

Altman Dedicated Direct

STRATEGY... TACTICS... RESULTS

Column: **"After the Phone Rings ..."**

Month: **June 2005**

Topic: **Garnering Ancillary Revenue: Renting access to your customers**

Once you build your brand with an infomercial or DRTV spot, you have a very valuable asset – your customer database. It's valuable to you because having made the initial sale and acquired the customer, making additional sales to that same customer is done at significantly lower costs and a greater level of predictability. Your database has value to other marketers as well.

Marketers who want access to your customers will pay for the privilege to rent your customer postal or email addresses, phone numbers or gain access through placing inserts in your outgoing shipments. When can you rent your database? You need a minimum of 5,000 names for other marketers to consider rentals, the more the better.

Consider whether you have rights to rent the names. The usual standard for postal addresses is an opt-out one -- assume it is ok to rent postal addresses unless customers specifically request not having theirs shared. But think twice about renting phone numbers and three times before renting email addresses. Unless your customers specifically opted in to receive third party phone calls or email, renting these could unleash a firestorm of bad P/R that would cost more in damage to your firm's reputation than any rental income could offset.

Renting access to your customers can add profits to your bottom line but like anything else there is a cost in time and money and the process needs to be managed.

You will need a list management firm to promote your list and facilitate the overall process, including negotiating rates and invoice collection. List managers usually get 10% of rental and insert income. The firm that gains access to your customers has a list broker who will also take 10%. You net approximately 80% of fees charged.

A "dirty" database – one with outdated or inaccurate information – is of limited value to anyone. If you rent access to your customer's postal addresses or other data, it must be accurate and current. The firm that manages your database can advise you on using the USPS National Change of Address (NCOA) file to ensure your database includes up-to-date and deliverable addresses. They can also ensure that any customers who opted out from 3rd party communication are omitted from the names you rent.

Renting access to your customers by allowing other marketers to place inserts in your outgoing product shipments has its own unique set of challenges. Although you don't need to address privacy concerns since your customer's personal information isn't being shared, you do need to carefully evaluate the perception of the specific inserts included. Why? Any insert in your outgoing shipment package has an implied endorsement by your firm. Although marketers of adult videos may want access to your customers, how will your customer feel if they discover an insert for an adult video catalog in their product box?



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Another issue to address is whether inserts you accept will be loose or collated in an envelope in your shipping box. Your fulfillment firm will advise which approach is most cost effective. Finally, you need to determine what size and weight limitations you will place on inserts. If your product is small or lightweight, ensure that accepting inserts doesn't cost you unexpected increases in shipping expenses.

Renting access to your customers does require effort and probably establishing new vendor relationships, but once your program is up and running it can provide a fairly painless means of generating incremental profits for your bottom line.

Have a question on any of this? Email me: Saltman@AltmanDedicatedDirect.com Next month we'll consider the use of co-marketing to expand your product line.

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