B-to-B Membership Co-ops: The Company You Keep

ASSESSING THE VALUE OF PARTICIPATING IN MULTIPLE MEMBERSHIP CO-OPS

From the editors of MULTICHANNEL MERCHANT

Trying to determine if your company can yield sufficient incremental value from participating in one or multiple business-to-business membership cooperative databases? This last in a three-part series on membership co-ops outlines key evaluation points.

1 MEMBERSHIP VALUE SHOULD BE ASSESSED BOTH ON PERFORMANCE AND INCREMENTAL UNIVERSE DELIVERED. Mailers participate in membership co-ops to yield high-performance names at low cost. The performance is made possible by members' contributing their customer buyer data to create a large, aggregated pool of prospects with transactional data that drives deep, member-specific models and more targeted prospecting.

The cost advantage comes from selection and modeling fees being built into a comparatively low CPM charge (averaging $85 to $95), along with other favorable terms, such as no minimum or name-for-name requirements. (Terms do vary by co-op—see #4).

As noted in the second report of this series ("Maximizing Mailing Response, Revenue and Profit From B-to-B Membership Co-Ops," the prospect view does not include the list-source identity, and it's possible to block a directly competitive co-member from using your names for prospecting. (Blocking is generally not to the list owner's own prospecting advantage due to reciprocity, however.)

But because membership benefits come in return for the inherent "cost" of contributing your buyers, the returns for participation should include yielding prospects that are both incremental to your core list-rental and list-specific co-op program, and offer superior performance over time.

2 PERFORMANCE: TAKE THE LONGER VIEW. Initial performance is, of course, determined by response rate, average order value, dollars per book and cost-per-new-customer. Mailers routinely evaluate the worth of a prospect list based on its ability to generate new customers at or below their target per-customer acquisition cost.

At the same time, given that most b-to-b marketers prospect at a loss, assessing a source's/co-op's true performance—meaning ultimate profitability—also requires analyzing the rates of conversion to subsequent purchases and the monetary value of those subsequent purchases.

A membership co-op's names may or may not perform as well or better than a mailer's other, dominant sources on an initial basis, but making an accurate, meaningful value assessment calls for factoring in those downstream dollars. Industry-wide, on average, 20% of new b-to-b customers are converted to repeat buyers, but the ability to leverage pooled

>>

transactional data through a membership co-op frequently lifts that average, and the corresponding lifetime value.

Assessing longer-term or lifetime value in turn requires evaluating the prospect universe—both in incremental and quality terms—as well as the comparative costs associated with individual co-ops' specific terms and policies, and how well these fit into your own mailing practices and circulation plan.

3 THE UNIVERSE: ASSESSING INCREMENTAL VALUE.

Every co-op has members that overlap with those of other co-ops, as well as members that are unique. Those that overlap to some degree with your own buyer file are, of course, potentially among the most valuable – depending on the overall incremental value of those sources.

Incremental universe should be measured both in terms of new sites and new contacts at existing sites. New sites replace the customer sites lost over time (business shut-downs, etc.). New contacts at existing sites both help ensure continued business from those sites and serve to increase the sites' lifetime value.

Consider long-term contact and site value. Does the co-op's member base or prospect universe provide access to multiple buyers? What is the makeup of its base? What are the titles of the contacts? Is the base largely or solely comprised of actives that have been screened/identified as true b-to-b buyers, or is there some component of consumer buyers (buyers purchasing business goods for consumer use, delivered to their business addresses)? If the latter is true, what are the b-to-b vs. consumer breakdowns/percentages?

What proportions of the base consist of large companies, institutional and government sites/buyers, vs. small offices/home offices (SOHOs)? Clearly, for many mailers, an initially high acquisition cost for getting a toe in the door at large/institutional/government sites is far outweighed by size and frequency/longevity of subsequent purchases from these sites, in comparison to the costs of follow-up efforts/mailings. On the other hand, SOHOs may be valuable or even important sites for some catalog mailers.

In short, how well does the base match up with the profile of your best customers and the nature of your business/offer (b-to-b, b-to-c, hybrid)?

Universe value assessment also needs to take into account another important factor: Individual membership co-ops differ in regard to their specific segmentation, modeling and overlay practices. This means that each co-op will to some degree provide a universe that is "unique" from those of other co-ops.

Analyses of the differences in various co-ops' member bases and segmentation/modeling/overlay practices may lead a mailer to choose one co-op over another. Or they may reveal that two or several are worth testing to determine their actual performance (again, within the context of repeat buyers and longer-term profitability).

4 WHAT ARE THE TERMS? DO THE PRACTICES AND COSTS FIT WITH YOUR MAILING PRACTICES/CIRCULATION PLAN?

Co-ops' basic pricing terms do vary. While membership co-op costs are net of the house file, net/name or net/net terms may or may not be available, or negotiable.

Output practices/policies also vary, and these can make a significant difference in costs, timing and performance. What are your needs? If your primary database is a list-specific co-op in which your net/net output is able to go directly to the printer (with no intervening merge/purge processes), will the membership co-op allow you to send the output from that co-op to the list-specific co-op (or to a private database)?

If not, consider both the added costs and the "lost opportunity" costs associated with the merge/purge processes that will be involved. Will the merge/purges delay the mailing by a week or two, potentially depressing response due to some loss of reaching the most recent/"hotline" buyers?

Finally, understand the individual co-op's policies as to how duplicate records are allocated in the prospect merge. Does the co-op use random or fractional allocation of multis from all sources, to enable accurate assessment of both incremental universe and performance?

Most b-to-b marketers understand the dynamics and advantages of list-specific co-ops. If you've reviewed our three-part series, you should have a better idea of what membership co-ops might bring to your source-mix table. ●