Lotus MarketPlace

The Lotus Desktop Marketing Advantage

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About This Book

The Lotus Desktop Marketing Advantage introduces a new concept called *Lotus Desktop Marketing*™ — direct marketing from your personal computer, using a variety of desktop software tools that includes Lotus MarketPlace™.

Creating a list of ideal prospects with MarketPlace™ is only the beginning of the desktop marketing process. If you've never put together a telemarketing campaign or rolled out a mailing, you'll find that *The Lotus Desktop Marketing Advantage* gives you some valuable tips and examples. It helps you think about the question "Who is my potential customer?" and helps you translate the answer into a MarketPlace list.

In *The Lotus Desktop Marketing Advantage* you'll learn about:

What Is Desktop Marketing? An overview of the concept.

Defining Your Prospects. How to develop a prospect profile and create a MarketPlace list that matches the profile.

Orchestrating Your Direct Mail Campaign. Practical hints about assembling a direct mail campaign.

Business-to-Business Telemarketing. Benefiting from the advantages of telemarketing while avoiding its pitfalls.

Desktop Analysis. Using MarketPlace analysis tools and simple mathematics to analyze markets and campaign results.

Improving List Performance. Tips on improving your bottom line.

Legal and Ethical Uses of MarketPlace. Your responsibilities as a MarketPlace user.

If you're interested in learning more about direct marketing theory and practice, refer to the reading list in Appendix B. These reference works were used in developing *The Lotus Desktop Marketing Advantage* and are the source of the statistics, studies, and certain other information presented throughout this book. Terms that appear in italics throughout the book are defined in the glossary.

1 What Is Desktop Marketing?

Whether you're a sales and marketing professional, a small-business owner, or an entrepreneur just starting out, your business depends on successful prospecting — finding likely potential prospects — and turning them into new customers. The personal computer has become a popular business tool because of the control and flexibility it provides for prospecting.

Lotus ® calls this desktop-based process of finding and keeping customers *desktop marketing*. It involves the active pursuit and targeting of customers through the use of software tools such as word processing and mail merge packages, database management software, lead tracking tools, spreadsheets, desktop publishing tools, and now prospecting software.

MarketPlace is the latest addition to this array of software products. With MarketPlace, you're no longer dependent on foot power and the phone book to find new customers. It provides the raw data to find new prospects and the capability to analyze current and potential markets — the all-important first steps of direct marketing.

With MarketPlace and the other components of your desktop marketing toolkit, you now have desktop control over the *entire* direct marketing process — from finding that ideal prospect to closing the sale.

Your Desktop Marketing Toolkit

A typical desktop marketing toolkit contains the following:

Lotus MarketPlace. MarketPlace is a prospecting and analysis tool that gives you immediate access, via CD-ROM, to databases of more than 7 million businesses (MarketPlace: Business) and 80 million households (MarketPlace: Households) in the United States.

MarketPlace has several features to help you perform traditional desktop marketing functions, such as label printing and lead tracking report generation. In addition, its data can be easily exported into several other types of software packages.

Word processing/mail merge software. As you'll learn in Chapter 3, the letter is the most common format for a direct mail campaign. Word processing software is essential to editing, maintaining, and personalizing your letter. A word processor with a mail merge function may be the best companion tool to MarketPlace.

Envelope/label printing package. MarketPlace has features in place to print several standard types of labels. If you are looking for a broader range of functionality, however, consider using a label printing package. MarketPlace data can be exported into most of these packages.

Database management software. You may already be using a database package to maintain your house list. Import MarketPlace data into your database to manipulate, update, and reformat data.

Lead tracking software. Lead tracking software can help you track what contact you've had with potential and current customers, as well as their purchase histories.

Mapping analysis software. By importing your MarketPlace list into a mapping analysis package, you can see at a glance where your customers are located. Mapping analysis is especially useful if you are unfamiliar with the area you are targeting, for example, for siting a store in a new region.

Spreadsheet packages. Once you've analyzed a list, you can export the analysis information and graph it for comparison with other information or otherwise manipulate it with a variety of analysis functions.

Presentation software. Once you have the information displayed on a map, use a presentation package to capture that information for use in slides or overheads.

Desktop publishing software. Use desktop publishing software to create and combine copy and layout for your direct mail package.

Direct Marketing in the 1990s

Desktop marketing is, at its very essence, direct marketing from your personal computer. What is direct marketing?

Direct marketing is targeting a specific audience with a tailored message. With direct marketing, you set up a one-to-one relationship and two-way communication between you and a potential customer. Unlike general advertising, direct marketing allows you to focus your message and to measure response rate when customers request more information, accept your free offer, or send in a prepaid order.

Where MarketPlace Fits In

If you've ever conducted a direct marketing campaign, you know it's not easy to find the list you want, especially on a small scale. Most list brokers do not want to handle list orders for fewer than 5,000 names, and it can be confusing trying to find the exact list you want. There's usually a waiting period of several days before you get the list. And after all that, you are usually permitted to use the list only once.

But with MarketPlace and your desktop marketing toolkit, your business can create lists of prospects immediately and use them again and again. And your list can be as small or as large as you want, because the MarketPlace meter counts off only the names you use.

There's more to MarketPlace than just generating lists. You can quickly evaluate and redefine sales territories, locate the competition in a given area, analyze the potential for a site for your next branch office location, or quickly determine the market potential for a new product.

In fact, as you start to understand everything MarketPlace can do, you'll probably find yourself performing many tasks you thought only larger companies could handle.

That's what desktop marketing and MarketPlace are all about — helping you grow your business.

2 Defining Your Prospects

Who is your ideal prospect? To the successful desktop marketer, there is no more important question. Your success at defining the answer should help to influence your bottom line.

It's a rule of thumb in the direct marketing industry that a good list costs only 20 percent of the campaign budget but is responsible for 80 percent of the return. A good list leads to a higher response rate and less time, energy, and money spent per order. Plan to put significant time and energy into defining your ideal prospect and ensuring that your list targets just that business or consumer. It will pay off in the end!

Identifying Similar Purchasing Patterns

In the most effective lists, people or businesses share a defined set of characteristics that position them to buy *your* product or service. As a desktop marketer using MarketPlace, you can develop your own lists right on your computer and use MarketPlace analysis tools to help ensure that the characteristics you're looking for are represented in your list.

Creating a Prospect Profile

Creating a *prospect profile* involves defining your prospect's characteristics in the most specific terms. With MarketPlace, you have the power and flexibility to create an infinite number of profiles using the following tools:

For Businesses

Geography, or location. MarketPlace: Business criteria include five-digit zip codes, three-digit zip codes, counties, metro areas, states, and telephone area codes.

Size. These criteria include annual sales and number of employees. Number of employees is the industry standard for determining company size; annual sales vary widely as an indicator of size from industry to industry but is useful in certain applications such as finance.

Type of Business. Through SIC, or Standard Industrial Classification codes, you can pinpoint the type of business or industry to target.

For Households

Geography or location. MarketPlace: Households criteria include five-digit zip codes, three-digit zip codes, counties, metro areas, and states. There are no phone numbers or area codes in the Households database.

Demographics, or vital statistics. Demographic criteria in MarketPlace include age, gender, marital status, and estimated household income.

Psychographics, or consumer behavior patterns. MarketPlace psychographics include shopping habits.

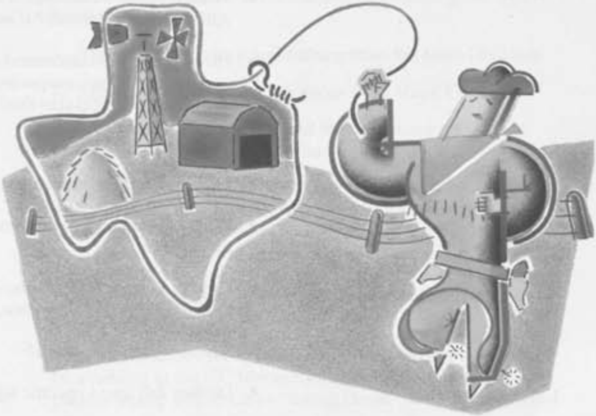
Geodemographics, or combining demographic and psychographic information with geographic data. Successful direct marketers have employed *geodemographic systems* to conduct marketing campaigns for years. Geodemographic information in MarketPlace includes lifestyles and likelihood to purchase specific products.

Creating Your List

In MarketPlace, you combine criteria from each of these categories to create a list definition. Once you have created a list definition, MarketPlace builds your list by selecting from the database only those records that match the definition.

For example, you could combine criteria in the business database to select:

- Law offices in Sarasota with annual billings greater than half a million dollars.
- Cattle ranches in Texas with annual sales of more than $1 million.



And in MarketPlace: Households to select:

- Households with an estimated income greater than $100,000 in the Seattle metro area that are likely to be interested in luxury cars.
- Men living in California who are under 40 and are likely to be electronics hobbyists.

How to Start a Profile

You start defining your list by asking yourself a series of questions about your current or potential customer. If you have an existing customer database and plan to sell the same product or service to a new audience, examine your current customers. If you're just starting up or are marketing a new product, think about who will buy your product.

Every desktop marketer should ask the following questions:

For Targeting Businesses

- Where are my customers located? Nationwide? In my sales territory? Near my service centers? In my own city or town?
- If I'm conducting a telemarketing campaign, does it make more sense to target them by telephone area codes?

- What types of businesses is my product or service suited to? All? Specific industries? If so, which ones?
- How big are my customers? Are they small "Mom and Pop" operations? Large companies? Is there a certain sales range or employee group size that I've been particularly successful with?

For Targeting Households

- Where do my best customers live? In the city, in the suburbs, in rural areas?
- How can I best group them — by metro area, by zip code, by three-digit zip code, by state, by county?
- Are they men or women?
- Do they fall into a specific age group?
- What is their typical household income range? Are they affluent? Middle income? Low income?
- What interests do they have? Do their interests relate to my product?
- Where do they like to shop? At upscale stores? Discount houses? Are they brand conscious?

Business Profiling by Type

Selecting businesses according to business type is the most powerful targeting technique that MarketPlace: Business offers. Each business listed in MarketPlace has its own government Standard Industrial Classification code, or SIC code, assigned by the MarketPlace: Business data supplier. The SIC code structure is a logical, three-level hierarchy that makes it easy for you to focus on the type of business you want. The hierarchy is structured to accommodate increasing levels of detail:

- Main Division: Broadest classification (1-letter code)
- Major Group: Next broadest classification (2-digit code)
- Specific Industry: Most detailed classification (4-digit code)

For example, to choose cattle ranches you would go to Type of Business and select:

1. Agriculture, Forestry and Fishing from the Main Divisions
2. Agriculture Production Livestock from Major Groups
3. Beef cattle feedlots (0211) and Beef cattle, except feedlots (0212) from Specific Industries.

Although the majority of businesses can be found quickly and easily through the SIC hierarchy, your business category may not be listed by the wording you select. The Type of Business Find feature allows you to search by alternative names to each SIC code. For example, if you type in "restaurant" at the Find prompt, the software takes you to "Eating Places," which is the appropriate entry.

Classifications of very specific industry types may not always be available in the SIC hierarchy. For example, targeting pizza parlors would still result in "Eating Places" at the most detailed level.

Always search by the primary function of the business type. For example, if you want to target computer training centers found at retail stores, you should probably target computer retail stores.

Powerful Household Profiling

In addition to the variety of geographic, demographic and psychographic information available on households, MarketPlace contains other information that is useful to desktop marketers — information about household lifestyles. Elements that make up the MarketPlace lifestyle information set include:

- Level of education
- Type of family (children, their ages)
- Type of products purchased
- Types of magazines read
- Ethnic background
- Hobbies and interests

Such information is not available on individual households within MarketPlace. But the Households database capitalizes on the fact that people who live in similar neighborhoods tend to exhibit similar lifestyle characteristics. By mapping this demographic and psychographic information to small units of geography, MarketPlace predicts the geodemographic profiles of individual households.

There are two types of lifestyle information in MarketPlace: lifestyle profiles and likelihood to buy a specific product.

Lifestyle Profiles

MarketPlace contains 50 lifestyle profiles in the Lifestyles and Products section of the program. Every household in the database belongs to one of the 50 lifestyles. Each lifestyle represents a homogeneous group of people based on demographics and the behaviors listed above.

For example, people in the Accumulated Wealth-E category tend to live in the suburbs, have large families and a high income and education. Most own their own homes, and the category has a broad ethnic diversity compared to other lifestyle groups.

The MarketPlace lifestyle information system is more powerful than most geodemographic systems because it maps to very small (ZIP+4) geographic areas, the smallest mapping strategy currently available.

Inclination to Purchase Products

Inclination to purchase a specific product is also part of the MarketPlace lifestyle information set. More than one hundred products in categories such as apparel, finance, and leisure are available as targeting tools. Some product selections may be directly applicable to your campaign; for example, one of the selections in the shopping category is an interest in ordering items by mail.

If your product is not listed, you can infer likelihood to buy from related products that are represented. Consider the following examples:

- Likelihood to purchase cloth diapers may indicate a likelihood to buy portrait studio photographs.

- Likelihood to buy frozen dinners and take-out foods may indicate an interest in other time-saving items or services, such as an errand service.

- Likelihood to own a power boat or sailboat may indicate an interest in purchasing fishing gear or water sports equipment.

Another powerful technique is to combine items. For example, if you are marketing a series of computer games for children, you might try selecting children's clothing and computer ownership.

When you select a product category, MarketPlace ranks its 50 lifestyles according to purchase inclination, from strongly inclined to purchase to least likely to purchase. You can then focus your list definition on those lifestyles with the strongest likelihood to purchase.

The Lifestyle summary descriptions and the products list are printed in the *User's Guide* that comes with the MarketPlace: Households package. If you have a *User's Guide*, you may want to browse through the list and become familiar with it. Or you can obtain the complete lifestyle descriptions through the Households data supplier, Equifax Marketing Decision Systems.

Prospect Profile Examples

The following examples demonstrate how typical MarketPlace users go about prospecting for new customers.

Business Examples

BOB's
ELECTRIC

Topeka Electrician

The owner of an electrical services company in Topeka, Kansas, has expanded his company to include fire alarm system installation. A recent upgrade in the city fire code affects all retail businesses over 2,000 square feet. He wants to conduct a telemarketing campaign offering a free estimate and a 10 percent discount on all materials for any new contracts.

He first selects the greater Topeka area, then chooses all retail stores through Type of Business. He estimates that retail businesses of this size usually have at least 25 employees. He selects a range of 25 and up for Number of Employees.

List Definition:

- Location. He selects the Topeka metro area to include not only the city limits but also surrounding suburbs.
- Type of Business. He selects retail trade by searching through the SIC hierarchy in Type of Business.
- Number of Employees. He selects stores with 25 or more employees to target the appropriate store size.

Providence Office Supply

An office supply company has decided to put together a catalog of its products in order to expand into the neighboring south suburban Boston market. Its best customers are professional offices and small, high-tech companies.

Because of the diversity of the potential customer base, they create two lists in MarketPlace: one to target professional offices, and one to target high-tech companies. The professional offices list would use the following criteria.

List Definition:

- Location. The company selects Plymouth and Norfolk counties south of Boston proper.
- Type of Business. Using the SIC selections, they target professional offices, specifically physicians and lawyers.
- Annual sales. They target companies with annual sales under $5 million.

Utica Personal Computer Consulting

A husband and wife have just left their positions at high-technology firms to start their own personal computer consulting business. Their specialty will be helping small businesses computerize their accounting and record-keeping systems.

They need to find small businesses in all areas adjacent to their new home.

List Definition:

- Location. They select all counties adjacent to their county, Tompkins County, New York.
- Annual sales. They target businesses with annual sales of less than $2.5 million.
- Number of Employees. They target businesses with fewer than 10 employees.

Households Examples

Washington, D.C., Art Gallery Owner

A Washington, D.C. art gallery owner is looking to expand her base of customers. Art is not a product selection in MarketPlace, so she must find other criteria to target potential customers.

List Definition:

- Location. The gallery owner combs her current customer file to find out that most live in Prince George's County, Maryland, which contains several suburbs of Washington, D.C.
- Household Income. Her current customers have a household income of at least $100,000.
- Product Selection. Art isn't listed as a choice, but other luxury items are: champagne, for instance, or luxury cars. She selects all lifestyles with a strong likelihood to buy these items.

Portland Community College

A Portland, Oregon, community college wants to find prospects for a new group of night classes designed for young adults who want to develop their management skills.

The school can target adults through several methods. One possible choice is:

List Definition:

- Location. The school targets homes within a 20-mile radius of the school, by zip code.
- Age. The school selects people under age 29.

- Lifestyle codes. The school selects several lifestyle codes that are appropriate, such as those in the Mainstream Singles category.
- Product selection. The school builds a second list, selecting products that may indicate an interest in education, such as books, and merges the second list with the first.

3 Orchestrating Your Direct Mail Campaign

How do Americans perceive the unsolicited mail they receive? Is it a medium for communicating useful information, or is it "junk mail"?

Since the advent of focused customer targeting, many people's perception of direct mail is evolving toward the former. Direct mail is an important information source for many American families and businesses, useful for saving time and for comparing products and services. According to currently available statistics, the average American household receives more than 10 pieces of promotional direct mail each week, reflecting the general health of the industry.

How your audience views *your* direct mail piece depends to a large extent on whether you've targeted the right audience and whether your direct mail package is correctly focused.

Properly orchestrated, direct mail can be an immensely powerful and persuasive marketing tool — the key to your desktop marketing success story.

Setting Up Your Direct Mail Promotion

There are two types of direct marketing promotions: one-step and multi-step sales promotions. In a *one-step sale*, the offer and the request for the order are presented simultaneously; the prospect's response makes him or her a customer. A *multi-step sale* implies two or more contacts with the lead to convert him or her from a prospect into a customer.

Examples of multi-step sales are an initial mail piece with a follow-up telephone call or reminder mailing piece; a mailed questionnaire or self-qualifying survey that sets the stage for a follow-up sales call; or a series of mailings designed to boost your name and product recognition before a sales call takes place. You may even decide to send weekly or monthly mailings as part of an effort to boost sales before an end-of-year deadline.

The biggest factor in determining which type of promotion you choose is your budget. While the response rate will likely increase with multi-step sale promotions, the cost per order may also increase. Weigh the tradeoff to make sure the higher response rate offsets the extra cost.

Nail down your list (your audience) and your promotion type before you turn your attention to the three other important concepts in a direct mail campaign:

- the offer
- the format, including the copy
- printing and mailing your package.

Consider using a desktop publishing package, a valuable part of the desktop marketing toolkit, to lay out and design the components of your direct mail package. Desktop publishing, unheard of less than a decade ago, combines word processing, layout and graphics capability with near-typeset print quality. It offers flexibility, economy, and speed in creating a direct mail piece or any public relations or documentation piece.

Your Direct Mail Offer

The direct mail offer is your presentation of the item you are selling. There are dozens of ways to structure a direct mail offer. Here are a few:

- **Payment with order,** in which the customer must send money before receiving the product or service. Your initial response rate will almost always be lower than with a soft sell (see below).
- **Soft sells,** in which the customer makes a commitment to buy but does not send money. A leading source states that responses to soft sells can be twice as high as a payment with order requirement. But the sale is not complete until you've collected payment, and collecting from everyone is not guaranteed.
- **Information requests,** in which the customer does not make a commitment to purchase but asks for further information — for example, a brochure on a vacation resort or a new mutual fund prospectus. Be sure you send the information out promptly and take the opportunity to make a sales pitch.
- **No-risk offers,** in which the customer receives something of value but is not required to send money. These offers tend to have high response rates. By taking advantage of a no-risk offer, your customer can get to know your product and your company without having to make a commitment. Examples of such offers include inspections or evaluations, trial magazine subscriptions, money-back guarantees, or catalogs with a $5 coupon good toward the first purchase. These types of offers are usually two-step sales.

The price sensitivity of your audience should be a primary consideration in pricing your product. Is your price competitive with other offers available to your target audience? Be sure your markup is high enough to provide a reasonable profit margin after you cover your fixed and variable costs. If you are selling several similar items, clearly differentiate them to avoid confusion.

Package Format and the 15-Second Rule

Studies show that on average, your direct mail piece has about fifteen seconds to grab the reader's attention — five seconds to create intrigue with the envelope, and (if they decide to open it) ten seconds to create reader involvement with the copy. Careful planning of critical elements will save your package from the wastebasket.

Many direct mail packages comprise a standard set of elements:

- an envelope
- a letter
- a brochure
- a response device (BRC, or business reply card)
- a reply envelope (BRE, or business reply envelope)

Generally, this is the best mix of economy versus response rate.

The *response device*, the section of the mailing piece that asks for the response or order, is the most critical part of the package. Your response device should summarize your offer. Make it easy to understand and avoid presenting new information. The most straightforward response device is a self-addressed, postage-prepaid business reply card.

If you're mailing to businesses, use standard business colors such as white or cream for paper and colored stock for the business reply card. The consumer market is more responsive to a creative format. Consider printing in color, placing a teaser line on the envelope, or using an intriguing return address to create interest.

Three Alternate Package Formats

Here are three other formats you might want to consider:

Self-mailer. This is a one-piece mailer that folds to a mailable size. If they are designed well, self-mailers can be less expensive than other mailing pieces to produce. The Postal Service governs the weight of paper stock and size for self-mailers.

Catalog. Catalogs are the obvious choice when your promotion offers many items. Catalogs serve as visual aids to the potential customer and can be used effectively as sales aids for field calls.

They can be in brochure form, a mini-catalog, or even in a magazine format. However, catalogs can be expensive to produce, so be sure you've researched printing and mailing expenses before proceeding.

Premium. Promotional items, or *premiums*, almost always attract potential customers. If your budget will allow it, consider mailing a gift, a trial-size sample, or a special offer along with information about your product or service.

No matter what format you select, include your company name, address, and phone number on all pieces of your mailing package.

The Copy

Plan your copy around the response device, the headline, and the postscript of your letter. People will normally scan the headline or first sentence of your letter, read the postscript, look at the response device, and then decide whether they want to read further.

Be sure your copy is clear and concise and presents the offer simply and directly. You should review and become familiar with the Direct Marketing Association's Guidelines for Ethical Business Practice in Appendix A to be certain that your copy meets all current standards for direct mail copy. A word processing package is invaluable for editing, revising, and storing your copy for future use.

Because the response device should summarize your overall message, it may help to put that together first; then use it as an outline for your letter or other copy.

Often, short surveys will help improve your response rate, especially if you offer to send a copy of the survey results. Not only does a survey allow you to tailor questions to match your product's features and benefits, but it also sets the stage for a follow-up sales contact.

Personalizing Your Message

Personalizing your letter in the salutation and body copy will elicit a better response rate than a nonpersonalized letter.

For consumer mailings, include personalizing information in your address: specifically, the prospect's name.

For business mailings, some MarketPlace: Business records include an executive name and title as a contact. But if you're not interested in mailing to the contact, you can mail to a specialized title — for instance, "Media Specialist" at schools or "Purchasing Director, Computer Equipment" at a business. Targeting to job titles can be as effective as using the names of the people who currently have them, because employees frequently are promoted, move to new assignments, or switch companies.

A mail merge package or a word processor with mail merge capabilities is a powerful ally in personalizing your mailings. More-sophisticated programs allow insertion of names, addresses, or specific messages within the body copy of the letter.

Carefully consider the merits of labels versus printed envelopes. Labels are much easier to produce than envelopes and are quite common, but they tip your reader that yours is a mass mailing and may lower your response rate.

If you are mailing to a small audience, consider using stamps to affix postage. Stamps take longer to apply but give the impression that yours is a personal mailing.

Printing and Mailing

How can you ensure economical, high-quality printing? Should you mail your piece first class or third class? What sorting options are available? Because printing and mailing are likely to be a big chunk of your campaign budget, weigh decisions related to these tasks carefully.

Take advantage of resources such as your print shop and the local post office. Printers can recommend designs, sizes, papers and inks to help meet your design and especially your cost goals. Work with your printer all the way from conception through final mechanicals for your piece. The Postal Service offers pamphlets to help you design a direct mail piece. Be aware that design, copy, and printing options for your mailing piece are limited by postal regulations.

Some of the recommended readings in Appendix B contain thorough explanations and guidelines for creating a mailing piece to fit your needs.

Postal Considerations

The issues described below should figure in your decision between first- and third-class postage. Before making a decision to select first-class or third-class postage, consider doing a sample mailing of each to determine the impact on your response rate and your cost per order. There is no guaranteed formula for success with either first-class or third-class postage.

Postage Sorting. Sorting your mail before sending it to the post office can reduce your postage bill significantly. MarketPlace: Business offers several sort options, including the ZIP + 4 (nine-digit) level. The households database also supports carrier route (CAR-RT) pre-sort information in addition to the sort options in the business database.

Check with the Postal Service for information about bar coding your mailing pieces. Bar coding is a way of providing additional sorting information to the Postal Service and may qualify you for further discounts. There are several desktop marketing software packages available that generate bar codes for your envelopes.

Speed. Obviously, third-class mail costs substantially less than first-class mail, but third-class might be delivered much more slowly. First-class mail is normally delivered in 1 to 5 days; third-class mail can stay in any postal facility for up to 48 hours, and mailing times can stretch to 15 days, coast to coast.

Nondeliverability. In addition to speed, the first-class stamp also buys you the forwarding of your mailing piece if the addressee has moved, thus avoiding nondeliverables, or *nixies*. Because the American population is mobile, and because a good percentage of businesses either move or close during the year, you will always have nixies. List industry and Postal Service research studies peg the national average for nixies at about 15 percent; this means that about 85 percent of the average desktop marketer's mailing will be deliverable.

Because MarketPlace data suppliers are leaders in their respective fields, Lotus anticipates that your deliverability will be better than the national average. You can reduce the nixie rate for business mailings by using the "recently verified only" option (Data Options) when creating a list. Be sure to use the most recent Data CD-ROM for the highest deliverability rates.

Address Correction. With first-class mail, address correction information is automatically provided to the sender so that the piece is forwarded. Address correction information is available for third-class mailings for a fee.

Smart desktop marketers who plan to mail to a list more than once should opt for address correction, export the MarketPlace list to a database management program, and update the list with address correction information. This may increase the deliverability of a list significantly.

Corporate Deliverability. Many corporate mailrooms (and some consumers) throw away third-class mail as a matter of policy, so although you save on postage you may deny yourself access to potential customers. If you decide to do a first-class title-addressed mailing, be sure to stagger the mail dates so your piece does not arrive en masse; it may be perceived as junk mail and tossed away.

Rolling Out Your List

Telemarketers obtain feedback to their offer immediately and can alter their message to obtain better response rates. Direct mailers do not have access to that immediate feedback. It's an unwritten rule in the list industry that you should conduct a sample mailing so that you are confident the list will work. *Rolling out* your list consists of mailing the rest of the list in stages, after ascertaining that the sample mailing was successful.

In general: *think small*. A poorly targeted, large rollout will be more financially devastating than a small one; continue to test, analyze, and redefine your lists.

Don't be disappointed if your samples consistently outperform your rollouts. For example, a 1.9 percent response from a test will most likely yield a rollout response in the 1.7 percent range. The reason for this discrepancy is usually statistical sampling error.

With some thought and careful planning beforehand, you can use test mailings to determine which, if any, list segments are more successful than others. For example, if you have chosen four lifestyle segments that you calculate are your best potential customers, consider building them as four separate lists in MarketPlace and doing a sample mailing of each to determine which will be the most successful for you.

Changing Your Strategy

If your test results are below what you expected, you might want to change either the list definition or the campaign material. It hardly ever pays to retest a list that didn't test well the first time — chances are you'll get the same results. Try building a new list, or changing your format or offer. Change only one variable at a time, so you can effectively evaluate the results. If you change more than one variable, you won't know which one caused a subsequent change in response rate.

4 Business-to-Business Telemarketing

With the cost of a face-to-face sales presentation averaging over $250 in most parts of the country, many businesses are turning to telemarketing to qualify their sales leads. Because telemarketing offers immediate, two-way communication with the potential customer, it has become a preferred method for finding qualified leads and then pitching a sale.

There are two types of telemarketing. With *inbound telemarketing,* customers call your business in response to a direct mail piece. With *outbound telemarketing,* your business places calls to potential customers, often following up with the customer after sending a direct mail piece.

With Lotus MarketPlace: Business, you can generate a list of target businesses, including phone numbers, names, and titles, that serves as a database in a campaign employing either method. Telemarketing with Lotus MarketPlace: Business also works well as a quick, inexpensive way to gather market data for a potential project or to float an idea past a targeted group of prospects.

Why Telemarketing

A successful telemarketing campaign will generate, on average, a higher response rate per dollar spent than a successful direct mail campaign. And, telemarketing scores high in another important aspect of direct marketing: you get an immediate, directly measurable response. Yet executing a telemarketing campaign can be more frustrating and less precise than a comparable direct mail campaign. Telemarketing is usually more dependent upon factors outside your control, such as busy or unanswered phone lines or call screeners who may prevent you from reaching your prospects. Before you embark on a telemarketing campaign, it pays to learn about some techniques that will help raise your response rate — and about some potential pitfalls that could cause it to plummet.

Telemarketing offers some distinct advantages over other direct marketing methods:

Interactivity. Telemarketing is one of the most efficient ways to direct market, because it is, by definition, two-way communication. You can quickly qualify prospects, set up a face-to-face meeting, or close a sale.

Higher response rates. Authorities agree that depending on your campaign and your offer, telemarketing tends to generate a higher response rate than does a comparable direct mail campaign to the same customers.

Increased measurability of response. You can better measure the results of your campaign: the feedback is immediate, and you know whether your message made it to the customer and when.

Immediate feedback. You can also use the immediate results to alter your campaign as you go, by simplifying an offer, for example, if customers don't understand it quickly, or by adding a free promotional item as incentive if your response rate is low.

Opportunity to capture additional database information. With telemarketing, even if you don't make a sale, you can obtain valuable information about the customer, such as whether the company is still in business or whether the contact name you have is the correct one for your campaign.

Realities of Telemarketing

Telemarketing also presents some difficulties compared to direct mail. Foremost of these is the number of calls you must make; you may have to call as many as eight times before reaching the appropriate person. As an industry standard, about 30 percent of the contacts on your list will not be reachable for various reasons: the business has moved, the phone line remains busy, or your call is being screened by the switchboard or an assistant. And, of course, it could be that the contact name provided is not the one you need for your offer.

The direct marketing text co-authored by Goldberg and Emerick (see Appendix B) presents some interesting observations about a business-to-business telemarketing campaign:

- Only 25 to 35 percent of all calls are completed on the first dialing.

- Completed calls per hour per person range from 5 to 13.
- Number of dialings per hour per person range from 20 to 35.

Improving the Odds

You can improve the odds of a successful campaign by following these guidelines:

Combine Mail with Phone. A very effective two-step direct marketing technique is to follow a direct mail piece with a properly timed phone call. Usually, response rates in a mail/phone campaign are almost always higher than the cumulative response rates for the individual campaign elements. For example, if a response rate for a mailing is one percent and for a telemarketing campaign three percent, the combined use of these should be four percent — but you may find it's as high as six or seven percent.

Timing in this type of venture is critical; try to reach your prospects within five to seven days of their receipt of the mailing pieces. You'll need to estimate the delivery dates for your mailings. Be sure to arrange for enough staff to call all your contacts within a short time. Staggering your mailings will help you allocate resources more efficiently.

Allow Inbound Responses by Mail. Whenever you set up an inbound response campaign (where your prospect calls in an order by phone as a response to a direct mail campaign), you should also offer the option of response by mail or fax. Some businesses prefer to respond with printed copy, which is easier to track.

Be Aware of Schedules. Time of day and week can cause response rates to vary enormously. If you limit your calls to standard business hours, be aware of potential time conflicts or busy periods within your industry. If you're telemarketing to restaurants, for example, early morning or mid-afternoon calls make more sense than calls at mealtimes. Or, you may want to take the tack of calling during off-hours when support staff may not be around to screen your call.

Keep Track of New Information. A new branch office phone number or the name of a new CEO gleaned during your phone call are valuable pieces of information, well worth writing down and employing in potential sales campaigns in future months. Consider setting up a database to record any new facts about the businesses you contact. Use the MarketPlace Report feature to create forms for jotting down information during your call; then transfer it to your database.

Offer a Free Trial or Promotional Item. It's hard for anyone to turn down a no-strings-attached offer. Sending a trial sample, free gift, or other premium gives you a valid reason to verify and update the prospect's title and address.

Scripts and Outlines

Your telemarketers will need written material from which to work. Two common methods for structuring telemarketing information are the *telemarketing script*, which specifies every word the telemarketer should say, and the *telemarketing outline*, which lays out the flow of the call but does not require the telemarketer to follow a script.

Set up a telemarketing script if you don't have a lot of time to invest in training or if you are interested in strictly measuring the response to your offer. A good script sets up the offer clearly and quickly, is conversational in tone, and contains responses to anticipated questions or objections. You will need to make response sheets available to your telemarketers to record information, so make sure your printed script contains places for the telemarketer to write customer responses.

Encourage your telemarketers to present themselves as naturally as they can: a script can sound mechanical if it isn't read properly.

A telemarketing outline lays out the general intent and key messages of your campaign but stops short of spelling out every word. A script outline's success depends in part on the conversational and sales skills of your telemarketers.

If your telemarketers are highly motivated and well prepared, an outline may be the better choice for your campaign, because it allows for natural flow of conversation. On the other hand, measuring results accurately becomes more difficult when the offer is not standardized from telemarketer to telemarketer; your outline represents a wild card in your analysis.

Tips for Preparing Your Copy

Whether you decide to write a script or an outline, it pays to follow these suggestions:

Ask for a Response That's Quick and Easy. Make it easy for your customer to say yes to your offer. The response you elicit could be a confirmation to send free information, a free product, or an offer to try a product for 30 days.

Keep It Short. If the initial explanation of your product runs more than 30 seconds, you should cut it back. If it's impossible to describe your offer in less time, simplify the offer, or send a descriptive direct mail piece followed up by a phone call.

Choose One Message. Multiple or conditional offers only confuse the listener. Make sure your message contains only one concept and one product. Keep it simple.

MarketPlace: Households and Telemarketing

Because many consumers consider telemarketing calls an invasion of privacy, MarketPlace: Households does not include area codes or phone numbers. Recent studies show that consumers are becoming more, rather than less, sensitive to this issue.

The households database is not intended for use in any type of telemarketing effort.

5 Desktop Analysis

Successful desktop marketers use a variety of tools to obtain the best results. Two of the best tools for analysis are right on your desktop: the MarketPlace analysis feature and your calculator.

MarketPlace list analysis can play a key role in analyzing the competition, looking at a potential market, or realigning sales territories. With immediate access to market information on your desktop, you can ponder possibilities from opening a branch office to realigning sales territories — without ever buying a list through the MarketPlace meter.

By employing simple mathematics, you can calculate how successful your campaign was. The List Mathematics section in this chapter takes you through an example of this.

Once you start using MarketPlace analysis tools and your calculator, you'll be joining the most successful desktop marketers — people who effectively evaluate potential or current markets and their desktop marketing campaigns.

MarketPlace Analysis Tools

What if you opened a branch office in a neighboring city? What if you redefined your sales territories? MarketPlace gives you the power to play the game of "What If," just as a Lotus spreadsheet does with your balance sheet.

Among the types of desktop analysis you can perform are:

- Sales territory analysis, to determine the number of prospects in a sales area
- Market research and surveys, to determine a survey field and find survey correspondents
- Market testing group selection, to find test group members quickly and conveniently

- Site selection, to determine where to move your current business or where to site your new branch office or store.

There are two MarketPlace analysis tools: standard analysis, which gives you a summary report in a predetermined format, and custom analysis, which allows you to compare one variable in a list against all others.

Use standard analysis when you want to *summarize the numerical totals* for any one list, such as the estimated total sales revenue for a region or the number of households that are represented in one zip code. Standard analysis is a quick, easy way of evaluating a list that you've built.

Use custom analysis when you want to *compare subgroups within a list* against each other. Custom analysis breaks up the list into subgroups and puts it into a table of information that you can then save and export to a spreadsheet or mapping program for further manipulation and analysis. Custom analysis allows you to look at different components of the list in a competitive fashion.

Standard Analysis

The Standard Analysis feature calculates and displays a summary snapshot of any list you create. It displays averages and totals for the following information:

Business:

- Total number of businesses
- Total sales revenue in list
- Average sales revenue per business
- Average number of employees per business
- Number of four-digit SIC codes represented
- Number of five-digit zip codes
- Number of single-location businesses
- Number that are headquarters
- Number that are branches

Households:

- Number of individuals
- Average household income
- Average age
- Number of individuals by gender
- Number of individuals by marital status
- Number of lifestyles represented
- Number of five-digit zip codes

You can use standard analysis to:

- **Find out more about a list you've just created.** Standard analysis gives you a quick overview of its characteristics. For example, you can find out if there are a large number of chain stores in an area, or whether there are a larger number of women or men.
- **Research information about a region for a sales presentation or business plan.** For example, your audience may be interested to know that the *total* sales revenue for a potential market area is about $500 million.
- **Quickly determine whether market potential exists.** For example, if you're marketing a dating service for singles, you could quickly analyze the potential size of your market by building a list of all households in the area and then performing a standard analysis to get a breakdown of the marital status of the list members.
- **Determine the average annual sales for your competitors.** For example, if you're a computer retail store, you could build a list of all computer retail stores in your area and then perform standard analysis to display average annual sales.
- **Determine the diversity of an economy or a region.** A large number of SIC codes in an area probably indicates a diverse economy. Conversely, a small number may mean the economy is dependent on one or two major industries and the supporting service industries. The same technique can be used to determine the cultural and income diversity of an area.

- **Gear your direct mail and telemarketing campaigns to the area.** For example, if you plan to blanket your area with a flyer, it would be of great use to know beforehand that your area contains mostly people age 50 and up, so you can write copy for the flyer accordingly.

Custom Analysis

The MarketPlace custom analysis feature analyzes the list contents by breaking the list into subgroups based on criteria you select. It displays the resulting numerical information in a table.

It may help to think of the "analyzing" function in custom analysis as "grouping." If you analyze by zip code, you are grouping the rest of the information in the list according to zip code. If you analyze by SIC Code, you are grouping the rest of the information according to SIC. You can export the results of custom analysis to a spreadsheet.

For example, if you want to analyze a business database according to zip code, you would select zip code on the analysis screen. After performing the analysis, you would see the following information for each zip code: city and state, number of businesses, total sales, total employees, average sales, and average number of employees.

"Sorting" means ordering the information according to the criterion you select. For example, if you sorted the zip code analysis above by annual sales, the analysis grid would look the same — except the order of the zip codes would be dictated by ranking of annual sales, from lowest to highest.

Desktop marketers use custom analysis, a spreadsheet, and presentation software as a powerful trio to prepare for a meeting or presentation. You could export pertinent fields of the custom analysis into a spreadsheet, manipulate it, add other relevant external information, and chart the result. A presentation package lets you quickly and easily print out the chart as a slide or overhead.

You can use custom analysis to:

- **Find the highest density of customers.** For example, a print shop has been successful with medium-sized businesses and is considering moving to a neighboring area. It selects the metro area for that region, then performs an analysis by zip code to determine where the greatest number of medium-sized businesses are located.
- **Rank a list according to one criterion.** Suppose you are looking to target only the zip codes in your area that contain the highest concentrations of people between the ages of 30 and 40. You build a list combining your location and age criteria. You could analyze by zip code, then rank the zip codes in order of age by selecting age as a sort criterion.
- **Quickly determine where the competition is and how it's doing.** For example, if you're siting a new dry cleaning establishment, you could perform custom analysis with the business database to determine where the competition is located.

Example: Analyzing Market Share Potential

The following example illustrates the combined use of custom analysis and a spreadsheet to determine current market share and to plot a strategy for future action.

San Diego Sales Representative

Dan Warren is a security hardware sales representative running his company's field office in San Diego. His territory, which extends over most of southern California, has been showing solid, steady sales growth since he took over more than two years ago. Dan attributes his success to a persistent strategy of prospecting the many rapidly growing, medium-sized businesses in the area.

The main office in Los Angeles is putting together a marketing strategy for the next year and wants Dan's input. What is his current market share? What is his market potential? Will he target only large businesses, those with more than 50 employees, or focus his attention on what has been his strength, medium-sized and small businesses? The main office wants to see solid figures supporting whatever recommendation Dan makes.

Dan will use MarketPlace and a spreadsheet program to build his case and make his proposal. He first builds a list targeting his specific market:

- The three metro areas in his territory: San Diego, Riverside-San Bernadino, and Anaheim-Santa Ana
- The two SIC codes that represent his customers: hardware stores and lumber and building supply stores.

He then performs a custom analysis on the list to determine the market potential of the area. He chooses to analyze by number of employees, because he is interested in grouping by business size.

His custom analysis looks like this:

Employee Range		Number of Businesses	Total Sales	Total Employees	Average Sales	Average Employees
1	1	53	99	53	1	1
2	2–4	354	1,295	983	3	2
3	5–9	186	1,564	1,228	8	6
4	10–24	367	7,063	4,694	19	12
5	25–49	27	1,035	837	38	31
6	50–99	25	2,955	1,365	118	54
7	100–249	14	3,849	1,483	274	105

The analysis turns up some useful information about his southern California market, namely that medium-sized businesses that employ between 10 and 24 people constitute the largest business category, both by number of businesses and by total sales. The market potential of this group is very strong indeed.

Previously, he had broken down his current customer base according to employee size and determined the number of customers within each MarketPlace range. He wants to compare his current customer base to the market potential, so he can calculate market share for each business size. He exports the analysis to his spreadsheet to add some numbers about his current customer base and performs additional calculations. His spreadsheet (with his own numbers represented in italics) is shown on the following page.

Employee Range		Number of Businesses	Current Customers	Market Share	Total Sales	% of Total Sales
1	1	53	*3*	*6%*	99	*1%*
2	2–4	354	*35*	*10%*	1,295	*7%*
3	5–9	186	*12*	*6%*	1,564	*9%*
4	10–24	367	*75*	*20%*	7,063	*40%*
5	25–49	27	*10*	*37%*	1,035	*6%*
6	50–99	25	*8*	*32%*	2,955	*17%*
7	100–249	14	*6*	*43%*	3,849	*22%*
Totals		*1026*	*149*		*17,860*	

The spreadsheet shows that:

- Although his largest customer group is medium-sized businesses, his market penetration of that category is only 20 percent of the market share.
- Even though the large business category has a large sales potential, Dan already owns almost half of this market.

Dan recommends, based on his new analysis, that he should make face-to-face presentations to the few large companies who are not yet customers. Also, he recommends developing a more efficient and less time-intensive method to reach the all-important medium-sized business market — perhaps a direct mail campaign.

After You Mail or Call: List Mathematics

Once you have mailed your package or called your prospects, how can you determine whether your campaign was financially successful? A few simple calculations based on your campaign results will help.

You'll need to determine the size of your mailing *universe* and the *response rate* (the number of responses as a percentage of the size of the mailing). Other useful calculations are *mailing or telemarketing costs* (combined costs of designing and executing the mailing or the telemarketing campaign) and the *cost per order* (mailing costs divided by the number of paid orders).

Armed with these numbers, you can determine whether your list was a successful one and whether you should reduce your campaign costs.

A Mathematical Example

Let's say you mail 1,000 pieces advertising a new product. Total cost of the mailing is $600, including design, copywriting, Lotus MarketPlace metered names, printing, mail preparation, and postage. You receive 30 initial responses to your mailing. Twenty-five people follow through with paid orders.

Universe = 1,000
Campaign cost = $600
Number of responses = 30
Number of paid responses = 25

How do you analyze the success of your campaign? One method is to calculate the response rate.

Response rate **= Number of responses/Universe**
= 30/1,000
= 3%

Cost per Response

A more useful method of analyzing the success of your campaign is to calculate how much value you received for what you spent. You can find this by calculating the cost per response.

Cost per response **= Campaign cost/Responses**
= $600/30
= $20

The third and most meaningful calculation is the cost per order. The cost per order tells you how much it cost you for every paid order you received. If your promotion is a one-step promotion rather than a two-step promotion, the cost per response is the same as the cost per order.

Cost per order **= Campaign cost/Paid responses**
= $600/25
= $24 per order

If these costs seem high, remember that you are buying not just a new order, but a new customer with a possibility of repeat purchases. Look at the length of time that customers will do business with you. Direct marketers call this "payout" the lifetime value of a customer.

The mathematical analysis of a direct marketing campaign can be very complex. If you intend to conduct a thorough analysis, you should turn to additional sources (suggested reading is listed in Appendix B) for more information about analysis techniques.

The Two-Percent Response Rate

In the direct marketing industry, a two-percent response rate is generally considered an excellent return. But beware of overgeneralizing response rates. If your list targets the right people and your offer is appealing, you can expect a higher return.

Because of the high quality of MarketPlace data, you can expect the response rate with MarketPlace-generated lists to be somewhat higher than with other compiled lists. Still, there are dozens of factors that affect response rates, so don't be disappointed if yours is average.

Remember, too, that when you're dealing with small percentages, one percentage point is actually an enormous difference in response rate. For example, a 3-percent response rate doesn't sound that much better than a 2-percent rate, but it's actually 50 percent more customers.

Mathematics of Multiple Mailings

Does it pay to reuse a list? With MarketPlace-generated lists, it's worth investigating. Because you can use the list as many times as you want once you've bought it, you pay only subsequent mailing expenses, not for additional use of the names.

6 Improving List Performance

You've created your customer profile, built your first MarketPlace lists, and have analyzed your response rate. What's next?

Good business sense dictates that you find out whether your prospect profile can be improved and, if so, how to go about it.

Tips for Creating MarketPlace Lists

Effectively targeting your lists creates less waste, lowers costs, and should lead to higher rates of return in your campaign. Here are some tips on creating and refining your list definition.

Use the Latest Data. Studies show that about 30 percent of all businesses and about 20 percent of all households change addresses every year. Using the latest MarketPlace CD-ROM helps ensure the best deliverability rate from your MarketPlace list definition. In addition, you can subscribe to MarketPlace and receive quarterly updates, so that you receive the latest data as soon as it's available.

Segment Your Lists. If you are mailing to an audience with a widely defined profile — for example, a list that contains more than one SIC code or several different lifestyles — consider building and saving your list as several smaller lists, each representing one segment, and test market to each segment. In the list industry, each segment is known as a *cell*, or a homogeneous group of customers grouped together for the purpose of testing and analysis.

For example, the Providence office supply company mentioned in Chapter 2 wants to target both high-tech companies and professional offices. By defining two lists, they can find out which is stronger and focus future mailings to only the most successful market.

When you segment a list, you can alter your direct mail package to suit any of the segments. Targeting your advertising message to each segment will likely lead to improved response rates.

Reinforce Criteria Selections. Some list criteria overlap each other. For example, annual sales and number of employees both give approximations of company size, and some information in lifestyle codes overlaps selections such as household income. It's often useful to use overlapping criteria; they can reinforce each other, and you're sure you're targeting only the criteria you want.

Create List Templates. If you are marketing to several different areas, create a *list template*, a standard list definition that can be used and altered by different groups of people.

For example, a main office could use a list template as part of defining a sales strategy for its branch offices. The main office creates a list template targeting the specific lifestyles or type and size of business appropriate to the strategy. Each branch office can then apply the appropriate location criteria to the template and built its list.

Be Aware of Geographic Anomalies. If you are analyzing or creating lists for unfamiliar regions of the country, be aware that geographic definitions may not accurately reflect population distribution. For example, in the Midwest, county boundaries often distinguish between suburbs and rural areas, but in New England county lines are virtually meaningless; Boston, for example, is trisected by three counties. The same holds true for telephone areas codes; some neatly encapsulate urban areas, while others sprawl over urban, suburban, and rural locations.

Expect Variations in Deliverability. Deliverability rates vary widely from the 85 percent average, depending on geographic area and type of businesses or households selected. For example, restaurants in New York City go in and out of business much faster than restaurants in St. Louis; small retail businesses turn over much faster than large manufacturing concerns, regardless of location.

Getting the Most from Your List

You can take a number of steps to make the most of mailing out orders and responding to inquiries for the list you have built.

Schedule Your Mailing Appropriately. Could your campaign have been better timed around significant dates or holidays? Most direct mail responses are best in the fall or at the start of the new year; summer is often the worst. Is your offer dependent upon the seasons? For example, if you are marketing gardening tools, and your catalog is not mailed until April, you've missed the prime purchasing period of February and March. What about fiscal planning cycles? Companies often have money for new purchases at the start of the fiscal year or extra money they must spend at the end. Or, you may want to approach them as they start planning appropriations for the next year.

Code Your Envelopes and Labels. MarketPlace software lets you place unique numbers on labels so you can determine which lists are most successful and so you can keep track of response times for various mailings.

Fill the Order Promptly. The direct marketing industry standard is to fill orders within 30 days. Filling the order promptly and correctly will help create a long-term customer.

Maintain Your House List. Once you've converted MarketPlace prospects to customers, elevate them to that most valuable of all lists: your house list, the list of your current customers. Enter the name, address, and purchase information in your house list, and use that information in future campaigns. MarketPlace lists are valuable, but your house list is invaluable, so invest time in maintaining and updating it.

Contact Prior Responders. MarketPlace product purchase criteria identifies groups of people who may be interested in ordering by mail. If your customer has responded to a mail order before, chances are greater than average that he or she will buy again through this method.

Merge/Purge Your Lists. *Merge/purge,* a term from the list industry, is a procedure to eliminate duplicate names when you are marketing to two or more lists. Merge your lists to get one large list containing all names; then purge the list of all repeat names. You can easily conduct in-house merge/purges by exporting your MarketPlace lists into a database program on your personal computer.

A high percentage of duplication between your MarketPlace list and your house list may be a positive sign; it means there are similarities between your current customers and the new list. Purge the list of duplicate names and mail or telephone the rest. Your response rate is likely to be very high.

7 Legal and Ethical Uses of MarketPlace

Lotus Development and its data suppliers, Trinet, Inc. (Lotus MarketPlace: Business) and Equifax Marketing Decision Systems (Lotus MarketPlace: Households) are committed to enforcing the responsible and ethical use of MarketPlace software and data.

Lotus encourages adherence to guidelines for ethical business practice as set forth by the Direct Marketing Association, the professional organization for the direct marketing industry. DMA guidelines are reprinted in Appendix A.

Lotus Policy on Consumer Privacy

Lotus and Equifax℠ are committed to protecting the privacy of the consumer by restricting access to its Households data, by monitoring on a random basis the activities of people who use it, and by holding users to a high standard of legal and ethical responsibility in list usage.

No Consumer Phone Numbers. The Households database does not contain phone numbers, and out of concern for consumer privacy, Lotus discourages using the Households database for telemarketing to consumers.

No Directory Use. Unlike the business database, MarketPlace: Households software does not contain a directory feature. It is not possible to look up information directly about individuals.

No Access to Individual Data or Information. All data that comprises the psychographic and geodemographic segmentation systems in the Households database is modeled data based on sophisticated sampling and statistical methods. Nowhere on the CD-ROM is there information relative to an individual's actual income or other sensitive data regarding individuals.

Name Removal Option

Some consumers currently listed in the MarketPlace: Households may prefer not to be included in the database. Lotus and Equifax honor requests from consumers who wish to be excluded from MarketPlace.

Consumers can pursue the following three options to remove their names. *All such requests must come in writing from the consumer.*

- Write the Direct Marketing Association's Mail Preference Service to remove the name from MarketPlace and from all other lists that participate in this nationwide service.

  The service advises participating mailers about consumers who want to receive less direct mail. Participating organizations remove a consumer's name upon notification from the service.

  Your MarketPlace package includes a sample card from the Mail Preference Service. More cards are available from both Lotus and the DMA.

- Write the Equifax Options program to remove the name from both the Equifax consumer marketing database and Lotus MarketPlace at:

  Equifax Options
  P.O. Box 4081
  Atlanta, GA 30302

- Write Lotus with a request to exclude the name from MarketPlace at:

  Lotus Development Corp.
  MarketPlace Name Removal Service
  55 Cambridge Parkway
  Cambridge, MA 02142

Monitoring Users and Activities

Lotus monitors the activities of its Households users in the following manner:

Registration of Businesses. Lotus screens all Households applicants before releasing its data CD-ROMs.

Lotus MarketPlace: Households is licensed only for business and nonprofit marketing purposes at verified business addresses. MarketPlace: Households is not sold to individuals.

Lotus prohibits the following from using MarketPlace:

- Individuals (as opposed to registered businesses)
- Private investigators
- Credit repair clinics
- Process servers
- Any other use where the user is attempting to determine the characteristics of specific individuals for purposes other than direct marketing.

Monitoring Mailing Pieces. Through seeded MarketPlace data, Lotus continuously monitors mailing pieces for adherence to the terms of the software license agreement and for ethical use of lists. Users found to be violating terms of the software license agreement may be subject to prosecution.

Prohibition of Certain Uses. In addition, Lotus and its data suppliers may choose to implement additional monitoring activities or alter those listed above as they deem necessary or advisable.

Your Legal Responsibilities

Lotus and Equifax have established the following standards for the use of MarketPlace: Households, to which users are legally bound under the terms of the software license agreement.

You may not:

- Use MarketPlace to generate mailing lists for sexually oriented or pornographic materials.
- Use MarketPlace in connection with mailings or other direct marketing campaigns for lotteries, speculative real estate land offerings, misleading religious and political fundraisings, deceptive travel offers, non-FDA approved medical cures and vitamins, or any other deceptive or misleading offer.
- Use MarketPlace to generate lists for automated, computer-driven telephone solicitations.

A DMA Ethical Guidelines

In addition to the contractual obligations for use of lists stated in the MarketPlace license agreement, Lotus endorses and strongly encourages adherence to the Direct Marketing Association's guidelines for ethical direct marketing. Guidelines which pertain to Lotus MarketPlace are reprinted below with the DMA's permission. The guidelines are available in brochure format from the DMA.

Terms of the Offer

Honesty. All offers should be clear, honest, and complete so that the consumer may know the exact nature of what is being offered, the price, the terms of payment (including all extra charges), and the commitment involved in the placing of an order. Before publication of an offer, direct marketers should be prepared to substantiate any claims or offers made. Advertisements or specific claims which are untrue, misleading, deceptive, fraudulent, or unjustly disparaging of competitors should not be used.

Clarity. A simple statement of all the essential points of the offer should be clearly displayed in the promotional material. When an offer illustrates goods that are not included or that cost extra, these facts should be made clear.

Print Size. Print which by its small size, placement, or other visual characteristics is likely to substantially affect the legibility of the offer or exceptions to it should not be used.

Actual Conditions. All descriptions and promises should be in accordance with actual conditions, situations, and circumstances existing at the time of the promotion. Claims regarding any limitations (such as time or quantity) should be legitimate.

Disparagement. Disparagement of any person or group on the grounds of race, color, religion, national origin, sex, marital status, or age is unacceptable.

Standards. Solicitations should not contain vulgar, immoral, profane, or offensive matter nor promote the sale of pornographic material or other matter not acceptable for advertising on moral grounds.

Advertising to Children. Offers suitable for adults only should not be made to children.

Photographs and Art Work. Photograph, illustrations, artwork, and the situations they represent should be accurate portrayals and current reproductions of the products, services, or other subjects in all particulars.

Sponsor and Intent. All direct marketing contacts should disclose the name of the sponsor and each purpose of the contact. No one should make offers or solicitations in the guise of research or a survey when the real intent is to sell products or services or to raise funds.

Identity of Seller. Every offer and shipment should sufficiently identify the name and street address of the direct marketer so that the consumer may contact the individual or company by mail or phone.

Solicitation in the Guise of an Invoice. Offers that are likely to be mistaken for bills or invoices should not be used.

Postage and Handling Charges. Postage or shipping charges, and handling charges, if any, should reflect as accurately as practicable actual costs incurred.

Use of the Word "Free" and Other Similar Representations. A product or service which is offered without cost or obligation to the recipient may be unqualifiedly described as "free."

If a product or service is offered as "free," for a nominal cost, or at a greatly reduced price, and/or if the offer requires the recipient to purchase some other product or service, all terms and conditions should be clearly and conspicuously disclosed, in close conjunction with the use of the term "free" or other similar phrase.

When the term "free" is used or other similar representations are made (for example, 2-for-1, half-price or 1-cent offers), the product or service required to be purchased should not have been increased in price or decreased in quality or quantity.

Negative Option Selling. All direct marketers should comply with the FTC regulation governing Negative Option Plans. Some of the major requirements of this regulation are as follows:

Offers which require the consumer to return a notice sent by the seller before each periodic shipment to avoid receiving merchandise should contain all important conditions of the plan including:

a. A full description of the obligation to purchase a minimum number of items and all the charges involved, and

b. the procedures by which the consumer will receive the announcements of selections, and a statement of their frequency, as well as how to reject unwanted items, and how to cancel after completing the obligation.

The consumer should be given advance notice of the periodic selection so that the consumer may have a minimum of ten days to exercise a timely choice.

Because of the nature of this kind of offer, special attention should be given to the clarity, completeness, and prominent placement of the terms of the initial offering.

Sweepstakes

Sweepstakes, as defined here, are promotional devices by which items of value (prizes) are awarded to participants by chance without the promoter's requiring them to render something of value to be eligible to participate (consideration). The co-existence of all three elements — prize, chance, and consideration — in the same promotion constitutes a lottery. It is illegal for any private enterprise to run a lottery.

When skill replaces chance, the promotion becomes a skill contest. When gifts (premiums or other items of value) are given to all participants independent of the element of chance, the promotion is not a sweepstakes and should not be held out as such.

Violations of the anti-lottery laws are policed and enforced at the federal level by the United States Postal Service, the Federal Communications Commission (when broadcast advertising is involved), and the Federal Trade Commission. Because sweepstakes are also regulated on a state-by-state basis, and the laws and definitions may vary by state, it is recommended that an attorney familiar with and experienced in the laws of sweepstakes be consulted before a sponsor conducts its promotion.

While this section of the Guidelines may focus on the promotional aspects of running a sweepstakes, it is equally important that the operation and administration of the sweepstakes be conducted in compliance with the ethical standards set forth in other sections as well.

Use of the Term "Sweepstakes." Only those promotional devices which satisfy the definition stated above should be called or held out to be a sweepstakes.

No-Purchase Option. The no-purchase option as well as the method for entering without ordering should be clearly disclosed. Response devices used only for entering the sweepstakes should be as visible as those utilized for ordering the product or service.

Prizes. Sweepstakes prizes should be advertised in a manner that is clear, honest, and complete so that the consumer may know the exact nature of what is being offered.

Photographs, illustrations, artwork, and the situations they represent should be accurate portrayals of the prizes listed in the promotion.

No award should be held forth directly or by implication as having substantial monetary value if it is of nominal worth. The value of a prize given should be stated at regular retail value, whether actual cost to the sponsor is greater or less.

Prizes should be delivered without cost to the participant. If there are certain conditions under which a prize or prizes will not be awarded, this fact should be disclosed in a manner that is easy to find and understand.

Premium. If a premium, gift, or item of value is offered by virtue of a participant's merely entering a sweepstakes, without any selection process taking place, it should be clear that everyone will receive it.

Chances of Winning. No sweepstakes promotion, or any of its parts, should state or imply that a recipient has won a prize when this is not the case. Winners should be selected in a manner that ensures fair application of the laws of chance.

Disclosure of Rules. All terms and conditions of the sweepstakes, including entry procedures and rules, should be easy to find, read, and understand.

The following should be set forth early in the rules:

- No purchase of the advertised product or service is required in order to win a prize.
- Procedures for entry.
- If applicable, disclosure that a facsimile or the entry blank or promotional device may be used to enter the sweepstakes.
- The termination date for eligibility in the sweepstakes. The termination date should specify whether it is a date of mailing or receipt of entry deadline.
- The number, retail value, and complete description of all prizes offered, and whether cash may be awarded instead of merchandise. If a cash prize is to be awarded by installment payments, that fact should be clearly disclosed, along with the nature and timing of the payments.
- The approximate odds of winning a prize or a statement that such odds depend on the number of entrants.
- The method by which winners will be selected.
- The geographic area covered by the sweepstakes and those areas in which the offer is void.
- All eligibility requirements, if any.
- Approximate dates when winners will be selected and notified.
- Publicity rights regarding the use of the winner's name.
- Taxes are the responsibility of the winner.
- Provision of a mailing address to allow consumers to submit a self-addressed, stamped envelope to receive a list of winners of prizes over $25.00 in value.

Price Comparisons. Price comparisons may be made in two ways:

a. between one's price and a former, future, or suggested price.

b. between one's price and the price of a competitor's comparable product.

In all price comparisons, the compared price against which the comparison is made should be fair and accurate.

In each case of comparison to a former, suggested, or competitor's comparable product price, substantial sales should have been made at that price in the recent past.

For comparisons with a future price, there should be a reasonable expectation that the new price will be charged in the foreseeable future.

Guarantees. If a product or service is offered with a "guarantee," or a "warranty," either the terms and conditions should be set forth in full in the promotion, or the promotion should state how the consumer may obtain a copy. The guarantee should clearly state the name and address of the guarantor and the duration of the guarantee.

Any requests for repair, replacement, or refund under the terms of a "guarantee" or "warranty" should be honored promptly. In an unqualified offer of refund, repair, or replacement, the customer's preference shall prevail.

Use of Test or Survey Data. All test or survey data referred to in the advertising should be competent and reliable as to source and methodology, and should support the specific claim for which it is cited. Advertising claims should not distort the test or survey results nor take them out of context.

Testimonials and Endorsements. Testimonials and endorsements should be used only if they are:

a. Authorized by the person quoted,

b. Genuine and related to the experience of the person giving them, and

c. Not taken out of context so as to distort the endorser's opinion or experience with the product.

Product Safety. Products should be safe in normal use and free of defects likely to cause injury. To that end, they should meet or exceed the current, recognized health and safety norms, and should be adequately tested, when applicable. Information provided with the product should include proper directions for its use and full instructions covering assembly and safety warnings, whenever necessary.

Product Distribution Safety. Products should be distributed only in a manner that will provide reasonable safeguards against the possibility of injury.

Product Availability. Direct marketers should offer merchandise only when it is on hand or when there is a reasonable expectation of its receipt.

Direct marketers should not engage in dry testing, unless that special nature of the offer is disclosed in the promotion.

Unordered Merchandise. Merchandise should not be shipped without having first received the customer's permission. The exceptions are samples or gifts clearly marked as such, and merchandise mailed by a charitable organization soliciting contributions, as long as all items are sent with a clear and conspicuous statement informing the recipient of an unqualified right to treat the product as a gift and to do with it as the recipient sees fit, at not cost or obligation to the recipient.

Shipments. Direct marketers are reminded that they should abide by the FTC regulation regarding the prompt shipment of prepaid merchandise, the Mail Order Merchandise (Thirty-Day) Rule.

Beyond this regulation, direct marketers are urged to ship all orders as soon as possible.

Credit and Debt Collection

Equal Credit Opportunity. A creditor should not discriminate on the basis of race, color, religion, national origin, sex, marital status, or age. If an individual is rejected for credit, the creditor should be prepared to give reasons why.

Debt Collection. Unfair, misleading, deceptive or abusive methods should not be used for collecting money. The direct marketer should take reasonable steps to assure that those collecting on the direct marketer's behalf comply with this guideline.

Use of Mailing Lists

Personal Information. Direct marketers should be sensitive to the issue of consumer privacy and should limit the combination, collection, rental, sale, exchange and use of consumer data to only those data which are appropriate for direct marketing purposes.

List Abuse. No list or list data should be used in violation of the lawful rights of the list owner nor the agreement between the parties; any such misuse should be brought to the attention of the lawful owner.

Telephone Marketing

Reasonable Hours. All telephone contacts should be made during reasonable hours.

Taping of Conversations. Taping of telephone conversations made for telephone marketing purposes should not be conducted without legal notice to or consent of all parties, or the use of a beeping device.

Telephone Name Removal/Restricted Contacts. Telephone marketers should remove the name of any customer from their telephone lists when requested by the individual. Marketers should use the DMA Telephone Preference Service name-removal list and, when applicable, the Mail Preference Service name-removal list. Names found on such suppression lists should not be rented, sold, or exchanged, except for suppression purposes.

A telephone marketer should not knowingly call anyone who has an unlisted or unpublished telephone number, except in instances where the number was provided by the customer to that marketer.

Random dialing techniques, whether manual or automated, in which identification of those parties to be called is left to chance should not be used in sales and marketing solicitations.

Sequential dialing techniques, whether a manual or automated process, in which selection of those parties to be called is based on the location of their telephone numbers in a sequence of telephone numbers should not be used.

Disclosure and Tactics. All telephone solicitations should disclose to the buyer, during the conversation, the cost of the merchandise, all terms, conditions and the payment plan, and whether there will be postage and handling charges. At no time should "high pressure" tactics be utilized.

Fund-Raising

Commission Prohibition/Authenticity of Organization. Fund-raisers should make no percentage or commission arrangements whereby any person or firm assisting or participating in a fund-raising activity is paid a fee proportionate to the funds raised, nor should they solicit for non-functioning organizations.

Laws, Codes, and Regulations

Direct marketers should operate in accordance with the Better Business Bureau's Code of Advertising and be cognizant of and adhere to the laws and regulations of the United States Postal Service, the Federal Trade Commission, the Federal Reserve Board, and other applicable federal, state and local laws governing advertising, marketing practices, and the transaction of business by mail, telephone, and the print and broadcast media.

B Recommended Reading

The following books were used in developing *The Lotus Desktop Marketing Advantage* and are recommended for further reading and study:

Emerick, Tracy. *Desktop Marketing*. Simon & Schuster, New York, 1990.

Goldburg, Bernie, and Emerick, Tracy. *Business to Business Direct Marketing*. Direct Marketing Publishers, Inc., Hampton, N.H., 1987.

Nash, Edward L. *The Direct Marketing Handbook*. McGraw-Hill Book Company, New York, 1984.

Burnett, Ed. *The Complete Direct Mail List Handbook: Everything You Need To Know About Lists and How to Use Them for Greater Profit*. Prentice Hall, Inc., Englewood Cliffs, N.J., 1988.

Lotus also recommends you contact the Direct Marketing Association for further information about direct marketing literature and programs, at:

Direct Marketing Association
1101 17th Street NW
Washington, D.C. 20036-4704

or Lotus at:

Desktop Information Products
Lotus Development Corp.
55 Cambridge Parkway
Cambridge, MA 02142

C Data Descriptions

Deliverability

All suppliers of large databases like those comprising MarketPlace compile their information from many different sources. It is not possible for all the records to be one hundred percent accurate or deliverable. List industry and Postal Service research indicates that most compiled lists maintain an 85 percent deliverability rate.

Because MarketPlace data suppliers are leaders in their respective fields, you can expect your deliverability to be better than the national average. In many cases, you'll find your deliverability rate in the 90 percent range.

Lotus MarketPlace: Households

Lotus MarketPlace: Households is based on the Equifax Consumer Marketing Database (ECMD), a compilation of consumer information collected from many different financial, postal service, census and public record sources. Developed specifically for target marketing, this powerful database contains individual characteristics on 120 million consumers nationwide and is the most current and accurate source of consumer marketing information available.

The ECMD allows targeting of consumer markets based on individual characteristics such as estimated household income. Among the powerful targeting and analysis tools in MarketPlace: Households is MicroVision ™, the first consumer segmentation system to be based on the ZIP + 4 geographic grid. MicroVision integrates and models more than 100 variables, including credit-related data and comprehensive demographic information, to create unique market segments that share common interests, purchasing patterns and financial behavior. Lotus MarketPlace: Households does not contain any information that could be used to determine the creditworthiness of any individual.

Lotus MarketPlace: Households is updated quarterly; records are address-standardized, validated, and verified using National Change of Address processing, purging of deceased records, and the elimination of records from the Direct Marketing Association's do-not-solicit files.

Equifax Marketing Decision Systems is the nation's leading single-source provider of consumer purchasing behavior, credit and marketing information, plus analytical and customer segmentation systems for consumer and business targeting.

Lotus MarketPlace: Business

Lotus MarketPlace: Business is based on the Trinet® Database, a comprehensive source of information on over 7 million U.S. business locations. Developed specifically for business-to-business marketers, the database includes information on the name, location, industry, revenue, employment, and key executive of each individual business.

Lotus MarketPlace: Business is updated quarterly reflecting information gathered from extensive phone interviews, mail verifications and other sources; records are also address-standardized and verified using the National Change of Address (NCOA) service of the U.S. Postal Service.

Trinet, Inc. is a leading supplier of information and services to the business-to-business marketing community, including direct marketing databases, business directories, list management and brokerage services, and customized analysis and data management services.

Glossary

Cell
A homogeneous group of customers grouped together for the purpose of testing and analysis.

Cost per order
The direct marketing costs associated with each order received as the result of a campaign. It is calculated by dividing total campaign cost into the number of paid orders.

Deliverability rate
The percentage of a mailing or a database that contains addresses considered deliverable by the Postal Service. Generally speaking, the higher the deliverability rate, the higher the data quality. Deliverability rates for MarketPlace databases may be somewhat higher than the list industry average of 85 percent.

Desktop Marketing
Direct marketing from your personal computer using a variety of software tools that includes MarketPlace and word processing, database management, lead tracking, mail merge, and spreadsheet packages.

Direct Marketing Association
The DMA is a professional association of over 3,000 direct mail firms, catalogers, publishers, retailers, and service organizations.

Geodemographic system
A sophisticated consumer targeting data system built by mapping demographic or psychographic information to units of geography. MarketPlace: Households contains a geodemographic system in its Lifestyles and Product section.

Inbound telemarketing

Customer-initiated calls to your company in response to an offer.

List template

A list definition that contains any list criteria except location. Main offices create list templates to give to branch offices, which then complete the template by adding appropriate location selections for their area.

Merge/purge

The process of eliminating duplicate names when combining two or more lists into one.

Multi-step promotion

A promotion involving two or more contacts with the prospect. A multi-step promotion can ask for a response with each contact or only at the last contact.

Nixie

List industry term for a piece of mail that is nondeliverable as addressed.

One-step promotion

A promotion that involves only one contact with the prospect. One-step promotions, by definition, ask for a response as part of the contact.

Outbound telemarketing

A program of company-initiated sales or marketing calls to a targeted group of prospects.

Premium

A promotional item, such as a free trial item, given to the prospect to encourage him or her to buy.

Prospect profile

A sketch or profile of the person or business most likely to purchase your product. In MarketPlace, your prospect profile is defined by any of several geographic, demographic, economic, psychographic, or geodemographic factors.

Psychographics

A consumer targeting system based on consumer behavior patterns such as shopping activities. In MarketPlace: Households, the Shopping Habits section is based upon psychographic information.

Response device

The part of your direct mail package that asks for a response or order. Most commonly a Business Reply Card (BRC).

Response rate

The calculated rate of response to a mailing or telemarketing campaign. It is calculated by dividing the number of paid responses by the total number of names in the campaign.

Rollout

Mailing the rest of your list after you've tested the list through an initial sample mailing.

Lotus

55 Cambridge Parkway
Cambridge, MA 02142

Part No. 35228