The Emergence of the Database Brokerage Industry
Or: Why Direct Marketers Need Yet Another Business-to-Business Cooperative Database

By Stevan Roberts

Executive summary

For decades, business-to-business mailers have rented individual mailing lists to reach prospects in the industries they target.

But today, B2B marketers have an even better means of targeting potential customers through direct mail, e-mail, and telemarketing: cooperative marketing databases.

By selecting names from a cooperative database, marketers can generate higher response rates while reducing mailing costs — producing a greater ROI from their direct marketing dollars.

A look at the problem

Especially for the business-to-business marketer, traditional mailing lists have a number of limitations:

1. Most lists don’t offer complete coverage of the target market. To mail all chemical engineers, for instance, you have to rent at least three magazine subscription lists and two association membership lists.

2. The necessity to rent multiple lists limits your ability to select only those prospects that most closely fit your ideal customer profile. Say you want to mail only to mail order buyers from companies with a least 100 or more employees. The challenge is that mail order buyer lists typically do not contain information on company size. Magazine publisher lists have company size information but they do not contain mail order buying history. By combining the two, and matching information at both the site and individual level, you can identify and select mail order buyers at 100+ employee companies.

3. There is often significant duplication between lists, even in narrow niche markets. But the small volume of many B2B mailings often makes merge-purge a time consuming, cost-prohibitive process. So you end up mailing the same package to the same person two or three times, annoying the prospect, wasting paper and postage, and reducing your ultimate response rate.

A better idea: the cooperative marketing database

A “cooperative marketing database” is a computer database of unduplicated names from multiple mailing lists.

Typically, the lists have been contributed by a variety of list owners, who in return can use the entire database – containing their list as well as lists from many other mailers – for a given rental fee.

Some cooperative databases are private or members-only, restricting usage to marketers whose names are part of the database. Others are public co-op databases; they can be rented by any mailer without requiring the mailer to contribute names.

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The lists are run through a merge/purge program — at the expense of the list company managing the database, and not the mailers — to eliminate duplicates. So each prospect in the database is represented by a single, unduplicated record.

Data characteristics from various list sources are represented in that record. Data overlays can be used to add even more data to individual records. In addition to enhanced demographics, databases contain more information on transactions such as average unit of sale, lifetime customer value, and RFM (recency, frequency, monetary).

The result is a database of records containing a high level of “intelligence” about every prospect. Further, because all names are combined in one database, it’s easy to search across the entire database — or segments of it — for prospects that meet highly specific mailing criteria.

On a typical mail order buyer list, for instance, you might only know the prospect’s name, company, and mailing address. In a cooperative database, that prospect’s record is likely to be overlaid with far greater depth and details, e.g. SIC, number of employees, products specified, job function, annual sales.

Database advantages over renting individual lists

Traditionally, B2B direct marketers select names from mailing lists based on a number of factors including SIC code, job title, products purchased, zip code, annual sales, and number of employees at the location. Controlled circulation lists contain the most data selects, while paid circulation and mail order buyer lists have the least.

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One of the biggest advantages of a cooperative database vs. a single list is the ability to search and extract names based on these selection criteria across a broader universe of prospects. For example, when you mail to individual lists, the only way to identify multi-buyers is by selecting people who have bought two or more times from that company.

But when you merge hundreds of lists into an unduplicated cooperative database, you can select names of people who have bought multiple times from any of the vendors in the database – not just one company. In this way, you can identify -- and mail - - many more multi-buyers to increase your response rates.

Another advantage of co-op databases is greater penetration into your target market than any single mailing list can provide. “Penetration” refers to the number of buying influences -- from a given company at a particular location or site – in a database.

You can search the co-op database to find out how many names it contains at any site of any company. Because the database gives you the combined records from multiple business lists, you get a complete and accurate picture of penetration. The higher the penetration, the better – and conversely, a low penetration is a negative.

Say penetration is one: you only have one person from the business site in the database. It could signify the site is a tiny mom-and-pop business with limited purchasing power.

Or, low penetration might mean the name is a seed on one of the lists in the database. It can also indicate that the business does not employ many people fitting your ideal customer profile, and therefore is not a volume purchaser of your product category.

On the other hand, large penetration leads us to conclude that (a) the business is probably of a significant size with a significant budget, and (b) it employs many active buyers in your market who fit your ideal customer profile – a good sign you should mail to them.

An even more accurate predictor of responsiveness is the P/E coefficient – the ratio of penetration (how many potential customers at the site are in the database) to the total number of employees at that site. If the P/E is high, it means that your database contains a relatively large number of buyer names in proportion to the total number of employees at this site.

So if the site had 100 employees, and 20 of them fit your ideal customer profile, then one out of five employees at the company is a potential customer for your product or service – a relatively high P/E coefficient. This tells you the business is actively engaged in an activity that requires what you are selling.

On the other hand, if the database contains just one name at the site that fits your customer profile, and the site employs 1,000 people, then one out of a thousand employees is a potential customer for your product or service. This tells you that the business probably has minimal demand for your product.

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When renting a co-op database rather than individual lists, you can get a more accurate measure of P/E ratio, because buyers and buying sites who fit your customer profile are pulled from every list in the database containing their name. The P/E coefficient may be used to determine the appropriateness of a list, database segment, or the entire co-op database.

Another capability enhanced with a database is suppression. “Suppression” means that when selecting names, you do not mail records that meet certain criteria. With your house file, for instance, you can identify customers who have not responded to your last 10 catalog mailings, suppress the names from your list selection, and avoid sending expensive catalogs to people who are highly unlikely to respond.

Suppression in a co-op database takes this one step further. With a database you have the choice of suppressing prospect names who have not responded to previous mailings based on the number of times you’ve mailed to them. You could, for example, suppress the names of individuals who have not responded to the last 10 catalog mailings or entire company sites that who have not responded to the last 100 catalog mailings, on the assumption that these names are unresponsive and unprofitable.

When renting names from traditional lists, a net-name agreement specifies that you pay the list owners only for names used after merge-purge has deleted duplicate records. However, many net-name agreements require the mailer to pay for a minimum of 85% of the gross names.

Because the cooperative marketing database is already unduplicated, users do not pay for merge-purge when renting names from multiple list sources – significantly reducing mailing costs. With a co-op database, the mailer pays only for the actual names they mail, not gross names. A cooperative database can also be used to reactivate inactive customers on your list. For instance, a catalog marketer had a house file of customers going back 20 years. With the high cost of printing and mailing their catalog, sending the new catalog to the entire list would have cost a small fortune and was unlikely to be profitable.

By running their house file against a cooperative marketing database, the catalog company was able to identify which of their customers had responded to offers from the marketers in the database within the last 18 months. By mailing only to those “active mail order customers” on their own list, they were able to reactivate
many inactive accounts without the expense of sending catalogs to the entire house file.

The next generation of B2B co-op databases: LexBase

There are about half a dozen or so cooperative B2B databases on the market today. These include: Abacus … Experian … MeritBase … Direct Media … and the newest entry in the field: List Exchange Base (LexBase) from Edith Roman Associates.

There are 3 reasons why we created yet another B2B cooperative database:

1. First, many of our customers expressed dissatisfaction with other offerings in the co-op database marketplace, and asked for features, capabilities, and services these other databases did not offer. We created LexBase in response to the needs of our customers.

2. Second, competition. The more B2B cooperative databases you, as a mailer, can choose from, the less of a monopoly any one database company has in the field. Competition leads to improved quality, continuous innovation, and reduced prices for database mailers.

3. Third, advantage. Cooperative databases offer significant benefits over renting individual lists. At major list conferences, my fellow list brokers complain bitterly about the downturn in the list rental business. Cooperative databases are clearly the wave of the future. Their usage is growing just as individual list rentals are declining, and I expect both trends to continue and even accelerate.

So what is LexBase … and why should you, as a direct marketer with so many existing choices in B2B lists and databases, care?

Why B2B direct marketers needed yet another co-op database

The largest B2B cooperative marketing database, LexBase contains more than 75 million net unduplicated names merged and purged from over 1,800 b-to-b mailing lists containing 250 million records – giving you the postal address, phone number, and e-mail address for virtually every b-to-b prospect at virtually every business site in North America. 92% of LexBase has a contact name, enabling all mailings to be personalized.

Cooperative databases are the wave of the future in business-to-business direct marketing. LexBase combines names from over a thousand lists, providing maximum penetration at the sites you want to sell to.

Hundreds of B2B lists included in LexBase are not available in any other co-op marketing database. In addition, LexBase is enhanced with InfoUSA’s proprietary business database, adding significant data to records from contributed lists.

Names on the list can be selected by 40 different criteria including: RFM (recency, frequency, monetary), buying influences, fast growth, installed base, mail order buyers, standard industrial code (SIC), employee size, title, source, affinity, penetration, promotional history, job function, average unit of sale, lifetime customer value, zip code, times mailed, new businesses, and more. There is no charge for selections.

Records are output via FTP, e-mail, DVD, or other electronic media. There is no charge for selections. All list owners whose files are incorporated into LexBase get monthly usage reports showing rental activity and income on their names.

No single mailing list or competitive co-op database can cover as much of a given market as LexBase (Fig. 1). By comparison, MeritBase is comprised of 60 million names from 1,200 B2B lists. Experian contains more than 15 million records.

Unlike some other co-op databases, LexBase allows you to choose your level of participation. You can rent names without adding your own house files to the database. You can add your names for attribution (e.g., to ensure that your rental order does not contain names you already own) only. Or, you can generate income by allowing other LexBase users to rent your names.

Even when you contribute names to LexBase, you continue to own those names. You have total control over who can mail to them, with full approval rights on all promotions sent to your files. And you can remove your names from the database without penalty at any time.

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**Fig. 1. LexBase reaches over 75 million prospects in North America.**
The cost to rent names from LexBase is the current cost per thousand charged by each individual list owner for their names plus a $12 per thousand service charge — more than offset by the elimination of merge/purge, NCOA processing, or selection charges.

Individual lists can be selected from LexBase by name. LexBase offers standardized coding across all files. If you already have special discounts negotiated with a list owner, we honor that pricing when you rent the names through LexBase. You can also license names from LexBase for one year’s unlimited usage based on a one-time fee.

Importantly, Edith Roman Associates offers every service direct marketers need — merge/purge, NCOA, e-mail address appending, e-mail distribution, database management, database brokerage, database design, data processing, statistical analysis, data modeling, software development — integrated under one roof.

Result: Edith Roman can serve as a one-stop resource for all the needs of B2B mailers. This single-source approach eliminates the need to handle these disparate tasks in-house. It also eliminates the project management nightmare of buying every service a la carte and then coordinating the activities of half a dozen different vendors.

What to look for in a cooperative marketing database

OK. Say you are thinking about making a cooperative marketing database part of your DR program. You plan to test a cooperative database for your next mailing or add your house file to such a database. Here are 9 factors to consider in making your selection:

1. Size. When it comes to a cooperative B2B database, bigger is better. You want to reach as many potential customers as possible. That means the database should ideally contain records for all B2B prospects that fit your ideal customer profile at all business sites in North America. When you rent individual mailing lists, you often sacrifice penetration for quality: not everyone in your target market is on the list, but you know that those who are on the list are qualified prospects.

A co-op database, on the other hand, should enable you to reach all qualified prospects — not just some of them. If there is a co-op database larger than the one you are renting, then you are simply not reaching all your potential customers in the market.

2. List source diversity. Where do the names in the database come from? What mailers have contributed their house files? The bigger the number of individual mailing lists represented in the co-op database, the better the coverage of your industry, market, or niche. Once again, if another co-op database has names from more list sources than the one you are mailing, you may not be getting full penetration into the segment you are targeting.

3. Selectivity. The more data you have on each record, and the more fields you can select from within each record, the better able you are to mail or e-mail the ideal prospects for your offer - and the more likely you are to maximize your ROMD (return on mailing dollars). Decades of experience show that the increased response generated through the use of relevant list selects almost always outweighs the nominal additional cost-per-thousand fee charged by list owners for the select.

The same principle holds whether you are mailing names from an individual list, database, or database segment. Even better, LexBase does not charge for selects.

4. Data modeling. Ideally your cooperative database vendor doesn’t just rent names from the database but also offers you modeling capabilities. By running your house file through statistical modeling, the database vendor can create a precise data-driven description of your ideal customer. He can then use those data points to select from his cooperative database only those names that match your ideal customer profile. Modeling enables you to figure out exactly who you should mail to, and a co-op database allows you to reach more of them via direct marketing.

5. E-mail addresses. In a perfect world, all records contain e-mail addresses. In addition, the e-mail address is verified as accurate, and there are no duplications in the e-mail database. All e-mails should contain the opt-out language and unsubscribe link of the list owner, not the database manager. Co-op database users can select both e-mail and postal addresses by all database selection criteria, since both are integrated in a single database.

6. Proprietary vs. public. Is database rental limited to members who allow their house files to be integrated into the cooperative database? Or is it a “public” database where anyone can rent the names, whether their own list is part of the database or not? If you do permit your house file to be integrated into the database, do you retain ownership and control of those names? Or does the database company own them?

7. Control. If you contribute your list to the database, the names remain your legal property. You can withdraw them at any time without penalty. You decide who can mail to your names, and can review, approve, or disapprove any mail or e-mails going to your names, even if it’s to just one person on your list. Data for prospect profiles is obtained from third-party and multi-sources, so your unique information is not used in profile creation. Profiles and data models created for your company are confidential and not shared.

8. Cost. What does it cost for you as a mailer to use the database? If your selection includes records that are also
on your house file, do you pay to mail to names you already own? Is there a discount for first-time users or mailers who add their names to the cooperative?

9. Privacy. Your participation in the database is kept confidential. Only database users who wish to rent names you have contributed to the database are told that your files are part of the database.

Data modeling and marketing databases

Data modeling techniques can be used to create customer profiles for individual mailers as well as benchmarks applying to broad industry segments.

The profile gives you a statistical breakdown of who your customers are. For instance, if you market agricultural products to farmers, you may suspect that most of your customers live in rural areas. When your customer file is profiled, it shows that 75% of your buyers are in cities with populations of 5,000 or less.

A benchmark indicates the norms for an industry. Say the industry benchmark for agricultural products showed you that, to your surprise, 75% of buyers are in cities with populations of 5,000 to 50,000. This would indicate you could acquire new names by mailing into segments of the database in those zip codes.

The first step in using marketing databases to boost response rates is to apply data modeling to your house file. Statistical techniques such as multivariate linear regression or CHAID modeling enable you to build a precise data-driven profile of your ideal customer.

Records in LexBase can be output to SAS and other modeling tools. Once a model of your target prospect has been created, that model can be applied to LexBase. You can then select names from the database that most closely match your ideal customer’s characteristics, which in turn can maximize response rates.

For instance, you might run a statistical analysis on average order size as a function of job title. If you found that the average order for purchasing agents was $200, but that engineers spent an average of $2,000 per order, you could potentially increase average order size tenfold by targeting future mailings to engineers instead of purchasing.

In one case, a catalog marketer of industrial products used statistical data modeling to create a precise profile of who was responding to their mailings — and the revenue that could be expected from mailing to such prospects. By matching this customer profile against

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**LexBase PROFILE REPORT - INDUSTRY**

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<tr>
<th>SIC Range</th>
<th>Industry</th>
<th>Lex File Total</th>
<th>Maller's File</th>
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<td></td>
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<td>Email</td>
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<tr>
<td>01 - 14</td>
<td>Agr. Forestry, Fish, Mining</td>
<td>52,264</td>
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<tr>
<td>15 - 17</td>
<td>Construction</td>
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<td>Total</td>
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Fig. 2a. Sample LexBase Profile report shows you the industries your clients are found in and the percentage penetration your customer file has within each industry.

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Fig. 2b. Sample LexBase Benchmark report shows how many prospects that look like your customer can be selected from the List Exchange Database.
LexBase and mailing only to names that closely fit the profile, the catalog company generated a 20% lift in response rates while increasing both average order size and lifetime customer value.

With LexBase, improved selections are made possible through detailed profiles available on each list and through data overlays. Mailers can keep track of which names they rented for previous mailings across hundreds of lists, increasing response rates by suppressing individuals and sites that prove unresponsive.

Modeling from a cooperative database is more efficient than from a merge-purge environment, because mailers do not have to negotiate with individual list owners. You can apply your model to all the names on the database. But you pay only for names actually mailed, not those used in the statistical analysis.

Using third-party and multi-data sources, an accurate profile of your market can be built.

The profile report (see Fig. 2.) shows you the industries your clients are found in and the percentage penetration that your house file has within each industry.

It also shows you how many prospect records that fit the demographics of your ideal customer can be selected from the cooperative database. Some of these prospects will already be companies doing business with you, and others will be companies that have not bought from you.

For those who have never done business with you, you can rent the names and target a direct response campaign to generate leads or sales.

For those who have bought from you, your house file can be run against the marketing database. Information missing from your own files can be taken from the database and appended to your records.

In addition to profiles of your list, the cooperative database should have industry standard benchmarks that show what typical buyers look like in various industries, markets, and types of companies.

By comparing your house file against the benchmark, you can identify similarities and differences. The similarities indicate your strengths in the market, while weaknesses may reveal opportunities.

For instance, say you are a computer reseller, and most of your customers are large corporations. If the benchmark for computer resellers shows that the typical reseller has significant market penetration in the local SOHO (small office/home office) market, and you don’t, there may be an opportunity to get more business by mailing to SOHO sites in the cooperative database.

48-hour turnaround on rental orders

One of the problems when renting either individual lists or a cooperative database is getting list owner approval for your mailing piece. If you are renting 6 different lists, your DM package must be submitted to each list owner and approved by them before you can mail their list.

What about if it’s a cooperative database? Each list owner still gets the right to approve all promotions sent to her names before they are mailed. While getting these approvals was a headache with half a dozen lists, imagine getting it from dozens or hundreds of list owners every time you mail to a co-op database.

Clearly a more streamlined and automated process was needed for list owner approval when renting co-op databases. In response, Edith Roman Associates created the patented CAS® (Campaign Approval System) technology for online list approvals.

With CAS, your promotion is posted on a secure private Web site. When you select names from LexBase, all list owners who have one or more names in your selection are sent an e-mail notification.

The list owner is alerted that a promotion has been posted on the secure site for her approval. She goes on the site, reviews your mailing, and clicks a mouse to approve or disapprove (Fig. 2). With CAS just-in-time list approval technology, delivery time of names rented from the co-op database is reduced to 24 to 48 hours rather than the one to three weeks it typically takes to get a mailing list.

What about e-mail?

There are 2 ways you can reach more prospects and significantly improve e-mail marketing results with LexBase:
1. Append e-mail addresses from LexBase to records in your customer file that are missing e-mail addresses.
2. Run your customer profile against
LexBase. Send e-mail marketing campaigns to prospects in LexBase who are a close match to your customer profile, but whose names and e-mail addresses are not in your house file.

The availability of accurate e-mail addresses on individual B2B mailing lists is usually inconsistent and incomplete. Most postal lists have accurate e-mail addresses for only a small percentage of the people on the list. When list owners run their house files through e-mail address appending services, they typically find matches for only 8% of the list.

Edith Roman Associates has developed a proprietary appending technology based on the e-mail address naming conventions used by individual businesses throughout North America. Our proprietary append technology can provide e-mail address matches for 20% to 30% or more of the names on any given B2B list or database.

E-mail addresses for LexBase records are drawn from Edith Roman Associate’s Business E-Mail Network (BEN) B2B e-mail database. BEN contains more than 15 million unduplicated e-mail addresses from 420 response list sources including publication and newsletter subscribers, product buyers, book and seminar buyers, and conference attendees. Selections include job function, job title, industry, employee size, sales volume, and products specified.

Corporations use specific algorithms to create e-mail addresses based on their domain names, e.g., if you are John Smith working for XYZ Corporation, the algorithm would assign you the e-mail address “John.Smith@XYZ.com.” Any e-mail address for John Smith not matching that algorithm is deleted from the database, ensuring an accurate business e-mail address.

LexBase has resident e-mail addresses that are internally transmitted and analyzed within the same tool. Proprietary e-mail distribution software ensures that e-mails sent to names from a given list contain that mailer’s specific “from” line and opt-out copy, instructions, and URL.

Some co-op databases send record IDs back to the list owners for transmittal to their lists. This can result in distribution for your e-mail marketing message coming from literally dozens or even hundreds of different sources, making it more difficult to track and measure results.

With LexBase, all e-mails are transmitted from a single system. This reduces administrative complexity, speeds turnaround on e-mail distributions, reduces cost and improves analysis and reporting.

When you e-mail to individual email lists, list owners require a minimum rental of 5,000 names per list. With LexBase and BEN, there is a minimum of 5,000 names for renting the database, but no minimum from each list in the database serving as a source of names for your order. If there is even just one good match for your customer model on Company X’s E-List, your e-mail distribution will include that prospect.

About the author:
Stevan Roberts is President of Edith Roman Associates, a Division of Info USA. His articles have appeared in DM News, Target Marketing and Circulation Management and he is co-author of the book Internet Direct Mail (McGraw-Hill Business Books).

First year contributors to LexBase get a 20% discount on the database access fee. If you already use other cooperative databases, Edith Roman will suppress those names from the names you rent from LexBase at no charge. Records you rent from other co-op databases can be appended with e-mail addresses from Lex.

For more information, or to get free recommendations from an Edith Roman LexBase Specialist, contact:
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To sum it all up…

1. Through the application of advancements in technology and statistical analysis, the traditional mailing list brokerage business is evolving into a new business better equipped to help mailers increase response rates: the database brokerage business.

2. Replacing traditional list rentals is the cooperative marketing database — a single, integrated, unduplicated database containing records on every business prospect at every company site in North America.

3. When selecting a B2B cooperative marketing database, size matters: if you are not renting the biggest co-op database on the market, containing unduplicated names from the broadest selection of lists, than the one you are using is not reaching all of your potential customers.

4. Statistical data modeling and extensive selection capability can enable you to build an accurate data model of your ideal customer, and then pull from the cooperative database all the names of prospects who are the closest fit to your ideal customer profile.

5. With accurate data modeling, proper record selection, and by mailing to a single unduplicated database, you can increase response rates while reducing mailing costs.

6. The database should enable multi-channel marketing, reaching each prospect by postal mail, e-mail, or telephone.

7. The bottom line of using a comprehensive co-op database is therefore maximum ROMD (return on mailing dollars), increased response rates, large average order size, higher lifetime customer value, and reduced mailing costs.