\$12.00	434,783	2.30%	\$0.45	10,000	\$120,000	\$195,652	-\$75,652	-\$7.57	28%
Email	\$12.00	2,272,727	0.22%	\$0.05	5,000	\$60,000	\$102,273	-\$42,273	-\$4.23	19%
Gifts	\$12.00	72,727	5.50%	\$0.45	4,000	\$48,000	\$32,727	\$15,273	\$1.53	70%
Renewals	\$14.00	300,000	5.00%	\$0.40	15,000	\$210,000	\$120,000	\$90,000	\$9.00	50%
Online	\$12.00	N/A		N/A	6,000	\$72,000	\$45,000	\$27,000	\$2.70	
TOTAL					40,000	\$510,000	\$495,652	\$14,348	\$1.43	123%

Example Campaign - Expires

APR-10 Campaign (1.0 Million Promoted)						330.00	30.00	
Decile	Net %	Prom Qty	Net Ord	\$/Ord	Net \$	Mkt Exp	List Exp	NPNS
TOTAL 2009 EXP	2.82%	242,034	3,417	\$ 19.95	68,178	79,871	7,261	\$ (5.55)
TOTAL 2008 EXP	1.94%	197,059	1,907	\$ 19.95	38,042	65,029	5,912	\$ (17.25)
TOTAL 2007 EXP	1.21%	211,822	1,282	\$ 19.95	25,572	69,901	6,355	\$ (39.54)
TOTAL 2006 EXP	1.17%	191,106	1,120	\$ 19.95	22,338	63,065	5,733	\$ (41.49)
TOTAL 2005 EXP	0.77%	209,114	806	\$ 19.95	16,079	69,008	6,273	\$ (73.46)
TOTAL 2004 EXP	0.48%	185,960	897	\$ 19.95	17,892	61,367	5,579	\$ (54.70)
TOTAL 2003 EXP	0.34%	211,542	724	\$ 19.95	14,440	69,809	6,346	\$ (85.26)
TOTAL 2002 EXP	0.25%	-	-	\$ 19.95	-	-	-	\$ -
TOTAL 2001 EXP	0.18%	-	-	\$ 19.95	-	-	-	\$ -
ALL EXPIRES		948,637	10,152	\$ 19.95	202,540	313,050	28,459	\$ (13.69)

Scoring Creates Nuance & Opportunity

APR-10 Campaign (1.0 Million Promoted)							330	30	
Decile	Distribution	Net %	Prom Qty	Net Ord	\$/Ord	Net \$	Mkt Exp	List Exp	NPNS
2009 Expires Decile 1	10%	5.29%	24,049	1,271	\$ 19.95	25,357	7,936	721	\$ 13.14
2009 Expires Decile 2	9%	3.49%	22,058	771	\$ 19.95	15,372	7,279	662	\$ 9.64
2009 Expires Decile 3	7%	2.31%	17,034	394	\$ 19.95	7,854	5,621	511	\$ 4.37
2009 Expires Decile 4	13%	0.92%	30,206	277	\$ 19.95	5,532	9,968	906	\$ (19.26)
2009 Expires Decile 5	12%	0.56%	27,319	152	\$ 19.95	3,030	9,015	820	\$ (44.81)
2009 Expires Decile 6	21%	0.47%	54,359	254	\$ 19.95	5,060	17,938	1,631	\$ (57.20)
2009 Expires Decile 7	11%	0.44%	28,498	125	\$ 19.95	2,503	9,404	855	\$ (61.83)
2009 Expires Decile 8	8%	0.47%	18,868	89	\$ 19.95	1,778	6,226	566	\$ (56.25)
2009 Expires Decile 9	7%	0.44%	17,280	76	\$ 19.95	1,515	5,702	518	\$ (61.98)
2009 Expires Decile 10 Est	1%	0.37%	2,363	9	\$ 19.95	176	780	71	\$ (76.44)
TOTAL 2009 EXP		2.82%	242,034	3,417	\$ 19.95	68,178	79,871	7,261	\$ (5.55)
2005 Expires Decile 1	1%	1.29%	1,960	25	\$ 19.95	505	647	59	\$ (7.93)
2005 Expires Decile 2	3%	0.93%	6,675	62	\$ 19.95	1,234	2,203	200	\$ (18.89)
2005 Expires Decile 3	8%	1.00%	15,874	158	\$ 19.95	3,161	5,238	476	\$ (16.11)
2005 Expires Decile 4	4%	0.52%	7,627	39	\$ 19.95	785	2,517	229	\$ (49.79)
2005 Expires Decile 5	6%	0.71%	11,566	82	\$ 19.95	1,627	3,817	347	\$ (31.11)
2005 Expires Decile 6	5%	0.41%	11,229	46	\$ 19.95	922	3,706	337	\$ (67.51)
2005 Expires Decile 7	11%	0.33%	22,979	76	\$ 19.95	1,515	7,583	689	\$ (89.00)
2005 Expires Decile 8 Est	14%	0.30%	29,044	86	\$ 19.95	1,723	9,584	871	\$ (101.11)
2005 Expires Decile 9 Est	14%	0.27%	29,572	79	\$ 19.95	1,579	9,759	887	\$ (114.56)
2005 Expires Decile 10 Est	35%	0.24%	72,588	175	\$ 19.95	3,488	23,954	2,178	\$ (129.51)
TOTAL 2005 EXP		0.79%	209,114	829	\$ 19.95	16,540	69,008	6,273	\$ (70.85)
ALL EXPIRES		1.07%	948,637	10,152	\$ 19.95	202,540	313,050	28,459	\$ (13.69)

Scoring Enables Significant ROI

APR-10 Campaign (1.0 Million Promoted)						330	30	
Decile	Net %	Prom Qty	Net Ord	\$/Ord	Net \$	Mkt Exp	List Exp	NPNS
OPTIMAL PLAN	1.49%	642,413	9,579	\$ 19.95	191,104	211,996	19,272	\$ (4.19)
PREVIOUS PLAN	1.07%	948,637	10,152	\$ 19.95	202,540	313,050	28,459	\$ (13.69)
INCREMENTAL SAVINGS	0.42%	(306,224)	(573)	\$ -	(11,436)	(101,054)	(9,187)	\$ 172.47

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Home Page

The screenshot shows the home page of the SP Subscription Partners website. At the top left is the logo for SP Subscription Partners. To its right is a grey box labeled "Space for banner ad". Below the logo is a navigation bar with links for "MAGAZINES", "ABOUT US", "CUSTOMER SERVICE", and "CONTACT US".

On the left side, there is a "TOP CATEGORIES" menu with the following items: Business & Finance, Cooking & Food, Entertainment & TV, Fashion, Health & Fitness, Home & Gardening, Men's, Sport's, Teen, Women's, and View All Categories.

The main content area features a large promotional banner for "2 Great Magazines + 1 Low Price \$20". The banner includes images of magazine covers for "Arts & Crafts Homes", "Log Homes", and "The Complete Guide to Building Your Dream Log Home". A yellow starburst graphic indicates a "Save 73% off the cover price".

Below the banner is a "LIMITED OFFERS" section with the text "Hundreds of magazines to choose from". It displays a row of six magazine covers: "Arts & Crafts Homes", "Old House", "Log Homes", "Log Home Living", "Timber Home Living", and "Cabins".

At the bottom left of the main content area, there is a "Magazines Make Great Gifts." section with a red ribbon gift icon and a "Show Now!" button. The text reads: "Visit our Gift Center to find gifts for every occasion."

At the bottom of the page, there is a navigation bar with links for "ABOUT US", "CUSTOMER SERVICE", and "CONTACT US".