

Transcript: Why you need a database

Welcome to another episode of the Digital Masterclass Series on the importance of going digital in a post-COVID world, brought to you by the City of Glen Eira. Today's topic: why you need a database. The things we will cover are: what are your marketing objectives? If you have social media, do you still need a database? What type of information you should collect? Five steps to building and using a database. And some top tips. The focus of this session is around databases: the why, what and how.

But first, let's talk about marketing. According to the Harvard Business Review (depending on which study you believe and what industry you're in), acquiring a new customer is anywhere from five to 25 times more expensive than retaining an existing one. So what is your marketing objective? Is it customer acquisition or customer retention? Marketers know that retaining customers is just as important as acquiring them, hence the need for customer retention strategies.

A customer retention objective is to move away from a transactional to a relational focus. Hence, the term customer relationship management. Here are two examples that may illustrate the difference between transactional and relational.

Example one, on the left, is the old coffee card. While the customer is rewarded for their behaviour, the service provider (being the café) still doesn't know anything about their customer. This is a transactional example. Example two, on the right, is where there is a loyalty program. Using a mobile phone or a digital tool, the opportunity is there for a two-way dialogue between the customer and the service provider – and the database is the enabler.

So, if you have social media, do you still need a database? The simple answer is yes. Followers are great on social media, but what do you really know about your audience? Are they actual customers of your business? Or are they just social media followers? Do you really own the database of followers? Or have you just been given permission to have a conversation by the social media platform? Keep using social media, but be aware of the risks. You don't actually own the database, nor do you have opt-in permission for direct marketing.

So how can you build a relationship with customers you don't know? And what sort of information should you gather?

Here are five simple steps you can follow:

Step one: before you start you need to know the law. Some things you should be aware of: your customers must consent to receiving direct marketing communications. In other words, they need to opt in whenever you send out communications. You need to identify yourself, and your customer must have the opportunity to unsubscribe at any time.

The Privacy Act from 1988 covers this for small business and large business. You also have responsibilities to protect your customers' information. You should also familiarise yourself with the Australian Privacy Principles, the Do Not Call Register Act, and the Spam Act.

Step two: identify your ideal customer. Who are your ideal customers, and which methods of communication are they most likely to respond to? This will give you some clue as to what sort of information you should try and gather on your database.

Step three: start building your database. The objective here is to provide the opportunity to directly communicate with your customers, so here's a top tip: asking for less information is likely to achieve a higher response. For the database fields, in collecting names for your database, you may want to ask for first name, separate to last name. This will enable you to mail-merge personalised messages

in the future when collecting contact details.

Consider which communication method your customer is most likely to respond to, and prioritise collecting those fields first, whether that be the email address, phone number (for SMS or phone calls), or postal address. No matter what information you decide to collect, you must have an opt-in. Once you have that information, you can start a trusted dialogue with your customer, which will give you the opportunity to ask for more information.

Step three in building your database: here are some opportunities that you may want to undertake. For online methods, you may want a “subscribe here” pop-up and /or links from your website. You may want to run a competition to your social media followers and ask for their phone number or email address; or, on your website, you may want to give something in return (like a free ebook or a download), where you ask for their name and a piece of contact information in return for the free thing that you’re giving out.

You may also want to offer a free trial or demo, again, in return for contact information. Some of the offline methods: you may want to put a “join our database” form at your front counter or reception. You may want to run an in-store campaign or competition, or perhaps run or speak at an event and invite the attendees to opt-in to your database. Step four: storing and using your database. There are a lot of options, depending on your purpose and budget. Some businesses decide on a simple spreadsheet; just be aware that there is a lot of manual upkeep involved in meeting the requirements of the law with regard to opt out and making it easy for your customers.

You may decide to use an email or SMS platform which can update your responses. The examples on the right are Mailchimp, Constant Contact, Campaign Monitor and GetResponse. These are all dedicated email platforms. Email marketing platforms can assist in managing your contact lists, help you design and send compelling emails, and track whether these are opened and read. The good news is, it does not cost much to start using these platforms, nor is it a very difficult undertaking. The other option is to use a dedicated CRM system which may integrate with email and SMS platforms. If you use platforms such as HubSpot, they integrate with email systems such as Mailchimp or Constant Contact.

They make it easy for you to update your database regularly. Using a dedicated messaging platform can provide a number of analytics options that you may not get by using your current email system. They may give you analytics such as open rate, the time that the person opened the message, response rate, etc. They can also assist with the legal compliance of the unsubscribe option.

Step five: using your database. Be creative. Not everything has to be done online. If you know your customer and they prefer an offline method then use that offline method.

Will they respond better to email, SMS or direct mail? You can run tests and start segmenting your database. Segmenting your database does not have to be difficult – it could be as simple as emailing or messaging particular customers from, let’s say, the letters A to L, and then the remaining letters of M to Z (that’s their surname or first name). You can send them a different message, so start building an activities calendar. To get started, once you have your database, you may want to run some campaigns. To begin with, perhaps start with six-month blocks. Get a blank piece of paper and start writing out the next six months. You may start writing out events, or things, that happen during those calendar months that may affect your target audience. Just to recap: a campaign is usually a theme for your email, direct mail, or SMS class You should also have an objective in mind: what do you want the recipient to do once they receive your message? Do you want them to come into your store and purchase something, or redeem a coupon? Or do you want them to just to click on a link and visit your website (and perhaps make a booking or a purchase)?

To finalise this class, here are some top tips:

- Tip one: have an objective in mind with every campaign.
- Tip two: don't be afraid to segment your database. Perhaps test group A and test group B.
- Tip three: where possible, measure the results. The response rate will give you some indication as to whether it's worth running that campaign again, or perhaps pivoting and doing something else. A response rate, as mentioned before, may be as simple as "did this increase sales or bookings?" "Did this have people redeem a coupon that you provided?" Or "have they mentioned your email or SMS message that you sent out?"
- Tip four: use your database regularly, at least two to four times a year, to help keep it up to date. Tip five: be prepared to test, refine and test again.
- Tip five: make sure you back up your database regularly.

In summary:

- Step one: familiarise yourself with the Privacy Act and legal obligations.
- Step two: identify your ideal customers and how they like to be communicated with.
- Step three: build your database via online and offline methods. Step four: select a platform to store and use your database.
- Step five: plan and use your database regularly, to keep it up to date.

To finish, here are some useful links that you may want to look at when researching what sort of platform you may want to use in communicating with your customers via your database. Thank you for joining this webinar. For more Information, please visit the Glen Eira City council website under Business Support (gleneira.vic.gov.au/services/business-support), or contact us via email at cityfutures@glenira.vic.gov.au. Thank you.