



THE RUF REPORT

Business Intelligence from the Pioneers of Database Marketing

Vol.9 No.1 2001

INSIDE

Budgeting for Profitspage 2

Example Direct Marketing Results - Costs - Profits Chartpage 3

What's New at Rufpage 4

Prospect E-mail Marketing: S.T.O.P. Before You Buy!

by Ian Oxman

STOP! Before you pass "Go" and rent 2,000,000 opt-in e-mail addresses, you need to ask the right questions and do the right research. Even today, many marketers are trying to apply the old postal rules to this "new" marketing tool. But renting an e-mail address list isn't like renting a postal list. Understanding those differences is the difference between a successful e-mail marketing campaign and a brand-damaging firestorm filled with lawyers, PR professionals and rabid cyber-activists.

For example, one of the most basic differences between the two is cost structure. With postal mail, the marketer pays for the production of the mail piece and then pays the USPS to deliver it. Postal mailings, therefore, have a built-in incentive to use a highly targeted mailing list because every piece costs money. That isn't how it works with e-mail.

With e-mail, the delivery costs reside not just with the sender but also with the recipient. The Internet Service Provider [ISP] is paying for the bandwidth to deliver your message and the e-mail recipient is paying for their access to the net. This shift in cost means that e-mail users are much less tolerant of commercial e-mail — particularly unsolicited commercial e-mail otherwise known as spam.

This intolerance has created a culture of distaste and distrust on the part of consumers when it comes to e-mail marketing. This has manifested itself in an active anti-spam movement complete with political lobbyists, cyber vigilantes and grassroots anti-spam organizations. If you are cavalier in your efforts at e-mail marketing, you could soon find yourself inadvertently labeled a spammer and subject to the ire of these groups. That is why you must use an opt-in e-mail list with a sound permission pedigree.

But remember, the Internet is the Wild West of marketing and is full of snake-oil salesmen hawking opt-in e-mail as the latest marketing elixir. They'll tell you permission e-mail marketing will do just about everything. If you aren't reading the fine print, if you aren't asking the right questions, you could end up poisoning your marketing efforts. How? Because renting or buying the wrong e-mail address list or service could get you labeled a spammer — an absolute reputation killer on the web.

So what's the first thing you should do before you start down the road of permission prospect marketing via e-mail? You should S.T.O.P., which stands for Source, Target, Observation and Permission.

Your mail will bounce and you'll be labeled a spammer faster than you can say "Hormel."

A veteran marketer and president of ChooseYourMail.com, Ian Oxman works with Internet Service Providers and advertisers to fight spam and develop ethical e-mail marketing programs.



SOURCE

E-mail addresses are collected in a wide variety of places. Some are captured through sign-ups for newsletters, some come from website registrations and still others are gathered as part of incentive programs like sweepstakes. Before you buy a list of e-mail addresses for your prospect e-mailing, make sure you know exactly how that list was compiled. This can help you determine if the addresses are more or less likely to belong to people who are expecting to receive marketing messages like yours. This is an essential component of permission marketing. If the collection method wasn't obvious to the consumer, if they don't know how they got on the list, they are more likely to have a negative reaction to getting your marketing materials.

TARGET

Demographic targeting is very difficult in e-mail marketing. In fact, studies have shown that nearly 50% of demographic data collected online is falsified. You might be better off finding a list targeting an interest area instead of a demographic group. Let's face it, wouldn't you rather know that the list is full of people interested in your product area instead of just making a guess based on dubious demographic data?

continued on page 3

Budgeting for Profits

by Ray Jutkins

Not too long ago I saw a cartoon showing the outside of a movie theater. The name of the movie was "The Budget." The caption underneath said "I don't know ... I think it's a horror film."

Budgets are horrible. I don't know anyone who really likes them. Even the financial people who have to work with them really don't like them. They may enjoy the process of budgeting, but working with budgets is just plain not fun. They are so limited!

The Downside of Budgets

Traditionally, budgets have been put in place to control costs. However good this intention, frequently it produces negative results.

Why? Because the budgets are put together before all the facts are known. And certainly before the results are known.

Budgets are built on assumptions, and assumptions in marketing never produce the same results twice. Similar but not the same.

So we're building a budget based on history and some assumptions about the future. For marketing, this isn't the way to do it. For marketing, budgets should be built on results.

Based on Results

Marketing should produce income. Profitable, bottom-line income. It is the only expense designed to produce profitable results.

There are two basic ways to tell your story: Advertising and marketing.

The purpose of advertising is to inform. To educate. To create awareness. To create an image. To position. To urge action.

The purpose of marketing is to get a response. A result. A bottom-line action. A purchase. To generate cash flow. To make a sale.

It makes perfectly good sense to allocate a specific and fixed amount of money for advertising. It may be based on a percentage of sales for last year or on the projected amount for this year. This makes sense because you cannot specifically measure what happens dollar for dollar on sales with advertising.

This works for advertising because without education, without awareness, without image, without positioning, a product will not sell as well.

It makes so much sense to invest in marketing programs that produce ongoing measurable results.

Advertising and marketing should work as a complimentary team. And advertising can be very successful working on a fixed and exact budget.

... but not marketing!

Marketing works better on a flexible budget because a fixed budget for marketing will limit your ability to gain some very profitable results. If you have a fixed, specific, detailed budget for

Ray Jutkins has been involved with direct marketing for nearly four decades. He is the 1999-2000 winner of the Arizona Direct Marketing Association's Lifetime Achievement Award.



marketing and don't allow any flexibility ... what happens when you are successful? You run out of budgeted money!

If you spend advertising money to drive prospects into your business to become customers, and then do nothing to build upon that, all you will do is advertise again and again, over and over.

On the other side, when you use advertising to drive prospects into your business to become customers, and then use marketing to maintain them, to hold their hand, to reach out and touch, to build a relationship, you will enjoy a higher level of profit.

Easy Theory, Hard Budget

This is where the budgeting gets difficult. It is easy to budget for the advertising part. It is much more difficult to budget for marketing because you really don't know what's going to happen until it happens.

Let's give an example from the restaurant trade. You have been advertising for a period of time and have built a database of those people who responded to your advertising. You are establishing a marketing program to invite those customers back to become better customers with you.

You probably have a birthday program, possibly an anniversary program,



Published to provide news, innovative ideas, practical tips, and tools to enhance the strategic advantage of our clients and friends.
© 2001 Ruf Corporation

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.

Please direct questions or comments regarding *The Ruf Report* to:
Sharon Crozier at sharon@ruf.com
1533 East Spruce Olathe, KS 66061
Phone (913) 782-8544
Fax (913) 782-0150

Or visit our website at:
<http://www.ruf.com>

and a frequent diner program so your guests earn rewards by frequenting your restaurant.

For the purposes of this example, let's assume you have seven restaurants. Approximately 1,500 people register in each of your restaurants each month.

The chart below is an example of what might happen over just a three month period if you mail to these people at least once during the quarter.

How many businesses enjoy profits at this level? Certainly not very many!

10,500 total registrations per month for all seven restaurants.
33% average redemption from offers made with a
\$24.25 average sale per redemption.

One Quarter

Results: 31,500 mailed offers (3 x 10,500)
10,395 guest visits/redemptions (33% x 31,500)
\$252,078 revenue generated (\$24.25 x 10,395 visits)

Costs: \$62,370 gift meals from offer (\$6 x 10,395 for this group)
\$19,750 mailing & service charges for all seven restaurants
\$82,120 total expenses

Profits: **\$169,959 net sales after direct expenses**
\$59,485 net contribution to profits (at 35%)

Calculations based on standard restaurant industry statistics and results.

Break the Fixed Budget

Why would you want to have a fixed budget with opportunities of this sort? The real question is how much advertising would it take to earn almost \$60,000 in "measurable" net contribution? The answer is nobody knows!

In marketing we do know!

Limiting Promotions Limits Profits

Can you budget for this type of a program and put a limit on it? Absolutely not! It makes so much sense to invest in marketing programs that produce ongoing measurable results.

There are additional benefits to database marketing, too. These are in some cases invisible because you don't really know they happen. They're very much like advertising. In other words, marketing can also be and is

also an advertising tool. Some of these other benefits are:

- **Brand name is enhanced.** People know who you are because you continue to remind them of who you are.
- **Name awareness goes up in the minds of your customers.**
- **Loyalty is built and maintained.** Your customers receive a personalized offer and message on a regular and ongoing basis.
- **Frequency increases.** Increased brand name, awareness and loyalty will increase frequency. You continuously *ask for the business.*
- **The customer database is available for a number of different promotions throughout the year.**

Budgeting for profits simply means you're not locking yourself into a number. Instead you're locking yourself into a concept. And, as your customer base and communication opportunities grow, flexibility in your marketing budget will allow you to enjoy some more take-home pay.

It is really as simple as that. ☺

S.T.O.P. Before You Buy *continued from page 1*

Also be sure that any list or e-mail marketing company you use can sort out the free e-mail accounts from the primary addresses. Hotmail, Yahoo! and other free e-mail addresses are often used by consumers as throwaway accounts and, therefore, tend to be less productive. E-mailing to abandoned addresses is like mailing to abandoned buildings; it's just cost with no potential return.

OBSERVATION

Look before you leap is sound advice when it comes to renting an opt-in e-mail list. So, after you find an e-mail marketer you like, sign-up for their opt-in program and noodle around a bit. Are you getting what you signed up for? Was it straightforward or would a consumer be confused about

what they could expect to get? Did they honor your unsubscribe request when you were done? These are all the things you want to know about any list you might rent. If you didn't like the way your address was handled, neither will a consumer.

Also, check and see if their domain is listed on the Mail-Abuse Prevention System Real-time Blackhole List [www.mail-abuse.org]. If they are listed, don't use them. Your mail will bounce and you'll be labeled a spammer faster than you can say "Hormel."

PERMISSION

Nothing is more important in prospect e-mail marketing than permission. Make sure you understand exactly how people on the list gave their permission to receive e-mail marketing

messages. Was the permission given recently? Was it obvious to the consumer? Was that permission confirmed with e-mail or some other method before the consumer was put on the list? If you can't get concise and believable answers to these questions, don't rent the list. Without permission, your prospect mailing is spam and you might as well change your name to Hester and sew a big scarlet "S" on your chest because spamming is a true reputation killer on the Internet.

So before you rent an opt-in e-mail list, be sure to S.T.O.P. and do your research. Without a strong understanding of the list you are about to rent, you could ruin your e-mail marketing effort and your company's online reputation. ☺

WHAT'S NEW AT RUF



New Business Development Efforts Expanded

Zlitni Joins National Accounts Team



Elizabeth Zlitni has joined Ruf Strategic Solutions as national accounts manager. She is responsible for new business development in the business-to-consumer and business-to-business areas. Elizabeth has more than 14 years of experience in the packaged goods industry, and in financial and direct marketing with the Tribune companies.

Elizabeth received her bachelor's degree in political science with an emphasis in international politics, a bachelor of arts in communication and a minor in marketing at Park University.

Focus on Strategic Relationships and Solution Development

Hussey Promoted to Director



Matt Hussey has been promoted to director of strategic accounts for Ruf Strategic Solutions. He is responsible for directing the overall relationship management for key data providers and product development/distribution partners. Matt is also responsible for solutions development for strategic accounts, supervising client solutions development, educating reseller account representatives, training sales and marketing associates as well as consulting on the effective application of Ruf's data products and services.

Matt received a bachelor of arts in visual communications and master of business administration from the University of Kansas.

New Leadership for Consumer Analysis Services

Churchill Promoted to Director

Debra Churchill has been promoted to director of consumer analysis services for Ruf Strategic Solutions. She is responsible for the management, fulfillment and quality assurance of Ruf's consumer segmentation and analysis services, including all Smart Products. Debbie has also expanded her role to support and develop some of the initial Ruf Online service offerings as well as training to provide additional support for the Business Cluster products.

Debbie earned a bachelor of science in mathematics with a concentration in statistics from the University of Kansas and a master in business administration from Baker University.



Information Technology Experts Receive Deserved Recognition

Hanneman Promoted to Director

Tom Hanneman has been promoted to director of information technology for Ruf Strategic Solutions. Among his other duties, Tom is responsible for researching, developing and integrating the core technologies that form the basis of the Ruf Online service.

Tom earned a bachelor of science in computer information systems and a master of management information systems from Friends University, Wichita.



Smith Promoted to Operations Manager

Ken Smith has been promoted to IT operations manager for Ruf Strategic Solutions. He is responsible for supporting and advancing key systems and services within the organization.

Ken earned a bachelor of science in electronic engineering technology and computer science from Missouri Western State College, and he is currently pursuing a master in information systems management at Keller Graduate School of Management.

