

Acquisition Cost

The cost of signing up a new customer. Lifetime Value is often used to compute the maximum allowable acquisition cost.

Ad-hoc Report

A reporting method which permits you to ask questions like: How many women over 60 have bought more than \$200 from us in the last 4 months?

Affinity

People who are similar in lifestyle.

Affinity Analysis

A process of finding relationships between customer purchases. People who buy skis buy snow tires.

Affinity Matrix

A cross tab showing cross buying patterns by customers who did or did not buy Products A, B, C, and D.

Affluents

Households with 30% or more than the cost of living plus taxes.

Appended Data

Process whereby a customer file has data appended to it (such as age, income or home value) from some external data file. Also called data enhancements or overlay data.

ASCII (American Standard Code for Information Interchange)

Format for data storage on magnetic media (tape or disk).

Attrition Model

A model that predicts which customers are most likely to leave. Usually expressed as a percentage of likelihood.

Attrition Rate

The opposite of retention rate. The percentage of customers this year who are no longer buying next year.

Autosexing

A computer process for finding the sex and appending titles (Mr., Ms., etc.) to a file of names.

Back End

As in phrase "back end analysis" refers to the results of actions with people who have responded to your initial offer.

Batch Mode

If you have received 10,000 replies to a mailing, you can update your master file with these replies in one batch. This is the fastest and cheapest way to update records. The opposite is On-Line updating.

Block

The smallest reported unit in the 1990 U.S. Census. About 14 households in a block.

Bounce Back

The practice of sending another identical (or similar) catalog back to someone who has just ordered something from one of your catalogs.

BRC or BRE

Business Reply Card or Business Reply Envelope.

Brokerage Commission

The commission (usually 20%) paid by a list owner to a broker to handle the rental of a list.

BtoB

Business-to-Business.

BtoC

Business-to-Consumer.

Call Center

The word for an inbound telephone division in a company. The operators are called Agents. The call center uses an ACD (automatic call distributor) to manage the calls efficiently.

Call Tracking

Keeping track of what happened to customer calls.

CASS (Coding Accuracy Support System)

This system improves the accuracy of 5-digit ZIP, ZIP+4, carrier route, and delivery point bar codes.

CD

A compact disk, a form of digitized data storage (as in CD-ROM).

Cell Code

After completing RFM analysis, every customer is assigned a Cell Code which is often used in mailing. Sometimes used interchangeably with the term Source Code.

Channel

1) An input-output device as part of a mainframe computer. 2) A means of distributing product to the market. For example, dealers, retail stores, direct marketing.

Cheshire Label

A type of plain paper label used in mailing. Requires a Cheshire machine to affix to mailing material. The most common computer label.

Churning

The practice of customers switching to another supplier based on special discount offers. Particularly used in the cellular telephone or credit card industries.

CIF (Customer Information File)

Usually in banks and financial institutions. A consolidation of many different accounts held by a household or individual, used for marketing purposes.

Cleaning Names

A process whereby names and addresses on a customer or prospect list are corrected (addresses standardized, zips corrected, spelling and punctuation corrected, duplicates consolidated, etc.)

Cluster

A way of dividing all households in the country into about sixty different types, such as "Blue Blood Estates" and "Shotguns and Pickups." Usually called lifestyle groups. Useful for file segmentation. Clustering systems are provided by major compilers.

Compiled List

Names and addresses taken from directories, newspapers, public records. People who have something in common. Compiled lists are usually the least useful or responsive for direct marketing. Response lists are better.

Computation Period

The number of years from now that you can safely project customer lifetime value. The period is short for products that soon become obsolete.

Continuity

Products or services bought as a series of small purchases, rather than all at one time. Book of The Month Club, or other products shipped on a regular schedule.

Continuation

A mailing to the same list following a successful test of a portion of the list. A continuation becomes a “rollout” when the entire list is mailed.

Control Group

Every database promotion should include a control group of customers who are not exposed to the promotion. The success of the promotion is measured by the difference in response of the promoted group compared to the control group (after subtracting the cost of the promotion).

Conversion Rate

The percentage of responders who become customers.

Co-op Mailing

A mailing in which two or more offers—usually from different companies—are included in the same envelope, and share the costs.

Copy

The text of your direct mail piece.

CPI

Cost per inquiry.

CPO

Cost per order.

Cross-Selling Encouraging

Customers to buy products from other departments or categories.

CtoC

Customer-to-Customer.

Custom Report

A database report designed by the marketing staff which exactly meets the marketing needs of the company. Once programmed, it can be run daily or weekly for very little cost.

Database Marketing Collecting Data

Used to provide recognition and services to customers, resulting in increased customer loyalty and repeat sales. Also called Relationship Marketing.

Data Enhancement

A process whereby a customer file has data appended to it (such as age, income or home value) from some external data file. Also Appended Data and Overlaid Data.

Data Entry

Also called Key punching. Entering names and addresses and other data into magnetic media such as tape.

Decile

One tenth of a mailing, usually divided by percentage of response.

Decoy

A unique name added to a mailing list used to spot unauthorized use of the list.

De Dupe

Identifying and consolidating duplicate names usually done in a merge/purge operation.

Demographics

Data usually refers to the data which the Census Bureau or Canada Stats collects on a neighborhood such as income, education level, etc. This data can be appended to a household record. It isn't necessarily accurate for any particular household since it is the average for households in that block, but it is usually the only data available.

Direct Marketing Interactive

Marketing that produces a measurable response or purchase. The data is stored on a database.

Direct Response Advertising

Promotion that seeks not just to provide information, but to generate an inquiry, order or visit.

Direct Cost Percent

The percentage of revenue that is applied to the cost of the product plus overhead, fixed costs, etc.

Discount Rate

The amount by which any future dollar amount must divide to produce the net present value of the amount. The formula is $DR = (1 + i)^n$ where i = market rate of interest and n = number of years. The interest rate is usually doubled in the formula to account for risk.

DSF (Delivery Sequence File)

Checks mailing lists against the complete, exact address for every delivery point served by the USPS. Second Generation corrects the lists.

Dump Printed

Display of the contents of a tape or data file. You should look at a dump of some records in your customer database to check accuracy.

Duplicate

The same name occurring twice or more on the same file. All very large databases contain duplicates because name or address spelling may vary slightly. Good service bureaus can reduce but never totally eliminate duplicates.

Duplication Factor

The % of names on one list that are also on another list. It is a measure of affinity in the lists.

EBCDIC (Extended Binary Coded Decimal Interchange Code)

A protocol for putting data on a tape. All IBM mainframes use EBCDIC. Most others use ASCII.

Edit Check

A software process whereby data to be entered into a marketing database is checked for logic before it goes into the database.

Enhancement

Appending demographic or lifestyle data to a list.

Event Driven Programs Database

Programs which are triggered to produce output (usually communications) based on events: a birthday letter, anniversary letter, thank you letter, etc.

Extract

A system for creating a sequential file from a relational marketing database. The extract can be used for preparing reports, or for sending data to other companies for their use.

Fixed Field

Organization of a tape or data file in which each group of data (such as name, address, city, zip) has a fixed location and length within the file.

FSI (Free Standing Insert)

Usually a coupon or other promotion found in a magazine or newspaper. Also is the least expensive way.

Flat File

Another name for a sequential name file. Contrasted with a database file (not flat because of the indexes).

Focus Group

A group of customers who are assembled together by an advertising agency in a conference room to discuss a particular product. Useful for learning what the public thinks of your product or message or company.

Frequency

A term for how many times a person buys from you.

Fulfillment

The process of responding to a customer request with literature or product. Usually outsourced to a fulfillment house.

Geocoding

A system for assigning a census code to any name and address. Once a file is geocoded, you can append census data (income, race, etc.) to the records and assign cluster codes.

Geodemographics

Census data that can be appended to a household file once it has been geocoded. Includes such factors as income, education, home type, etc. Derived from the neighborhood of the household. Same as Demographics.

GIS (Geographic Information System)

Software that displays data on a computer generated map.

GUI (Graphical User Interface)

Software that permits users to access their data by manipulating a mouse.

House File

The organization's own file of active and former customers.

Householding

A process in which all people and their accounts are grouped by the house that they live in so that they only get one letter per house in a promotion.

Index

1) used in relational databases to help find common data in thousands of records. An index for income could help find all the customers whose income was between \$25K and \$35K. Using an index, you can query a file of 10 million customers and find out how many women aged 60+ bought more than \$200 in the last 6 months, and do it in 5 seconds. 2) A statistical term for relating the value of two sets of numbers. If one group had a response index of 100 and another had 120, the second group had 20% more replies than the first one. The average of any group always has an index of 100.

Influentials

In business-to-business, executives who have the authority to make or influence a purchase.

Infrastructure

The process of maintaining a database: nightly backup, cleaning, merge/purge, deduplication, update, etc.

Keyline Or Match Key

A combination of numbers and letters usually beginning with the zip code, which is used as a rough household duplicate eliminator.

LACS (Locatable Address Conversion System)

Updates mailing lists of rural addresses to city-style addresses.

Laser Letter

A letter produced on a Laser Printer. Very clean and neat looking. Possible to have unlimited personalization in the text of the letter.

Lead

A prospect who has responded to your campaign.

Lead Conversion Rate

The percentage of leads which become customers.

Lead Tracking

The process of keeping up with what has happened to a lead (prospect who has expressed an interest in your product or service). Lead tracking is very difficult because salesmen hate to report on the status of leads.

Lettershop

An independent company that handles all the details of printing and mailing letters.

Lifestyle

Data about a neighborhood comes from clustering. If a significant number of people in a given cluster have taken a foreign trip, it is assumed that all similar households have done this. It is a lifestyle attribute. Included are magazines read, TV programs watched, etc.

Lifetime Value (LTV)

The contribution to overhead and profit made by a customer during the total relationship with your company.

Lift

The improvement in response from a mailing due to modeling and segmentation. Divide the response from a segment by the overall response, subtract 1 and multiply by 100.

List Broker

A service which brings list owners and prospective list renters (users) together.

List Maintenance

Keeping a mailing list current through correcting and updating the addresses and other data.

List Rental

The process of renting (for one time use, or other periods) a list of names of customers owned by some other organization for an agreed upon cost per thousand.

Loss Leader

A product sold at a loss to get customers to begin buying.

Loyalty

Customer loyalty is measured as Retention. A loyal customer is one who keeps buying from you.

Loyalty Programs

Rewards that encourage customers to keep being customers longer, or to purchase more.

Mailing List

A list of customers or prospects used to mail catalogs or sale announcements. It is not a marketing database because it does not provide for a two-way communication with customers.

Mail Shop

An independent company which specializes in preparing materials for mailing. They affix labels, sort for bulk rates, prepare bagtags, insert in postal bags, etc.

MAND (Money, Authority, Need and Desire)

The requisites of a qualified lead.

Market Penetration

The percentage of buyers you have as compared with the total households or businesses in the area you have selected as your market.

Market Research Statistical

Analysis of customer data to draw overall conclusions as a basis for action.

Match Code

A keyline. An extract of the name and address used to identify a specific record. Used in de-duping.

MaxCOA (Maximum Change of Address)

Updates mailing lists with the latest change of address data filled with the USPS PLUS two previous addresses and provides move data for the last 60 months.

Merge/Purge

A software system used to merge many different input tapes in differing formats and put them into a common format for a mailing. Merge/Purge detects duplicates.

Migration

The process of moving your database from one platform (such as an external service bureau) to another (such as your in-house mainframe). When you outsource, you should look ahead and be sure that you can migrate at some later date.

Modeling

A statistical technique whereby you determine which pieces of data in your customer database explains the behavior of your customers. The output of a model is a series of weights which can be multiplied by customer data (income, age, length of residence) to create a score which predicts likelihood to respond to an offer.

Multi-Buyer

A person who crops up on two or more independent rented lists. Multi-buyers usually respond better to a direct offer than other buyers.

Multiple Regression

It is a statistical technique, part of modeling, whereby you try to discover a mathematical formula which will explain trends in a set of data, and which variables determine response. A multiple regression might tell you that your best customers live in condominiums, have no children, and have an income over \$75K, for example. Also called Regression.

NCOA (National Change of Address)

A USPS system under which about twenty service bureaus nationwide have exclusive use of the change of address forms filed by persons or businesses who are moving. These forms are keypunched, and can be used by the service bureau to update your list of prospects to obtain their correct current address. A worthwhile service for mailers.

Net Names

The actual names used in a mailing, after removing the duplicates and matches to your customer list. In some cases, you can rent names on a net-name basis.

Neural Network

A type of modeling software on a PC which permits a marketer to determine the weights that should be applied to a large number of variables to predict the response or purchases by a target audience.

Niche Market

A way of finding a special product that appealed to only one group, and selling that product very profitably only to that group, ignored by others.

Nixie

A direct mail letter which has been returned to the sender because the address was wrong. Also, any undelivered piece of mail. Nixies are used to correct a list.

Nth

A software system whereby you can pick every 3rd or 4th or 250th name out of a file to use as a valid test of the file. To test a file of 400,000 with a test mailing of 40,000, you would pick every 10th name.

Offer

What you are offering in your direct mail (ex: 10 for only \$19.95).

Overlaid Data

A process whereby a customer file has data appended to it (such as age, income, home value) from some external data file. Also called Appended Data and Data Enhancements.

Outsourcing

The process of having various database functions handled by external service bureaus. Typically, functions are outsourced to direct response agencies, computer service bureaus, data entry houses, mailshops, fulfillment houses or telemarketing companies.

Package

The envelope or container or look of your outgoing direct mail piece.

Penetration Ratio

Your customers as a percentage of the universe that defines your customer's type of household or business. "We had a penetration ratio in that zip code of 8%."

Personalization

The process of including personal references in an outgoing mail piece such as "Thank you for your order on Feb. 23rd for six boxes of hard candy, Mrs. Williams." With laser letters, personalization does not cost more than non-personalized letters.

Postal Pre-sort

Sorting outgoing letters in a special way to take advantage of postal discounts.

Predictive Model

A model which predicts the response to a promotion.

Profile

A way of describing your typical customer. You create a profile by modeling your database. The profile could tell you that your typical customer was a woman of 35-54 with an income of \$25-\$50K.

Prospect

A potential customer who you have targeted.

Prospecting Mailing or Telemarketing

To prospects who are not yet your customers.

Psychographics

A way of grouping people by wealth, orientation, hobbies and interests.

Pull

The percent response to your offer by mail or phone.

Purge

To eliminate undesirable names from a list.

Qualify

In business-to-business, a process whereby respondents to an ad or a mailing are determined (usually by a telephone interview) to be worth a salesman's time and attention. In efficient operations, a telemarketer will qualify an incoming lead before the name is sent to a salesman for action.

Query

A question designed to retrieve information from a database. The result can be a count, a cross tab or a report.

Quintile

One fifth of a mailing, usually divided by percentage of response. "Our top quintile gave us 70% of our total revenue."

Reactivation

A program which encourages lapsed customers to start buying again.

Recency

A term for how recently a person has bought. It is well established that people who have bought most recently are more likely to buy from you again on your next promotion than people who bought from you longer ago.

Record

A collection of fields that describe all the information on a customer.

Referral Rate

The percentage of new customers that begin buying this year as a result of encouragement from last year's customers. Expressed as a percentage of last year's customers. If we had 4,000 customers last year, and they recommended new customers to us, of whom 240 became customers, the referral rate would be 6%.

Reformatting

Changing the format of a rented list to a new record format that matches a desired arrangement.

Regression

A statistical technique, part of modeling, whereby you try to discover a mathematical formula which will explain trends in a set of data, and which variables determine response. It might tell you that your best customers live in condominiums, have no children, and have an income over \$75K, for example. Also called Multiple Regression.

Relational Database

Such a database is kept on disk and consists of related files (name and address, orders, etc.) which are related to each other by ID numbers and accessed by indexes needed for database marketing.

Relationship Marketing

The process of building a relationship with customers which results in the customers becoming more loyal, buying more, and staying as customers. Also called Database Marketing Collecting Data.

Respondent

Someone who has answered a direct response letter or advertisement.

Response Rate

The percentage of people who responded to your offer. A typical direct mail response rate to prospects is 2%.

Response Device

On every outgoing direct mail piece, is a response device which usually shows up in the “window” in the envelope to provide the name and address. The response device is an order or donation form. It is important because it usually contains the prospect number, and a source code that identifies the offer, package, list, segment, etc.

Retention

The tendency to keep customers buying. Success is measured by retention of customers.

Retention Budget

A budget for a program to keep customers from leaving.

Retention Rate

The percentage of customers who continue to make purchases from you in a second period, such as a year. If you had 4,000 customers who bought from you last year and this year 3,000 of those same people also make purchases, your retention rate would be 75%.

ROI (Return on Investment)

A key measure of the success of any direct marketing activity. It is the total net profit from a direct marketing initiative, divided by the total cost of the entire operation. ROI from an initial offer is often negative. But when customer lifetime value is taken into account, it often becomes positive.

RFM (Stands for Recency, Frequency, Monetary)

It is a method for segmenting or rating your customers. The best customers are those who have bought from you recently, buy many times, and in large amounts.

RFP (Request for Proposals)

Document used to get external database service bureaus to bid on maintaining your marketing database.

Rollout

After a direct mail test of a few thousand letters, a rollout is the mailing to the rest of the names on the successful lists. It may be preceded by a second test or “continuation”.

Saturated Market

A situation in which everyone has the product, and the market is essentially a replacement market. For example, tires, batteries, room air conditioners, television, etc.

Seeds

Names of yourself, friends, relatives, or employees inserted in a direct mail mailout to track delivery and quality, and to safeguard against unauthorized mailings. Also called “decoys”.

Segmentation

To divide outgoing direct mail into coded groups for testing or to improve response. Also used to classify customers into groups for varying tactics.

Sequential

The way records are arranged on a tape. The opposite is random order, or a relational database.

SIC Code

A coding system designed by the U.S. Department of Commerce for classifying the products and services produced by companies. It is a very inadequate system, but it is the only one around.

Source Code

A series of letters or numbers affixed to an outgoing advertisement or promotion that identifies the list, the offer, the package, and the segment (as well as the media) in which the promotion was made. Essential to testing the success of any direct marketing effort. The source code must appear on the response device (or in the case of telephone orders, must be asked for by the telemarketers).

Statement Stuffer

An offer or newsletter included with a monthly invoice or statement to a customer.

Stratification

Adding demographics to a name and address file.

Suppression

Using names on one tape (a customer file) to suppress or drop names from another tape (a prospect file).

Sweepstakes

An offer promising a randomly drawn prize to all respondents, regardless of whether they buy your product. Those who do not buy, but still respond to the sweepstakes may be valuable names for rental or for other offers. In comparison to buyers, sweepstakes respondents are generally much less valuable.

Tape

Magnetic tape is 1/2 inch wide, and holds about 300,000 customer records (depending on their size). Tape records are sequential (one after the other) whereas disk records can be in random order. Tape is the cheapest way to store information, but the data is hard to get at. Tape is used for backup and for sending information from one computer to another. Direct marketing tapes are 9 track, and 1600 or 6250 bytes per inch. They are ASCII or EBCDIC.

Target Marketing

A marketing strategy aimed at a particular individual or group rather than to mass media.

Telemarketing

Talking on the telephone to prospects or customers. Inbound telemarketing is usually customers or prospects calling your toll free number. Outbound telemarketing is when you place the call to a prospect or customer. Telemarketing can be done by your in-house staff or by an external telemarketing company.

Test Database

All marketing databases should have a companion test database which programmers use to write and test new software before it goes on the production database.

Third Class

Over 85% of all U.S. mail carrying advertising or promotion is sent by third class. It is much less costly than first class. It usually requires postal pre-sort.

Tiger

A Census system for mapping the entire United States by blocks, complete with roads and other landmarks. Customers and prospects can be shown on a map using geodemographic codes to represent where they are.

Update

To modify a database record to insert new information into it, or to delete it. Updating is either done in batch mode (fast and cheap) or online (slow and costly).

Up Selling

Prompting customers to buy upgraded products when they had intended to buy something of lower value.

Weights

Numbers that are multiplied by database values to determine model or RFM scores.

White Mail

Mail received from a buyer or donor who has not included the response device, so you cannot determine the source code of the offer which promoted his purchase or gift.