



THE RUF REPORT

Business Intelligence from the Pioneers of Database Marketing

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Meeting Business Challenges with Fewer People

by Jerry Rosenquist

Companies of all sizes and types are struggling to find ways to maintain and even increase productivity with fewer people. The effects of the economic downturn are challenging business leaders to seek more cost-effective, results-oriented solutions.

Many of these companies have realized the strategic advantages that outsourcing can bring to them, including increased ROI, improved flexibility, enhanced capabilities, and access to the latest technology. Outsourcing

freed a company to concentrate on its core competencies while simultaneously bringing an infusion of knowledge, ideas, and expertise.

One area that this infusion of expertise can be particularly powerful is in the management of a company's data and the systems for accessing and analyzing that data. Nearly all businesses capture data on their customers but most lack the ability to properly organize, analyze and use this data. Some of the many benefits outsourcing of data management and analytical services can provide are:

- Usage-based pricing.
- Economies of scale.
- Continually improving service.
- Actionable business intelligence.
- Sophisticated data analytics and customized management reports.
- Profit from someone else's experts.

Outsourcing data management and analytical services allows a company to minimize the cost of ownership while maximizing business performance and ROI.

Few companies can afford the extensive financial and time investments required to develop, implement, and maintain the hardware and software systems, not to mention the investments in qualified personnel, for

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Jerry Rosenquist, entrepreneur and CRM expert, has over 25 years experience in direct marketing. His special strengths are adapting results to exceed customer expectations and providing superior service through high levels of customer involvement.



You May Already Have the Customer Knowledge You Need

by Kurtis Ruf

Customer retention has become a top priority for all businesses everywhere. Those companies that harness the power of data warehousing and data mining will maximize their customer relationships and build true lifetime value. After all, surviving the competition means a company has to not only spot opportunities and hid-

den relationships but be able to capitalize on them as well. Data warehousing and data mining are the keys to this ability.

So, what is a data warehouse? Over the years, data warehouses have been called many things, including databanks, repositories, and knowledge bases. Regardless of what you

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Kurtis Ruf is a recognized authority on database marketing and co-author of one of the industry's leading books, *Contemporary Database Marketing: Concepts and Applications*. This book offers powerful, cutting-edge information and training tools for students and practitioners of database marketing.



Meeting Business Challenges *continued from page 1*

a sophisticated, integrated data warehouse and CRM system. The management and hiring of technical experts can be frustrating and risky, particularly when this is not the company's core competency. Outsourcing provides the solution more quickly and less costly. In addition, it brings a level of technical and statistical expertise that would be difficult to obtain otherwise.

Recruiting and retaining the needed technology personnel can be overwhelming, and continually draining on financial and management resources. The lack of this expertise is often the reason why a company fails to obtain its data management goals. Through outsourcing, this expert personnel becomes readily available without the headaches associated with in-house staffing.

Even with all the obvious benefits of outsourcing, some companies are still hesitant to pursue this option. They fear their valuable customer data may become public property or accessible by their competition, particularly when online Internet access to the data is involved.

Reputable, experienced online data management providers deliver the highest level of data security possible, including data encryption, password access, and network firewalls designed specifically to prevent unauthorized access to client data.

Another fear some companies have towards outsourcing is the perceived loss of control over their data assets. In fact, the opposite is true. The key is to select a provider that has experience delivering a customizable, scalable, integrated, online system. This type of system will increase the control management has by enabling them to keep on top of all aspects of marketing and customer relations.


A company should be careful when selecting a data management and CRM service provider for out-

Other Options

- **Keeping it in-house.** Trying to build and maintain a data management and CRM system in-house can be very costly and time consuming. According to a study by Earl Hadden and Associates in 2000, 85 percent of these in-house systems fail and 40 percent never get off the ground.
- **Licensing off-the-shelf software systems.** For many of these systems, the maintenance fees can be more than five times the initial fees. Consulting is almost always an additional service carrying an additional fee. In addition, the company must still dedicate extensive in-house IT resources for installation, maintenance and troubleshooting.

sourcing. Although cost is naturally a consideration, other factors can be more important in the long term.

- How many years has the provider been in business?
- What strategic partnerships does the provider bring to the table?
- How sophisticated are the data analytics?
- What reporting tools are available?
- Is data enhancement available and what quality are the data elements?
- Is the data accessible 24 hours a day, seven days a week from any internet-enabled computer in the world?
- Will special software be required to access the data and, if so, what costs, training and hardware are required to use this software?
- Is the system customizable and scalable?
- Is expert consulting included?
- Does the system meet all of your needs, such as campaign management and list fulfillment?

Outsourcing provides an efficient, cost-effective solution to help companies stay competitive, but only if the service provider provides the right services for your needs. Determine in advance what your needs are and work with your provider on that premise. Knowing what you want out of a system should be the driving point for beginning your search. 



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Ruf Strategic Solutions' proprietary decision support technologies produce highly accurate, cost-effective intelligence for predicting the buying behavior of businesses and consumers. Ruf offers customer profiling, modeling, segmentation, scoring, lifetime value analysis, media analysis, data warehousing, and integrated online services that help to create and strengthen vital customer relationships. We offer a seamless link to more than 100 million households and over 14 million businesses across the nation.

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call them, data warehouses are designed to collect relational data from traditional, operational databases, removing redundant information, filling in holes, and putting it into a standard, consistent format so that it can be used to forecast trends and discover patterns.

This warehoused, relational data can be looked at and used in a number of ways. Basic queries and reports can be performed to show things like average monthly sales and daily totals.

Online analytical processing (OLAP) tools are designed to allow for drilling down from summary data into the specific, underlying data.

The most complex way to analyze the data in a data warehouse is through data mining. Data mining isolates patterns and identifies trends that can be used to guide decisions and predict the effects of those decisions.

Data mining tools can reveal associations between events and the sequences of events over time. They can be used to classify or cluster data and groups based on common characteristics and patterns. Finally, data mining tools can be used to determine correlations and predict the likelihood of future behaviors.

Data warehouses coupled with data mining tools can help organizations identify their most profitable customers and their hottest prospects (also known as customer clones). Marketing messages can be customized to meet customers or prospects needs, wants and motivations. Lifetime value analysis can be performed to identify which customers

are the most loyal and the most profitable.

When managing customer relations, data mining can be used to assign a score to a customer or prospect indicating the likelihood of that individual behaving in a particular way. By integrating data mining with a CRM system, a company can improve its profitability throughout the life cycle of a customer.

The Customer Life Cycle

- **Acquisition.**
- **Up-sell/Cross-sell.**
- **Retention.**

Acquiring new customers. Typically, customer acquisition means a lot of contacts to a lot of prospects, both qualified and unqualified. By using data mining tools to focus marketing efforts on the right people for your offer, you can reduce waste and increase response rates *before* you mail.

Up-selling and/or cross-selling to existing customers. By gaining a better understanding of your customers, you can identify which customers are more likely to be interested in specific services or products. You can learn which ways are the most effective in approaching your customers with new offers and personalize your messages to appeal to their interests or needs. In addition, those customers that are not particularly profitable but have the potential to be profitable can be identified and selected for special offers.

Retaining current customers. Since acquiring a new customer is typically much more expensive than keeping a good customer, it only

Data Mining Tools

- **Associations:** Events linked in a single occurrence. For example, the analysis could reveal that, 60 percent of the time, a rental car is reserved at the same time the plane reservation is made.
- **Sequences:** Associations linked over a period of time. For example, the analysis could reveal that 35 percent of newlyweds purchase a new home within a year.
- **Classifications:** Groups of data based on related characteristics and patterns. Commonly used to predict customer attrition and successful promotions for customer retention.
- **Clusters:** Data that breaks into natural groups. Involves detailed comparisons summarized into groups based on those records with the most similar characteristics.
- **Forecasts:** Algorithms that assist in projecting the future value of a dependent variable in question. Helps to determine top correlations and in predicting the likelihood of future behavior.

makes good business sense to keep as many of them as you can. Data mining can help you identify which customers are likely to churn. It can also help you identify which customers are profitable and worth keeping. These customers can be approached with customized incentive programs to help keep them loyal.

Data warehousing and data mining are the stepping blocks to turning customer data into true customer intelligence. 

WHAT'S
NEW AT **RUF** 

Ruf Strategic Solutions Becomes a Licensed Reseller of Experian's INSOURCE Consumer File

Ruf Strategic Solutions has entered into a licensing agreement with Experian®, a global provider of information solutions, to act as a direct reseller of lists and data services based on Experian's INSOURCESM consumer database.

The agreement provides for Ruf Strategic Solutions to install the INSOURCE database at its Olathe, KS facility, thus enabling Ruf Strategic Solutions to directly provide customers with targeted consumer lists and data enhancements from INSOURCE data.

INSOURCE offers information on approximately 215 million consumers in 110 million U.S. households. The data includes individual and household demographics, property statistics, telephone numbers, and direct response information.

Although this agreement represents an evolution in the relationship for Ruf Strategic Solutions and Experian, Ruf Strategic Solutions has a long history of working with Experian and Experian's data in product development and product remarketing.

The development of Experian's Smart Targeting Tools™, a suite of five integrated lifestyle and behavioral segmentation products for household targeting, list selection, and profile analysis, is one result of this cooperative relationship. In addition, Ruf Strategic Solutions has long acted as a broker of Experian's data and targeting tools, including INSOURCE lists and enhancements.

For Experian, this agreement acts as an effective way to increase the use by consumer marketers of the INSOURCE data with the direct integration and value add from Ruf's

expertise in market segmentation solutions and marketing database management.

"We are excited about furthering our relationship with Ruf Strategic Solutions by providing their clients access to INSOURCE, Experian's premier consumer database," says Deedee Johson, vice president of broker/licensing sales for Experian. "We have enjoyed a long and fruitful partnership with Ruf Strategic Solutions and believe this new agreement will further enhance our core strategies in data delivery and data integration."

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**— Deedee Johson,
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For Ruf Strategic Solutions, the agreement will allow Ruf Strategic Solutions to integrate the data more effectively into the company's highly predictive analytical services, offering increased return for clients' investment in consumer data. In addition, the INSOURCE installation will facilitate future research as Experian and Ruf Strategic Solutions continue their joint efforts in product development.

"We believe this agreement is a good reflection of our long-time relationship with Experian in data analysis and product development," explains Matt Hussey, Director of Strategic Account Development for Ruf Strategic Solutions. "It represents our company's increased focus on integrating data and analysis to build intelligent solutions, and our continued commitment to provide our clients with the best possible service."

Experian is a subsidiary of GUS plc and has headquarters in Nottingham, UK, and Orange, Calif. Its 12,000 people support clients in more than 50 countries. 