

SPECIAL SECTION

D A T A B A S E M A R K E T I N G

A HIGH-TECH PROSPECTING TOOL THAT TIMESHARE MARKETERS CAN USE TO STRIKE IT RICH

by Kurtis M. Ruf

When spreading the word about a property, you can choose from a wide variety of mass-marketing media – including television, radio, newspapers, magazines, billboards, direct mail, and now the Internet – but will your message fall on deaf ears?



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Most of the time, the answer is “yes,” unless you employ data mining a powerful new database-marketing tool that lets you target prospective purchasers who have a genuine interest in your offer.

A “one size fits all” marketing approach used to be your only choice when looking for people interested in purchasing a timeshare. Not any more. In consumption of products and services, today’s consumers stick to three basic trends:

- I am unique, I want it my way.
- I don’t trust anyone, especially advertisers.
- I have more stress in my life than I do time.

These purchasers are bombarded with thousands of advertising messages each day. As a result, developers who want to

sell timeshares need an accurate way to predict the buying habits of potential customers. A revolutionary new database-marketing technology called data mining is meeting that need.

A Gold Mine

The tourism industry is looking at methods to target new customers directly, bypassing agents. A large resort recently analyzed its database of three million records to identify its top customers, and then matched the resulting customer profile with travel variables to determine consumption habits. Finally, media analysis and geographic density maps told the resort just where to find these potentially receptive people.

The resort industry is not alone in capitalizing on data mining. Large cruise lines have had great success using it to uncover people who want to travel to a particular destination. Casinos are using it to pinpoint those who will travel the furthest and lose the most money. Airlines profile their frequent-flier files to determine new offers.

Timeshare marketers can profit, too. The trick with timeshare marketing is offering the same vacation place to different prospects or current customers. Database marketing assists in determining the right season and home for prospective buyers. For example, a house in the Virgin Islands can be positioned in the winter to one group as a shopper’s paradise and to another in the summer as the perfect place for fishing or scuba diving.

Targeted promotions that stem from data mining procedures can realize 50 to 100 percent higher response rates than conventional list-selection techniques. These applications enlist the support of relational databases and flexible, fast-query engines to centralize information in a single database called a “data warehouse.”

Travel managers using sophisticated – yet easy-to-use – graphical client/server tools can examine or “mine” the warehouse in their search for interesting patterns that can be used to identify and market to consumers who, by virtue of their past purchasing preferences, have a much higher propensity to buy a timeshare. You can also use data-warehousing technology to isolate your best customers, and based on their preference, design a loyalty program that will maximize revenues and minimize attrition.

This precise “pull” marketing strategy proves more effective than traditional “push” tactics typified by costly blanket print and broadcast-media ad campaigns. Its all part of a new business trend where companies are “customer-centric,” not “business-centric.”

Modeling The Buyer

How do you create a data-mining application? Data mining stems from good database-marketing technology in which the first step is the organization of data about individual customers and potential customers. Using the technology in conjunction with the advanced science of predicative modeling allows you to score

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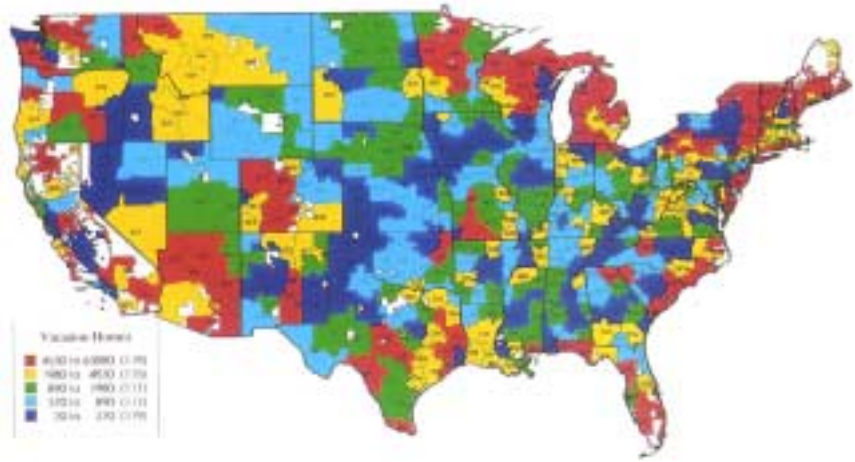
your own customer base to determine your best – and worst – clients.

Predictive modeling may not be a term that comes to mind when you're talking about timeshare marketing, but experienced data miners are starting to be very successful. Using mathematical-event simulation, data miners drive direct-mail campaigns that pinpoint people who are most likely to purchase property intervals in far-away vacation destinations. Understanding your customer database also can be beneficial in the acquisition of new properties that fit the needs of your clientele.

Data mining outdates the old cliché "birds of a feather flock together." This ZIP Code-based modeling process assumes that because one neighbor buys a timeshare, the rest of the households in the neighborhood also are potential customers. In reality, people living in the same area may lead similar lives, but in terms of buying habits, they can behave much differently.

Travel marketers who profile their customer database at the household level end up with a detailed lifestyle blueprint of the company's best customers. This information makes crystal clear which prospective purchasers to select from sources such as national household files, joint co-op venture lists, reservation files, frequent-flier files, owner referrals, and response lists with thousands of other travel-related variables.

Ultimately, you'll have a list made up



Geographic density map helps timeshare marketers locate potentially receptive people.

exclusively of receptive people who have a genuine interest in purchasing a timeshare. Subsequent media profiles can tell you which media will reach these prospective purchasers so you'll eliminate wasted advertising. You can also generate maps that compare customer location against purchasing potential, allowing you to compare with ease your top marketing and the households within them. Best of all, you'll have the insight to predict sales and measure return on investment and the lifetime value of each customer.

Customer Retention

Customer retention can be defined as maintaining profitable customers and turning the non-profitable ones into moneymakers. The goal of customer retention is profit optimization.

Seasoned marketers know they must pay five times more to find a new

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customer than to keep an existing one. To retain your best customers, your product and service must be outstanding. If you evaluate those likely to be long-term customers, modeling tools can profile and isolate those 20 percent that will deliver 80 percent of your revenue (Pareto's "80/20" rule). What's more, this science can predict the lifetime value of a customer.

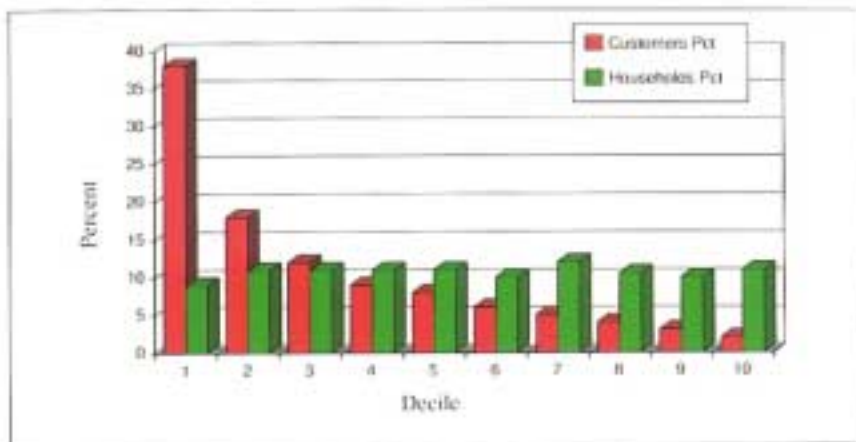
Not Cheap, But Pays Off

Thomas Edison once was asked how he became successful. He responded, "I failed my way to the top." The same can be said for database marketing.

Testing is the most important component of market research. Validation of response will confirm whether a model is working correctly or if it needs recalibration. For example, some companies use data-mining technology to isolate and profile consumers who responded – or for that matter, didn't respond – to a specified campaign. This allows you to learn from your mistakes and tailor future messages to gain even higher response rates.

Designing and deploying the average data-mining application can cost up to \$3 million and take six to 18 months. Upkeep costs also are high – nearly \$10 million to maintain a successful data warehouse for five years – but the falling prices of

Cluster Segmentation Chart



By segmenting an existing timeshare customer database, you can isolate the clusters containing those customers who generate the largest portion of your revenue.

storage and processing make the outlook promising.

Over time, if a travel-marketing company can afford the initial investment to create and maintain a data warehouse, cost savings make the implementation of these database-marketing systems worthwhile. When integrated with the company-marketing plan, they have the potential to return the cost of hardware, software, and implementation in a very short time.

The Consultant’s Role

In today’s corporate environment, where downsizing is commonplace, few companies of any size have the resources to handle the enormous amount of management, retrieval, and analysis that

data warehousing requires. Many service bureaus can provide this and much more for a fraction of what bringing the application in-house would cost. Many companies have tried and now turn to service providers.

Timeshare prospectors who use good data-mining tools are sure to strike gold. When looking for a company to assist you with the creation and management of a data warehouse, look for one that understands both marketing and programming. Simply put, select an experienced firm that understands the problems you face, one that already has solved similar problems elsewhere. ■

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Top & Bottom Frequent-Flier Lifestyles			
	Rank	Description	Index
Top 10	1	Have \$200,000 or More Homeowners Insurance	1.822
	2	Have \$5,000 or More Stock in Another Company	1.630
	3	Own \$50,000 or More in Securities	1.586
	4	Used a Foreign Tour Package	1.581
	5	Have Account at Full-Service Brokerage Firm	1.551
	6	Have Keogh Account	1.541
	7	Own a Convertible Bought New	1.541
	8	Own a Station Wagon Bought New	1.541
	9	Used American Express Card Last 30 Days	1.536
	10	Have \$5,000 or More in Mutual Funds	1.536
Bottom 10	1	Country Radio Audience	0.821
	2	Wall Paneling Installed by Self/Other Household Member	0.819
	3	Fishing/Hunting Magazines	0.806
	4	Have Less Than \$50,000 Homeowners Insurance	0.799
	5	Average Weekly Grocery Expense \$30 or Less	0.795
	6	Spent More Than \$75 on Cloth Coat (Females)	0.790
	7	Urban Contemporary Radio Audience	0.771
	8	Rented Home Within Last Year	0.733
	9	Drank 14 or More Glasses Regular Cola Last Week	0.685
	10	Use Chewing Tobacco	0.658

The advanced science of predictive modeling allows you to score your own customer base to determine the lifestyle attributes of your best – and worst – clients.