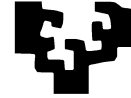


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**Departamento de Economía financiera II**  
(ECONOMÍA FINANCIERA Y CONTABILIDAD, COMERCIALIZACIÓN E INVESTIGACIÓN DE MERCADOS)

## MARKETING RESEARCH: AN INTRODUCTION

# Unit 2: Administering the marketing information in a company

Jon Charterina-Abando

# I. Objectives of the unit

# I. Objectives of the unit

1. To learn notions of the general classification of information sources and the skills required to seek out and consult those sources.
2. To learn to evaluate the quality of the information gathered.
3. To become aware of the usefulness of databases for commercial management and to know some of the basic principles of their operation, setup and maintenance.
4. To learn about some of the ethical and legal principles of information administration for CI projects and database management.

# 1. Classification of data. Information sources

## 1.1. Introduction

SOURCE	PRE-EXISTENCE	
	PRIMARY	SECONDARY
INTERNAL	<ul style="list-style-type: none"> <li>- Employees' opinions</li> <li>- Messages conveyed by salespeople</li> </ul>	<ul style="list-style-type: none"> <li>Accounting records</li> <li>Marketing databases</li> </ul>
EXTERNAL	<ul style="list-style-type: none"> <li>- Customer surveys</li> <li>- Interviews of suppliers and other members of the channel</li> <li>- Expert opinions</li> <li>- Studies commissioned by associations of which the company is a member</li> <li>- Information gathered at trade fairs, sectoral meetings...</li> </ul>	<ul style="list-style-type: none"> <li>- Publications, specialised magazines or newspapers.</li> <li>- Studies commissioned by public bodies.</li> <li>- Information provided by suppliers: regarding their products and their competitors' products, our competitors...</li> <li>- Known information about distributors, etc.</li> </ul>

# 1. Classification of data. Information sources

## 1.2. Secondary sources of data

### Examples of internal sources of data:

**Sales** → in physical units, monet.units, by area, by salesperson, by customer, by establishment, by point of sale, etc.

**Salespersons** → sales network (visits made, length of visits, travelling time...)

**Products** → Existing range of products, newly created products, existing products, etc.

**Advertising** → Investments made, etc.

# 1. Classification of data. Information sources

## 1.2. Secondary sources of data

### Examples of internal sources of data:

**Customers** → Existing customers, won and lost customers, complaints.

**Prices** → prices of products, of raw materials, etc.

**Financial data** → Profitability by product, by customer, by area; costs; non-payments

**Production data** → Production and storage capacity, work load, etc.

**Personnel data** → Staff, salary grade, overtime

# 1. Classification of data. Information sources

## 1.2. Secondary sources of data

### Examples of external sources of data:

- Bibliographic guides
- Documentation centres
- Statistical yearbooks, publications of official bodies, foundations, industry associations, banks, etc.
- Databanks, such as the databanks of the Official Chambers of Commerce, Industry and Navigation, etc.
- Marketing research institutes providing periodic sectorial information.
- Information panels of information providers such as ACNielsen or TNS.

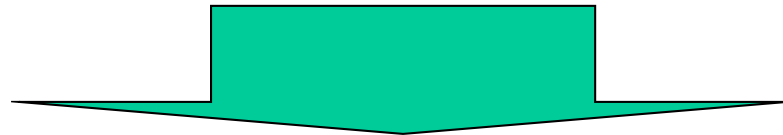
# 1. Classification of data. Information sources

## 1.2. Secondary sources of data

### General usefulness of secondary sources of data:

*In general, they are useful for:*

- Identifying and defining problems better.
- Identifying variables.
- Answering certain research questions and evaluating some hypotheses.
- Interpreting primary information in more detail.



**Rule to follow:** First exhaust secondary sources, and then, if necessary, move on to primary sources.



# 1. Classification of data. Information sources

## 1.2. Secondary sources of data

### **Disadvantages of secondary sources of data:**

- The objectives, nature and methods used in gathering information are inappropriate for the situation at hand
- The secondary data may lack the necessary precision for the present research
- Information may be obsolete
- Information may be of questionable reliability
- At any rate, secondary information always requires an exhaustive evaluation to ensure the absence of these inconveniences

# 1. Classification of data. Information sources

## 1.2. Secondary sources of data

### Evaluation of secondary data:

- Knowledge of the *methodology used* in the collection of data
- *Error* and data precision
- *Temporary* validity of information
- *Objectives* or purpose for which information had been collected
- The *content* of the information
- *Source* of the information

## 2. Creation and management of marketing databases

### 2.1. Introduction. Relationship marketing and relationship life cycle

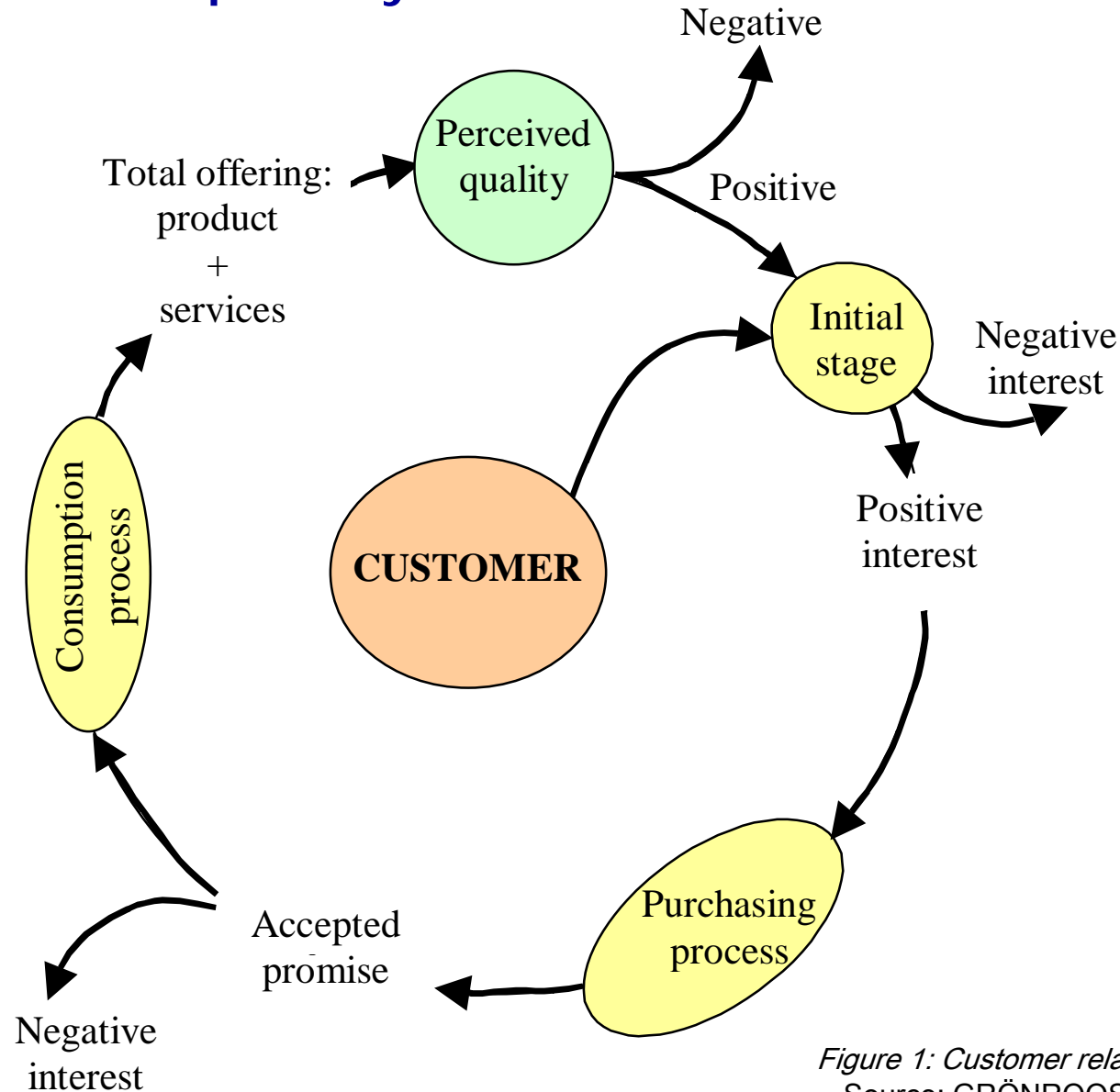


Figure 1: Customer relationship life cycle  
Source: GRÖNROOS (1994), p. 128

## 2. Creation and management of marketing databases

### 2.1. Introduction. Relationship marketing and relationship life cycle

The capability to identify customers and determine their relationship with the company, is a fundamental part of *relationship marketing*.

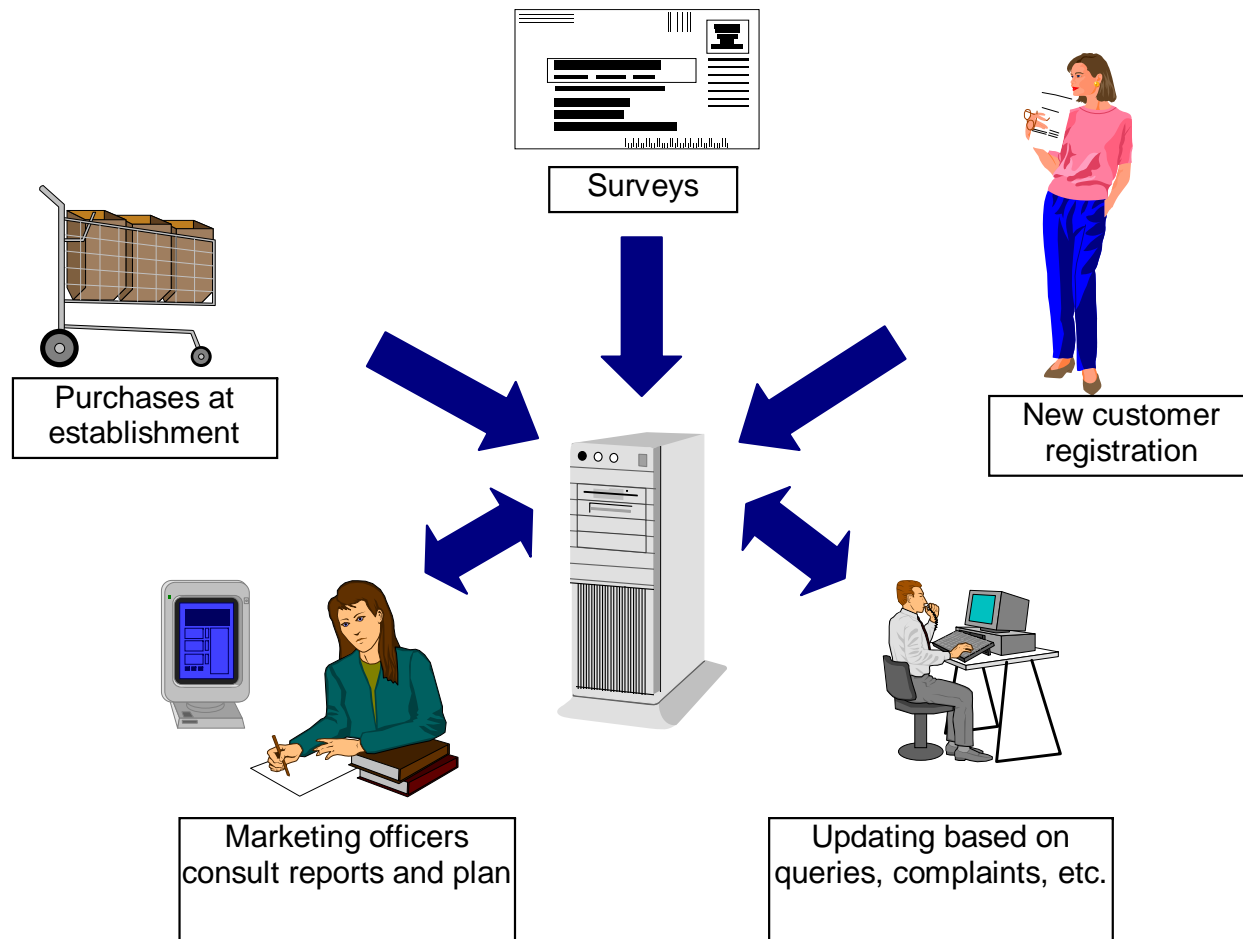
Reasons:

- Having the available means to deal with customers, differentiating them from the crowd.
- A register or record that allows us to evaluate the past, present and future relationship, not just a particular transaction.
- The means to identify potential customers, based on their similar profile to that from our current customers.
- To find out the identities of lost customers, and the reasons for them leaving.

## 2. Creation and management of marketing databases

### 2.1. Introduction. Relationship marketing and relationship life cycle

## How a marketing database works



## 2. Creation and management of marketing databases

### 2.1. Introduction. Relationship marketing and relationship life cycle

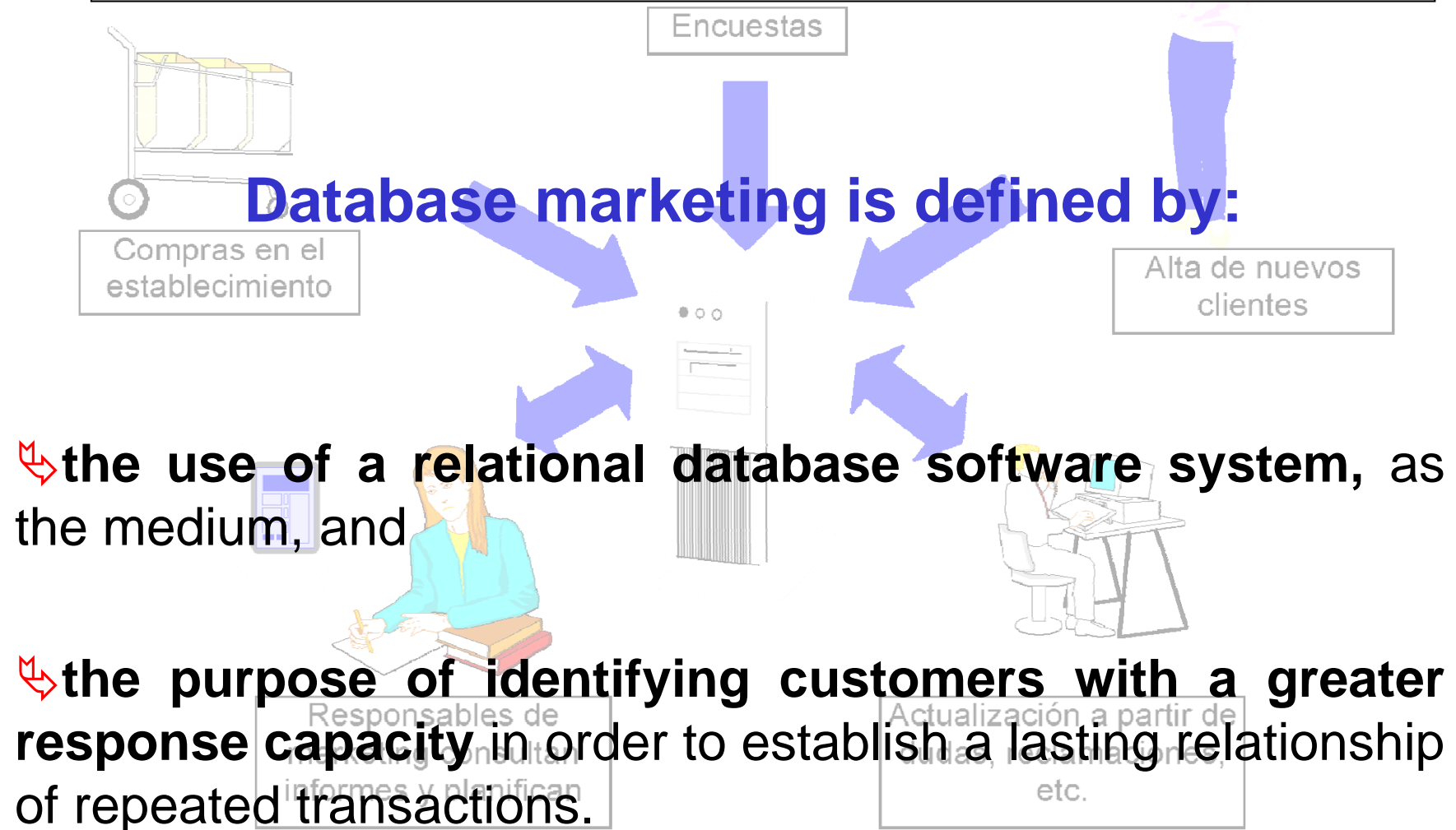
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## Concept of database marketing:

*“Management of a relational database software system, in real time, that includes complete and updated data on present and potential customers, aimed at identifying customers with a greater response capacity in order to establish a lasting relationship of repeated transactions, and to develop forecasting models allowing us to send the desired messages at the right time and in the appropriate manner to the right person, thus obtaining the satisfaction of our customers, an increase in our monetary response rate invested in marketing, a reduction of our costs per order, consolidation of our activity, and an increase in our profit.”*

## 2. Creation and management of marketing databases

### 2.1. Introduction. Relationship marketing and relationship life cycle

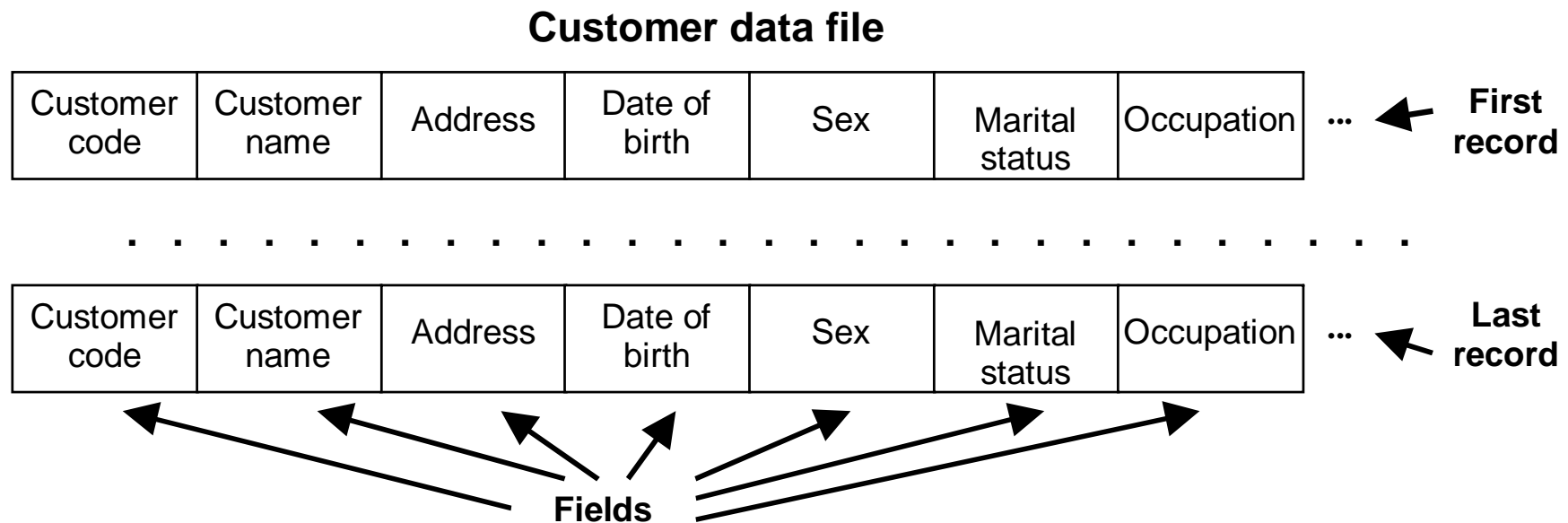


## 2. Creation and management of marketing databases

### 2.1. Introduction. Relationship marketing and relationship life cycle

## The use of a relational database software system:

### Fields and records in a database:





# Structure of a relational database:

## Customer purchase file

Customer code	Promotion code	Date of 1 <sup>st</sup> purchase	Product code	Units purchased	...	Promotion code	Date of last purchase	Product code	Units purchased
---------------	----------------	----------------------------------	--------------	-----------------	-----	----------------	-----------------------	--------------	-----------------

## Customer data file

Customer code	Customer name	Address	Date of birth	Sex	Marital status	Occupation	...
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## Promotions file

Promotion code	Product code	Promotion type	Start date	End date
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## Daily sales file

Date	Customer code	Product code	Units sold	Selling price
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## Product file

Product code	Purchase price	Stock	...
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## 2. Creation and management of marketing databases

### 2.1. Introduction. Relationship marketing and relationship life cycle

#### **Basic database maintenance tasks:**

**Remove duplicate records:** The same customer appears in two records → Usually due to errors/mistakes when entering the customer data

**Remove duplicate addresses:** Two individuals (customers) that share the same address → Not necessarily an error, but duplicates are removed to save money

**Purge old customer records:** Customers who have not replied are usually removed from the database after 1 year or due to force majeure (death) when this occurs or when the company is informed.

**Change of postal address or contact details**

## 2. Creation and management of marketing databases

### 2.1. Introduction. Relationship marketing and relationship life cycle

## Database marketing strategies:

### 1.- Set-up decisions:

- ↳ Establish a team to manage the database efficiently and effectively.
- ↳ Achieve attitude change within the company for maximum benefit from the new relationship with customers.

## 2. Creation and management of marketing databases

### 2.1. Introduction. Relationship marketing and relationship life cycle

## Database marketing strategies:

### 2.- Decisions regarding the selection and treatment of preferred customers:

- ↪ Determine who the company's preferred customers are and work towards retaining their loyalty.
- ↪ Determine the ideal customer profile and use it to recognise the most worthwhile potential customers.
- ↪ Calculate *customer lifetime value*: Lifetime value can be defined as an **estimation of the likely future income stream generated by a customer.**

## 2. Creation and management of marketing databases

### 2.1. Introduction. Relationship marketing and relationship life cycle

## Database marketing strategies:

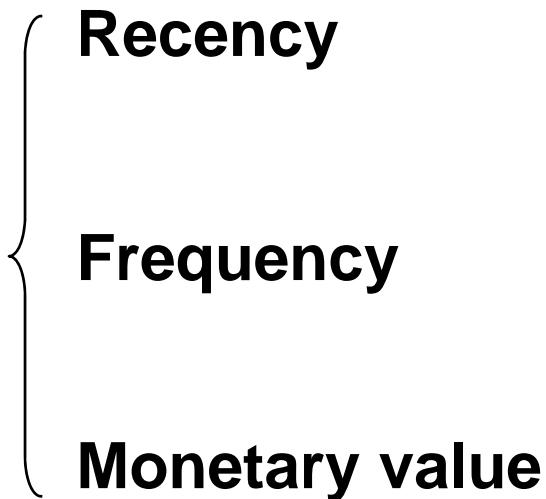
### **3.- Actions conducive to improved customer service:**

- ↪ Develop a method for exchanging information with customers.
- ↪ Create a comprehensive customer service system.
- ↪ *Try and tell*, i.e., carry out simulation exercises to predict customer response to each marketing initiative.

2. Creation and management of marketing databases
  - 2.1. Introduction. Relationship marketing and relationship life cycle

## Identifying the company's preferred customers:

**preferred  
customers**



## 2. Creation and management of marketing databases

### 2.1. Introduction. Relationship marketing and relationship life cycle

## Identifying preferred customers:

### Recency:

*The company should devote its attention to customers who have purchased recently.*

Most recent purchase	No. of mailouts	No. of responses	Response rate	Response index
0-3 months	4,120	394	9.56%	200
4-6 months	3,101	240	7.74%	162
7-9 months	2,710	109	4.02%	84
10-12 months	1,900	54	2.84%	59
+13 months	8,652	182	2.10%	44
<b>Total</b>	<b>20,483</b>	<b>979</b>	<b>4.78%</b>	<b>100</b>

## 2. Creation and management of marketing databases

### 2.1. Introduction. Relationship marketing and relationship life cycle

#### **Other measurements for *RECENCY***

- Time since last call made
- Time since last visit to our website
- Time since last purchase for a value of X or higher



## 2. Creation and management of marketing databases

### 2.1. Introduction. Relationship marketing and relationship life cycle

## Identifying preferred customers:

### Frequency:

*Customers who have made a higher number of purchases are, in principle, the most valuable for the company.*

Total no. of purchases	No. of mailouts	No. of responses	Response rate	Response index
5+	1,110	193	17.39%	365
4	1,520	183	12.04%	252
3	1,821	119	6.53%	136
2	4,422	142	3.21%	67
1	11,610	340	2.93%	61
<b>Total</b>	<b>20,483</b>	<b>977</b>	<b>4.77%</b>	<b>100</b>

## 2. Creation and management of marketing databases

### 2.1. Introduction. Relationship marketing and relationship life cycle

#### **Other measurements for *FREQUENCY***

- Number of telephone calls in the last quarter
- Number of visits to our website
- Total time spent in our website
- Average time spent in our website per visit
- Number of product references purchased in the last month
- Number of product references queried (via Internet)
- Number of purchases made for a value of XXX or higher in the last month

## 2. Creation and management of marketing databases

### 2.1. Introduction. Relationship marketing and relationship life cycle

#### Identifying preferred customers:

##### Monetary value:

*Loyalty can also be measured through the total value of sales made to customers since their first purchase.*

Total purchases	No. of mailouts	No. of responses	Response rate	Response index
≥ 5,000 €	415	79	19.03%	399
3,500- 4,999 €	1,225	182	14.86%	311
2,000- 3,499 €	1,528	149	9.75%	204
1,000- 1,999 €	3,422	173	5.06%	106
< 1,000 €	13,893	394	2.84%	59
<b>Total</b>	<b>20,483</b>	<b>977</b>	<b>4.77%</b>	<b>100</b>

## 2. Creation and management of marketing databases

### 2.1. Introduction. Relationship marketing and relationship life cycle

#### **Other measurements for *MONETARY VALUE***

- Average value of purchases made per visit
- Total value of last purchase over xxx euros.

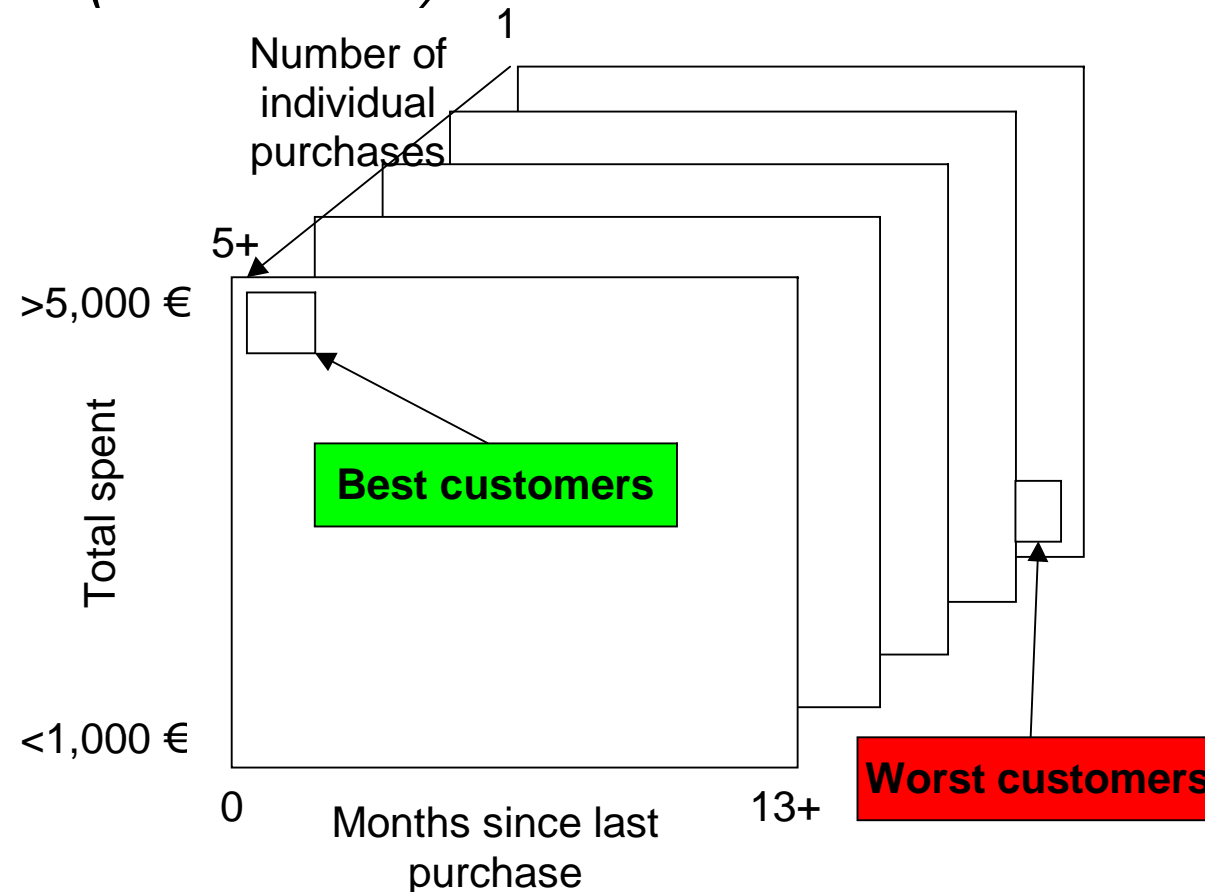
## 2. Creation and management of marketing databases

### 2.1. Introduction. Relationship marketing and relationship life cycle

## Identifying preferred customers:

### Preference plan:

*By combining the 3 criteria above (each with 5 classes), up to 125 classes (= 5 x 5 x 5) can be differentiated.*



## 2. Creation and management of marketing databases

### 2.1. Introduction. Relationship marketing and relationship life cycle

## Identifying preferred customers:

### Preference plan:

*The classes obtained are now grouped as follows:*

**Excellent** Top 25. Provide the best treatment

**Very good** Likely to be excellent in the future

**Good** Standard customers. Should retain them

**Average** Provide standard service

**Bad** Generate losses. Do not invest in them

## 2. Creation and management of marketing databases

### 2.2. Tools for building customer loyalty

According to Lehu (2001), there are several tools:

*Product/brand demonstrators*

*Information letter*

*Club*

*Electronic coupons*

*Cross-selling*

*Internet lists*

*Toll-free telephone number*

*Gifts*

*Consumer magazine*

*Customer service*

*After-sales service*

*Internet portal*

*Loyalty cards*

*Push technologies*

## 2. Creation and management of marketing databases

### 2.2. Tools for building customer loyalty

**Product/brand demonstrators:** To engage the services of consumers/customers to recruit new customers, in exchange for gifts or advantages.

**Information letter:** To send letters to customers on a regular basis, containing general information in relation to the sector of activity and the company's products.

**Club:** Creation and maintenance of a structure in which customers are considered 'members' and can obtain certain advantages according to general or specific conditions.

**Electronic coupon:** A computer-based system identifies customers either in part or in full based on an analysis of their purchases, and generates a personalised discount coupon.



## 2. Creation and management of marketing databases

### 2.2. Tools for building customer loyalty

***Push technologies:*** Often found in Internet-based newspapers or information services. Net surfers pre-select criteria for information they wish to receive, including information preferences on products/services

***Loyalty cards:*** Customers who want it, are issued a card offering them a range of functions: payment and/or credit, accumulate points, gifts and other advantages...

### 3. Ethics and legislation concerning data collection, treatment and dissemination processes

#### 3.1. Ethical aspects

##### ***Ethical rights and obligations:***

##### ***Concerning the quality and truthfulness of the information gathered:***

- Inform interviewees on who is conducting the research and why.
- Do not deprive them from the option to choose at any time not to collaborate.
- Assure the client of the truthfulness and quality of the information gathered and treated.

### 3. Ethics and legislation concerning data collection, treatment and dissemination processes

#### 3.1. Ethical aspects

##### ***Ethical rights and duties:***

##### ***The duty of 'economy' in the collection and analysis of information.***

- First exhaust the most economical information sources in terms of time and cost.
- Collect only any secondary and primary information that is required for the research.
- Weigh up collection methods according to time and cost economy for the client, and according to the information required.

### 3. Ethics and legislation concerning data collection, treatment and dissemination processes

#### 3.1. Ethical aspects

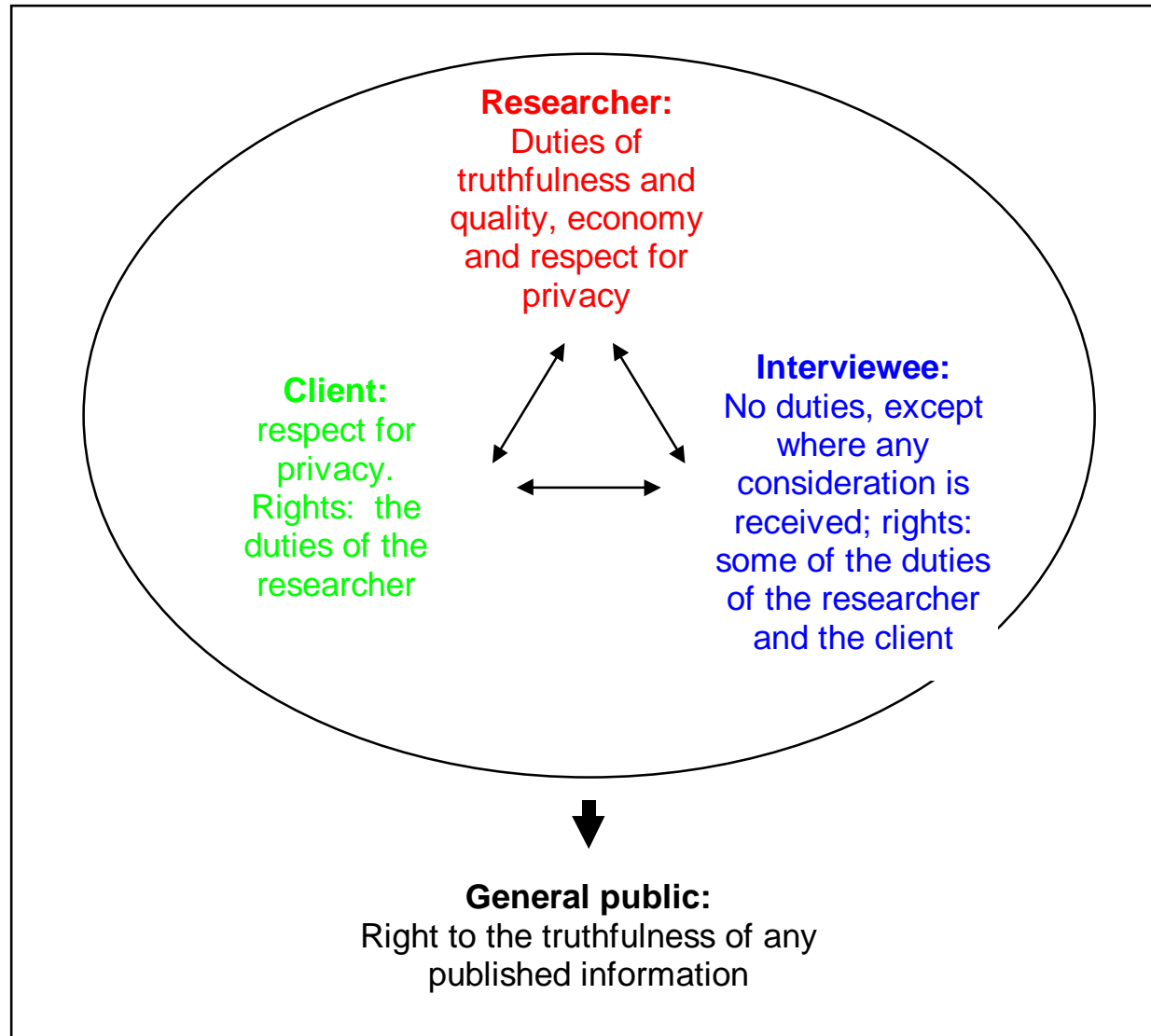
##### ***Ethical rights and duties:***

##### ***Respect for the privacy of interviewees:***

- Abide by the responsibilities and obligations you have committed to at the beginning of the interview.
- Respect the identity of the interviewees, except where otherwise authorised in writing.
- Not to be interviewed twice, or be sent advertising material except with express consent.
- Be informed of the purpose of the interview.
- Have the right to end the interview at any time, or not to collaborate at any time, and to answer only those questions they wish to answer.

### 3. Ethics and legislation concerning data collection, treatment and dissemination processes

#### 3.1. Ethical aspects



### 3. Ethics and legislation concerning data collection, treatment and dissemination processes

#### 3.1. Ethical aspects

#### **Deontological codes in Spain:**

ANEIMO (Spanish Association of Marketing and Opinion Research Companies) → [www.aneimo.com](http://www.aneimo.com)

AEDEMO (Spanish Association of Marketing and Opinion Studies) → [www.aedemo.es](http://www.aedemo.es)

ESOMAR (World Association of Opinion and Marketing Research Professionals) → [www.esomar.org](http://www.esomar.org)

FECEMD (Spanish Federation of E-commerce and Direct Marketing) → [www.fecemd.org](http://www.fecemd.org)

3. Ethics and legislation concerning data collection, treatment and dissemination processes
- 3.1. Ethical aspects

**Robinson List Service:**  
**[[www.listarobinson.es](http://www.listarobinson.es)]**

**What are the objectives of the RLS?**

1. TO WATCH OVER the ethics and public image of the Direct Marketing sector.
2. TO GIVE consumers the choice to opt out or opt in Direct Marketing lists, and
3. TO PROMOTE the effectiveness of the lists, by removing the addresses of people who do not want to receive marketing material and including the data of people who are particularly interested in receiving marketing material.

### 3. Ethics and legislation concerning data collection, treatment and dissemination processes

#### 3.1. Ethical aspects

## **Robinson List Service:**

### **How can the RLS be useful for your company?**

The Robinson List Service is a computer-based system created by FECEM , consisting of two lists that contain names and addresses:

**A) ROBINSON LIST**, allows consumers to have their name and address removed from all Direct Marketing lists used or controlled by the companies subscribed to this service.

**B) MAILING PREFERENCE LIST**, allows companies subscribed to RLS to add to their lists the names and addresses of people who want to receive marketing material.



### 3. Ethics and legislation concerning data collection, treatment and dissemination processes

#### 3.2. Legal aspects

### Basic legislation and regulations :

#### A. Nationwide:

**OECD countries:** Guidelines to harmonise national privacy legislation and prevent interruptions in international flows of data. (See more in:

[www.oecd.org/document/18/0,2340,en\\_2649\\_34255\\_1815186\\_1\\_1\\_1\\_1,00.html](http://www.oecd.org/document/18/0,2340,en_2649_34255_1815186_1_1_1_1,00.html))

**In the EU:** Directive 95/46 on the Protection of Individuals with regard to the Processing of Personal Data. Also, there are:

- Legislative documents
- Case law
- Commission proposals

(More in: [http://ec.europa.eu/justice\\_home/fsj/privacy/index\\_en.htm](http://ec.europa.eu/justice_home/fsj/privacy/index_en.htm))

### 3. Ethics and legislation concerning data collection, treatment and dissemination processes

#### 3.2. Legal aspects

### Basic legislation and regulations :

#### A. Nationwide:

**In the USA:** There is no single overarching privacy law equivalent to Directive 95/46. Rather, there is a private, self-regulative approach, and national legislation in some specific aspects on personal information.

**In the Americas:** *Red Iberoamericana de Protección de Datos*  
(12 Latin American countries, Spain and Portugal)

More in: [www.agpd.es](http://www.agpd.es)

3. Ethics and legislation concerning data collection, treatment and dissemination processes
- 3.2. Legal aspects

## **Basic legislation and regulations :**

### **B. In Spain:**

**Organic Act 5/1992 of 29 October on the Regulation of Electronic Personal Data Processing → REPEALED**

**Organic Act 15/1999 of 13 December on the Protection of Personal Data**

**Royal Decree 994/1999 of 11 June, approving the Regulations on Security Measures for computer files containing personal data**

**Regulatory bodies:**

**Spanish Data Protection Agency → whole of Spain ([www.agpd.es](http://www.agpd.es))**

**Each Autonomous Community has its particular Data Protection Agency regulating personal data files of its own public bodies**

3. Ethics and legislation concerning data collection, treatment and dissemination processes

3.2. Legal aspects

**Levels of data surveillance** (according to RD 1720/2007, 21 December):

**Basic:** General personal data (Name, ID number, Address, age...)

**Medium:** Administrative or criminal offences, taxes, financial services, data that allows personality evaluation.

**High:** Ideology, religion, beliefs, ethnic background, health, sex life, data gathered for police purposes.

### 3. Ethics and legislation concerning data collection, treatment and dissemination processes

#### 3.2. Legal aspects

## Principal obligations under OA 15/1999 on personal data protection:

**Notification of files:** All data files must be notified to the Data Protection Agency

**Adoption of the security measures** laid down in the Act and in the Regulations, according to enforceable level of security

**Writing of security document** containing all the adopted measures

**Writing of contracts and application of mandatory clauses** in regard to data collection, data treatment by third parties, and transfer or disclosure of data