

# A buyer's guide for B2B list acquisition

By Ruth P. Stevens

## Introduction

For reaching cold prospects among business audiences, sales and marketing teams begin with a list. But how should you develop your prospecting list? What are the best sources for prospecting names? In this white paper, you will find a thorough review of the steps that sales and marketing people should take to identify and gain access to their top prospects.

## What every B2B marketer should know about lists

The first thing marketers should do is consult with a list broker with experience in your target audience category. There are more than 40,000 business lists available for rent in the U.S., plus numerous databases and online data enhancement services to choose from. Business lists can be divided into four general types:

1. Compiled files
2. Response files
3. Cooperative databases
4. Internal databases

### Compiled files

Compiled lists are those created from directories, the Internet, or other public and private sources, for the purpose of rental or sale to marketers. Traditionally, the largest compilers of business data are D&B and InfoGroup. D&B information was historically compiled to assess company credit worthiness, so D&B data tends to be most complete when it comes to medium and large firms. InfoGroup data was originally compiled from Yellow Pages phone directories, so it tends to offer broad market coverage, even among very small businesses, but may provide less richness about any given company.

Another category of large compiled files are crowd-sourced or Internet sourced lists. Many players are involved in this category, some of them with questionable credentials. Some of the largest and most reliable are Data.com (formerly known as Jigsaw), ZoomInfo, Stirista and NetProspex. These files are created by a combination of contact swapping, scraping names from corporate websites, and append from other data sources. Most are sold for multi-use import into your database, versus 1-time use for campaigns.

Compiled data may be sorted, repackaged and sold by other companies, like Experian, Harte-Hanks and Acxiom. Compiled files are also available via list brokers. These days, most large data providers have similarly rich data about U.S. and Canadian businesses.

However, they vary in coverage, accuracy and completeness, so it is worthwhile to try more than one compiler to find out which produces the best results in your target market.

In recent years, many compilers have been making their data available for rent via an online interface, vastly enhancing the speed and flexibility of ordering.

### Response files

Response lists are created as a by-product of other businesses, like catalog/e-commerce sales, seminars, trade organization memberships, or magazine and newsletter subscriptions. Response files tend to be more current and accurate than compiled files.

The fact that the people on response lists have joined, subscribed or otherwise taken an action in the business world indicates that they are "responsive," and may be better prospects for outbound communications than someone whose name was merely copied from a directory.

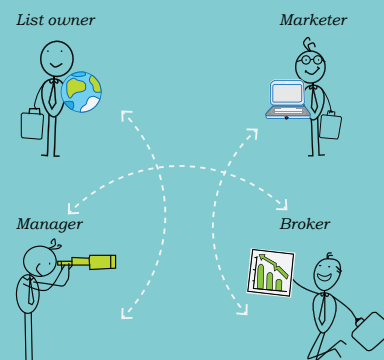
On the other hand, response files represent a self-selected group, and thus cannot be counted on to serve as complete universes of all the potential prospects in a category. Also, they are less likely to have additional data available for targeted selection, unless they have been enhanced with data append or merged into a cooperative database. So most B2B marketers will use a combination of compiled and response files to cover their target markets as effectively as possible.

Some list managers are aggregating a variety of managed lists into large databases of response files from multiple list types, like publications, event attendees, buyers, etc. Examples include BRAD from Edith Roman and The DefinitiveDatabase.

## The list-industry players: List owners, managers, brokers, and their roles

There are four parties involved in the list business.

1. The marketer, who needs to reach prospects. The marketer hires a broker to find and recommend the best lists to meet that goal.
2. The broker, who researches the best list options, places the orders, clears the mail dates and the approvals. The broker interacts heavily with the list manager, and sometimes talks to the list owner directly. Brokers usually keep 20% of billings as their fee.
3. The list manager, who represents the list owner, for a fee of 10% of billings. The job of the list manager is to put the list on the market, and encourage brokers to recommend a test of it to their clients.
4. The list owner, who hires the manager to take the list to market. The list owner retains the right to approve the sale to the marketer and to approve the promotion itself. The list owner receives the remaining 70% of the billings. About 30% of mailing lists are sold directly by list owners, without the inclusion of a list manager.



### How list owners keep their data clean

Data hygiene is an ongoing headache for list owners and marketers alike. Considering that B2B data degrades at the rate of 4%-6% per month, list managers must take aggressive, ongoing action to keep their files clean and fresh. Typical methods for verification and updating include:

- Outbound phoning to contacts. Infogroup, for example, prides itself on making 60,000 verification calls an hour to update its records.
- Internet research. Checking the name and company by hand through LinkedIn and other Internet sources, while expensive, is very effective. New technologies, such as Leadspace, verify contacts in multiple online sources automatically in real-time.
- Crowd-sourced hygiene. Data.com awards points to its users for updating records with correct information—and deducts points if someone else makes a later correction to the records they had contributed originally to the pool.
- Automated methods. Postal addresses can be updated via data from the U.S. postal service which tracks change-of-address notices and corrects faulty or missing address elements.
- Multiple file comparison. Data elements, like name, company name and title, that appear on multiple lists can be assumed to have a certain degree of accuracy.
- Eliminating duds through usage. This applies mostly to email addresses, which can be cleaned automatically by a process of address inspection (for missing elements like ampersands and the dot before "com"), and then mailing, looking for hard and soft bounces.

## Prospecting databases

In recent years, some high-volume marketers (for example, with mail volumes of more than 10 million annually) have experimented with developing proprietary prospecting databases as a way to lower costs and increase the list options available to them. Typically, a private prospecting database will be built and maintained by your list broker or manager, using the rental lists that are most productive for you. The benefit to you is fast and convenient access to pre-deduplicated names that have appropriate appends in place, and with approvals already secured.

The other prospecting database route is to access the commercially available prospecting databases of business names.

These come in two flavors:

1. Member databases, meaning that in order to take names out, you must also contribute your names to it. Leading examples are Epsilon Abacus Cooperative and the b2bBase, a joint venture of MeritDirect and Experian.

2. Open cooperative databases, deduplicated from multiple lists, where you pay only for what you use. Leading examples include MeritDirect's MeritBase, InfoGroup's b2bdatawarehouse and Mardev DM2's Decisionmaker database.

## Internal databases

Thanks to increasingly powerful databases and storage capabilities, plus new tools for automating data acquisition and maintenance, companies today are likely to have highly valuable data resources in house. These databases are populated from a variety of internal sources, like billing systems, lead management systems, and website registration systems. Many companies today use their marketing automation or CRM systems as their marketing databases, and populate them from a variety of internal and external sources.

## Evaluating list options: How to proceed, step by step

With abundant list options available to B2B marketers, how do you select among them? One effective approach is to identify the prospects that are most similar to your current customers. These are the prospects who are most likely to respond, and more likely to develop into profitable relationships for you.

Any sales person understands this principle instinctively. A good sales person will size up a prospective target based on experience with current and past customers. Today, marketers can replicate the process using database marketing techniques that sort through prospect universes and narrow them down by how closely they match current customers.

The first step is creating a profile of your current customers, by identifying their characteristics, also called variables. In B2B, the variables are likely to include elements like company size, industry, title or job function and geography. An ideal approach is to select your top customers for profiling. You may also want to profile your unprofitable customers, and use those variables to screen out poor prospects.

## Profiling your best customers, step by step

Most database marketing companies offer profiling services, in the following process:

1. You pull a file of your top customers and send it to the database marketing company.
2. They will clean the data and match it against their large database of contact names and companies. The large database serves as a proxy for the universe of all prospects.
3. Your names are assessed by their similarity to or difference from the universe, a process known as penetration analysis.
4. The characteristics that have a higher propensity to be found in your file versus the general population become the variables that describe your customers.

Profiling allows marketers to:

1. Better understand the nature of your customers. These insights help you develop more effective communications and messaging strategies.
2. Find "look-alikes" in the general population. The database company will offer you the opportunity to select and rent (or purchase) names on their file that share the same characteristics, but are not yet your customers.



## List rental versus list licensing

B2B lists, like consumer, are available for either rental or license, depending on the preference of the list owner and on the marketer's ability to negotiate. To summarize the difference between these types of deals:

- Rental agreements typically require that the list owner approve the renter, to protect the list from competitors. The renter then agrees to use the list just once. The list owner enforces this rule by seeding the list with decoy names, and reporting any divergence from the 1-time usage agreement. Any respondents to campaigns targeted to rented lists become the property of the mailer.

- License deals typically cover unlimited use of the names for 1 year, although additional years can be negotiated. Some people refer to this kind of deal as a "data purchase," versus a rental; but because of the 1-year time limit, technically the deal is a license. The data may be imported into the marketer's database and used for communications or analysis. Pricing for licensing deals is usually around 2 times the base list rental price, so they generally make economic sense for multi-touch campaign strategies. However, not all list owners are willing to offer names for license.



## How to find a list broker

Business list brokers are all over the place—but finding your ideal partner is not necessarily easy. Ultimately you should make your choice based on two factors:

1. Skill and experience in your category.
2. Chemistry and a compatible working style.

Notice that price is not one of the recommended criteria. Brokers take a standard 20% fee, but this comes from the list owner, not the marketer, so you don't need to include broker fees as part of your decision.

But where to find brokerage candidates? Here are some tips:

- Ask colleagues for referrals.
- Check with industry trade groups for names.
- Find out who is brokering for your competition. One fast research method is to talk to a few list managers in your industry.

## Segmentation

Another key database marketing technique is segmenting the customer base, and treating the segments differently. This application is primarily used for customer retention marketing. The idea here is that not all customers are of equal value, or have similar preferences or buying patterns. So a smart marketer will analyze the customer base regularly, divide the base into groups, and set up programs, policies and processes that allow them to be treated differently, to increase the likelihood that they'll buy more, and stay longer, or whatever is the marketing objective.

There are hundreds of other ways to segment, too, depending on the needs of the business. Segment by purchase channel preference, or by sales coverage, or by prior purchases. By geography, language, or demographic characteristics. The only requirement is that the segment needs to be real, meaning people in one segment are truly different from another, and that the segment is useful, meaning that there is some real business value to be had by grouping people this way.

You can conduct your profiling by segment, like best customers, or customers in certain industry categories, to focus your prospecting efforts even further.

## Segmentation variable in B2B

B2B marketers typically segment their files using the following variables.

**Demographics:** Industry, Company size, Geography

**Customer value:** Lifetime value, Average order size

**Function:** Job role

**Purchasing approaches:** Functional organization, Power structures, Purchasing policies

**Product usage:** Technology, Product need, Customer capabilities

## Checklist of considerations when evaluating a list

When considering the merits of a certain list, you should evaluate the list based on a variety of criteria, in rough order:

- Affinity
- Source of the names
- List size, category universe size
- Available selects
- Product purchase, gender, hotlines, expires
- Usage (who used and who "continued")
- Average order size
- How/when the list is updated
- List cost (but keep in mind, list price represents only 10-25% of the cost per contact)

## What's new in B2B lists today

The B2B list industry has changed considerably in the last decade, with the proliferation of social networks. But the big new development today is the trend away from static name/address lists, to dynamic sourcing of prospect names complete with valuable indicators of buying readiness culled from their online presence. Companies such as InsideView and Leadspace are developing solutions in this area.

Leadspace, created by a team of former intelligence officers, is a leader in targeted, real-time prospecting data for business marketers. Their process begins with constructing an ideal buyer persona by analyzing the client's best customers, which can be executed by uploading a few hundred records of name, company name and email address. Then, Leadspace scours the Internet, social networks at scores of contact databases for look-alikes and immediately delivers prospect names, fresh contact data and additional information about their professional activities. The Leadspace social lead targeting solution optimizes marketing by ranking, enriching and segmenting incoming leads.

## Future trends: Where is the B2B list business headed?

As business marketers get more skilled and better educated about best practices, and as new tools arrive on the scene to make their jobs easier, the outlook for B2B prospecting is rosy.

Some new trends that we can expect to see over the next year:

- An increased appreciation for the importance of data hygiene. The velocity of change will continue to grow, meaning that company and contact information will degrade at faster and faster rates. So business marketers will develop more and better tools for keeping their data clean and accurate, for maximum results.
- Improved prospecting tools, like Internet -based real-time, dynamic sourcing of prospecting and append data.
- Social selling, whereby inside and outside sales forces use social media tools to identify, cultivate and convert prospects more effectively.
- Social lead targeting, which offers lead discovery, ranking and segmentation based on people's online presence.



## How to get the most value from your list broker

Working with a great list broker can make a marketer's life much easier. A broker who finds you the best lists, gets you great prices, always comes up with new ideas for how you can run your outbound communications more effectively.

But greatness is built, not born. Much of what makes these partners so good is a direct result of how you behave. Here are some suggestions on building an outstanding, and productive, relationship with your list broker.

- Select an expert. The basic function of a list broker is to help you find the right lists, and handle all the logistics of ordering, delivery and payment. But the key is expertise. In B2B, you want to select someone with deep knowledge of your industry, your customers, and your competitors. In fact, it is often wise to select a broker who works with your competitors themselves.

- Share everything. A good broker is going to partner with you. The more information you can provide about your campaign goals, your market, your products, your offer, your past results—the better the broker can perform. This is not the place to be shy, or cagey.

- Involve the broker early. Call the broker while the target prospect is still being defined, well before the offer and the creative are in development. The broker might have some good suggestions for how your campaign can be improved. Early involvement will also allow the broker time to do in-depth research, get you accurate counts, and beat the bushes for ideas.

- Use a single broker. Some mailers like to divide up their business and play brokers off against one another. In the B2B world, this strategy rarely works. What you earn in loyalty and service by using a single broker trumps the competitive play every time.

- Ask for both postal and email recommendations. The email list industry is rapidly maturing, and brokers with B2B expertise are now able to recommend files in both media. Take advantage of that skill. Market knowledge is more important than media specialization.

- Pay the fees. Some mailers try to negotiate down the broker's standard 20% fee. Others try to do the brokerage function in house, demanding the fee equivalent in discounts from the list owner. Neither is a smart move. Brokers easily earn their money, and you don't need the aggravation. And, when you think about it, the 20% represents only a tiny fraction of the total campaign cost per thousand (CPM).

- Be visible. Visit your broker. Take the broker and team to lunch. Get your fair share of their attention and enthusiasm.

- Ask for new ideas. Tell your broker you're looking for full team membership. That you want not only list recommendations, but all kinds of ideas for how to reach your target market. Be open. And be sure to test some of your broker's ideas when you get them.



## How LevelEleven revolutionized its prospecting with Leadspace

LevelEleven provides a cloud-based platform where sales managers can create highly targeted competitions within Salesforce.com. With the LevelEleven solution, sales management can move beyond spreadsheets and white boards, and set up contests to motivate any behavior that is trackable in the Salesforce.com environment. For example, the Detroit Pistons recently organized a contest to stimulate sales of single skyboxes at their arena, resulting in sales of over a half a million dollars—meaning 50% of that product's annual sales target in a mere six weeks.

LevelEleven's target prospect is a sales manager or sales operations manager in any company that uses Salesforce.com as their CRM system. They have gained particular traction in the technology and publishing verticals.

Today, LevelEleven's sales team gets leads from four sources:

1. The Salesforce.com AppExchange, where other Salesforce users search for partners.
2. Conferences and trade shows, like Dreamforce.
3. Registrations from content downloads at the LevelEleven website.
4. Rented lists of prospects.

LevelEleven has tried a variety of list sources over the years, with mixed results. In the first half of 2012, the prospecting source produced zero in closed sales. In June 2012, they began experimenting with Leadspace. In the second half of 2012, a full 30% of LevelEleven closed deals came from this channel.

According to Bob Marsh, CEO, the power of Leadspace for LevelEleven is its close targeting based on the LevelEleven customer profile. "Leadspace helps us infer pretty accurately whether a prospect is using the Salesforce platform," he says. "And they deliver to us a short list of highly likely contacts in the account, like the Salesforce administrator or the sales operations manager. Everyone on our sales team has a Leadspace license, and it is performing for us."

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She is the author of *Maximizing Lead Generation: The Complete Guide for B2B Marketers*, and *Trade Show and Event Marketing*. Ruth serves as a director of Edmund Optics, Inc., the HIMMS Media Group, and the Business Information Industry Association. She also serves as a mentor to fledgling companies at the ERA business accelerator in New York City. She has held senior marketing positions at Time Warner, Ziff-Davis, and IBM and holds an MBA from Columbia University.

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## About Leadspace

Leadspace was founded in 2007 by former intelligence experts with extensive experience developing web mining and semantic technologies. The company, funded by leading venture capital firms, has offices in the US and Israel.

To learn more about Leadspace and how we can help you optimize your funnel, contact us at [info@leadspace.com](mailto:info@leadspace.com) or 1-855-LEADSPACE.

## How list quality impacts results

When acquiring a list, quality is everything. One quick way to grasp this concept is looking at the cost per lead that results from using a strong list versus a poor one. Consider the hypothetical example presented in the chart below, where you can easily see the impact of a weak list on cost-per-lead results.

This scenario assumes that, while the cost to acquire the list is lower, the response rate will be cut in half, with disastrous consequences. What underlies this outcome is the fact that the list is critically important to conversion rates, and at the same time, it represents a relatively small portion of the total campaign expense. So, in most situations, a better quality list is worth every penny.

	 <b>High-Quality List</b>	<b>Low-Quality List</b>
	<i>CPM</i>	<i>CPM</i>
List cost	\$150	\$100
Messaging cost	\$850	\$850
Total CPM	\$1,000	\$950
Response rate	2%	1%
Cost per lead	<b>\$50</b>	<b>\$95</b>