Database Marketing - Definition and Application of the Concept

Kwesi Atta Sakyi

Head of Research, ZCAS University, Lusaka, Zambia

Abstract: **A database is a collection of information on a set of variables of interest on a specific topic. Database marketing has become relevant and practical due to great advances in ICT and also because of globalization which has led to the convergence and integration of global markets, The objective of this paper is to explore the meaning and application of database marketing. The methodology used is that of a qualitative approach which is based on relying on secondary data and reviewing it by using the author's insights gained he was recently pursuing an online MBA programme. The author hopes this paper will be useful to both researchers and students of marketing.**

Keywords: **database marketing, Artificial Intelligence (AI), customer retention, Customer Relationship Management (CRM), data warehousing, data mining, online transactions, e-money, convergence**

I. INTRODUCTION

Database marketing is symptomatic of the information age as the world has shrunk to become a global village with the convergence of global tastes as well as global practices, technologies, and consumer preferences. Convergence is achieved by having ICT technologies which operate on different platforms from different media but which give access to the same information on different appliances and gadgets such as tablets, smartphones, desktops, laptops, among others (Brassington & Petit, 2006; Kotler, 2006; Kotler & Armstrong, 2017).

The use of barcodes, credit and debit cards and other plastic money in shops help to capture data on consumers and clients and store these data in databases or repositories which are networked with other partners. According to kbmanage.com (Online), direct marketing has become the norm in modern marketing and its efficacy depends on the amount and quality of customers' data which is held in databases, and how that data is managed to reduce customer churn, retain customers and to add more value for both the firm and the valued customer. In the era of the internet, we find born global businesses being set up by technologically-savvy technopreneurs who become instant billionaires through their virtual businesses and social media networks.

These young computer Nerds and Geeks who are part of Generation Z and Millennials live off the internet on a daily basis and they know how to navigate their way around cyber space and exploit business opportunities by using different software applications (apps) which help them manage efficiently their databases of employees and clients. These are one-person companies who are CEOs, employees, and directors all rolled in one. Their success is based on their social networking skills with people around the world on cyber space.

II. LITERATURE REVIEW

According to Marketing-schools.org (Online), database marketing allows firms to use bespoke or tailor-made marketing solutions to be deployed in a mass customization way to meet the needs of customers by means of disintermediation or doing away with intermediaries such as retailers, wholesalers, and agents. However, it involves home deliveries and online engagements by using the platforms of online businesses such as Amazon.com, Lastminute.com, and Ali Baba, just but to mention two of the prominent online shops.

Database marketing suits B2B customers, big firms, and mostly investment and finance companies whose customers have agreed to use emails and internet or online transactions (Marketing-schools.org). Businessdictionary.com (Online) defines database marketing as:

Communicating, promoting, and selling activities based on a database management system (DBMS), which stores and refines data generated by a firm's routine marketing and selling efforts.

(businessdictionary.com)

Studymarketing.org (Online) also infers that database marketing grew out of the success of the old postal mail order system whereby people, a long time ago, used to order goods direct from producers using catalogues and mail order forms to order from dealers such as Peter Justensen for diplomats, among others. Database marketing, according to studymarketing.org (Online) has three main features of direct marketing to customers with required responses, creation of customer database, and having database marketing that is measurable or quantifiable.

Many people today have become digital natives, Millennials, and cyberspace dwellers, making cyberspace dense everywhere. Having Virtual shops such as Amazon.com, e-Bay, Lastminute.com, and Ali Baba means that most people now shop online and leave audit trails of their activities and shopping behaviour. Data warehousing enables firms to access huge amounts of data on many stakeholders which they can later use for data mining, data analysis, and for organising

database of customers into categories for future targeting, segmentation, and classification into Customer Life-time Value (CLV) analysis using Gupta and Lehmann's formula:

$$\frac{\sum(p-c)R}{(1+i)^t},$$

where 'p' represents price of a purchase;

'c' represents cost of the purchase;

't' represents time of tenure of customer;

'i' represents amortization interest rate; and

R represents retention rate.

Summing up to infinity, this becomes: mr / (1+i-r). The numerator of the formula represents nominal pure profit while the whole formula represents deflated profit with effects of inflation removed to leave the result in constant terms.

(Kotler & Keller, 2016, pp. 128-148)

What is database marketing?

Database marketing is the use of internal and external computer database addresses to generate email advert messages, adverts and other marketing information to reach as many people as possible in cyberspace by attracting them, creating interest, creating desire, and making them take action to purchase, and thereafter become valuable life-long partners.

This is also called viral marketing or informal or below -the-line word of mouse (click of a button) marketing which is quite fast, cheap, versatile, and it has global reach, and great customer impact, especially if data is sent via social media such as Twitter, Facebook, LinkedIn, Medium, Pinterest, YouTube, WhatsApp, and Twoo, among others.

Database marketing helps firms know customers better and also help them have high customer retention and also to engage in product extension by selling to the retained customers new and improved products. Customer retention is extremely important in a volatile market where competition is keen, customers are sophisticated and well informed, and where customers have access to vast arrays of information. It is said that it is five times more costly to lose a customer than to gain a new one (Kotler & Keller, 2016, pp. 128-148)

III. METHODOLOGY

The article is a theoretical review of the topic of database marketing which is solely based on relying on secondary sources of data. Therefore the approach is qualitative. The author relies on his insights gained from doing an MBA programme recently online.

IV. DISCUSSION

What impact does it make on customers and producers?

Firms have powerful search engines to monitor traction of online users of their products and those who open in to adverts, pop-ups, and cartoon adverts featuring celebrities such as the Simpsons' cartoons, Scoobie Doo, Mickey Mouse, and Disney cartoon characters. The adverts aim to brand the mind and soul of customers to make indelible impression on them.

Database marketing leads to reduced costs, as online surveys are very cheap and also they create volume as friends tend to send adverts to other friends in a snowballing fashion. They create fun and entertainment as well as edutainment or combining entertainment and education, informing, arousing desire and interest, and creating a sustainable relationship based on customer-centric or market-based marketing model.

How is database marketing carried out?

Anytime people buy online and send enquiries, they leave audit trails for building customer and potential customer base for customer relationship management (CRM) as well as creating a Customer Marketing Information System (CMIS) which management build into their Management Information System (MIS) and Executive Information System (EIS).

This database can be shared with partners through Electronic Data Cost Sharing (EDCS), and avoiding information asymmetry, incomplete contracts cost, and leading to data integration through Electronic Data Interface (EDI), to have a highly integrated supply chain or seamless supply chain which reduces transactions cost, enhances transparency, competitiveness, and engenders efficiency and production of high quality products.

Customers have maximum information and wider choice, thus their welfare is optimized in a win-win scenario for the customer and the producer, as well as the economy at large.

What are its merits and demerits?

Database marketing is initially expensive to set up and maintain in terms of hardware and software needed. There are issues of hacking, data confidentially and security, online fraudsters, attack by viruses due to down-loads from unsafe sites, unsolicited mail or SPAM, bothersome pop-ups and cookies and adverts, risks from malware and spyware, and other disadvantages. Sellers cannot reach those who are conservative and do not want online virtual experiences, and also there are many millions of poor people in Africa and Asia who are not connected online.

What is driving database marketing?

In the European Union, a law was passed making it mandatory that firms should conduct at least forty per cent (40%) of their businesses online. This has led to customers transacting business from the convenience of their homes and using plastic money to pay.

It has helped businesses to have real-time transactions for instant feedback and feed-forward decision-making, allowing for Decision Support Systems (DSS) whereby Structured Query Language (SQL) can be used to determine some

parameters for research on customer behaviour and market trends.

Database marketing is technology-driven, globalisation-driven, market-demand driven, and cultural-imperative driven in a fast-changing acculturation, and cultural diffusion world, where markets are merging, labour and capital move across seamless cross-cultural borders, and the whole world is being Cokefied, MacDonaldamised, Microsofted, and Appled with all songs sung by Samsung, all wheels powered by Toyota, GM, Ford, and others.

Principally, firms can control their environments better and make accurate forecasts by using powerful search-engines and algorithms to make accurate and informed decisions through database marketing. It has reduced rental costs, commuting costs, and reduced the use of paper in paperless offices, and also helped in reducing labour and consultancy costs as software programmes can be used to automatically carry out surveys by applying Artificial Intelligence (AI).

BIG DATA is now being dealt with in terms of data collection/capture, processing, storage and retrieval through Cloud Computing or external server management which guarantees safety, accessibility, and mobility of data anywhere on any platform, regardless of device used.

V. CONCLUSIONS

Global trade convergence is inevitable as technology advances. Database marketing has become the new normal, especially in 2020 during the COVID-19 pandemic. However, not everybody is on board due to divergences in incomes, perceptions, culture, and personal values. There is the global digital divide between the rich haves in the North and the majority poor in the South many of who cannot afford the cost of internet connectivity. However, Direct marketing through database marketing is now very big business because of its cheapness, speed, affordability, and fluidity especially in the lockdown period of the outbreak of COVID-19, online trading boomed and skyrocketed.

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