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HEADLINE: A Nirvana for Marketers: Data Sharing

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BODY:
The global economy consists of billions of consumers and a huge number of commercial enterprises, ranging from the Indian rice farmer to Sears, Roebuck and Co.

Knowledge is the most powerful and critical force affecting this creative maelstrom of economic activity at the micro and macro levels. How successfully knowledge is acquired and used underpins our economic quality of life.

Historically, consumer data have been difficult to gather, store, and manage. Increasingly, however, these data are available electronically, facilitating fast access, analysis on a large scale, and mass extraction of actionable consumer intelligence. Cost-Effective Method

Information on consumers' wants and their capacity to pay enables businesses to do far more intelligent, more cost-effective target marketing.

Unfortunately, the data come from diverse sources, forming, in effect, a consumer data base archipelago. Linking these islands of consumer data offers the possibility of creating far more valuable consumer profiles.

Consumer data are accumulated by information brokers and by companies acquiring and using the information directly.

Credit bureaus, more than other companies, define themselves as being in the data business. They are information brokers, pulling together a variety of payment performance and tax-delinquency data.

Bureaus and third-party vendors also frequently sell income-predictive data developed in large measure from census data. Help Is Available

A host of marketing concerns offer lifestyle and socioeconomic predictive scoring. These are most often used to supplement or screen other consumer profiles.

A wide variety of consumer companies of varying sophistication and lines of business acquire and use data directly. They include:

* Phone companies, which have huge customer data bases containing demographics, phone history, and payment performance.

For example, American Telephone and Telegraph Co. bills about 80 million households and 25 million businesses directly and through the regional Bell operating companies.

Within AT&T, consumer data from different businesses can be shared to good effect. Credit card applicants can be screened against a negative file built from AT&T's telephone business, eliminating substantial outlays for credit bureau reports.

* Financial institutions, which accumulate consumer demographics, financial status, payment performance, and spending patterns. Banks Are Linking Data

Retail banks have financial and demographic snapshots as well as deposit, loan, and checking data. Many are starting to tie these together in consumer information systems.

Visa and MasterCard have global consumer purchasing activity on 460 million cards.

American Express Co. and Discover control both the acquiring and the issuing sides of the equation and hence already have an immediate opportunity to build a more comprehensive picture of consumer activity.

Large private-label card enterprises such as General Electric Capital Corp., Sears, and J.C. Penney Co. often have deeper data that is generally industry- or retailer-specific.

Many have started managing their accounts with predictive profitability, risk, and collection scores, calculated on the basis of experience with consumer behavior and on purchased data.

* Retailers, which have consumer purchasing data usually confined to their businesses. If they offer private-label cards, they have some credit performance data as well.

With bar coding and scanning, and new, powerful point-of-sale data capture systems, retailers can record buying patterns of consumer and communities. Improving the Targeting

Retailers could obtain addresses on customers who use bank cards and match that information against detailed buying patterns. This would significantly augment the retailers' promotion capability.

* Governments, which have valuable demographic and financial data. Census data are powerful and publicly available in distilled format.

Tax data are also quite interesting, although sensitive. The difficulty is that governments, quite rightly, are loath to sell such information.

* Transport companies, which potentially offer insight into consumer travel patterns, both for work and for pleasure.

For example, London transport captures travel behavior on commuting cards and ticket machines.

Airlines and car rental companies, similarly, have a variety of useful consumer travel data, often stored as an adjunct to frequent-user programs.

* Hospitals and insurance companies, which have medical and some payment data. Some is sensitive, but much is not. Wellness clinics tap existing data to solicit new customers. Significant cross-selling opportunities exist with other industries. Some Ways to Benefit

What are the opportunities?

Imagine using all customers selected from a telephone company data base who are in high-income socioeconomic groups and making a dozen or more calls to London each month. That list would allow travel-and entertainment companies to rifle-shoot appropriate offers.

Matching consumer relationships and data across industries also presents interesting opportunities to piggyback existing communications, for example inserting airline coupons in utility or phone bills, or tailoring
advertisements to specific groups or cable television subscribers.

Many companies that own and process consumer data bases are competitors. This does not mean, however, that they cannot work together where it is to their mutual advantage.

It just means that businesses must be discriminating in how, to what extent, and with whom they share their customer data.

Today, in most industrialized states, a useful picture of individual consumers' socioeconomic characteristics and actual behavior exists. It is distributed across a wide variety of media and owners. Integrating the Data

Technologies exist to manage the seemingly disparate consumer data islands on a single data base, cobbling together comprehensive consumer profiles.

Tools are available to balance the competing need for processing efficiency.

New microprocessor-based systems - those using the 80486 as well as the more powerful RISC-based machines from Hewlett-Packard Co., Digital Equipment Corp., International Business Machines Corp., and others - and less-expensive storage enable vast quantities of data to be quickly and economically managed.

Speed in tapping and using consumer profile data has competitive value. If a retailer has consumer intelligence when the consumer is at the point of sale, it is more valuable than in a monthly batch-processing cycle.

The changing economics of computing make large consumer data bases increasingly viable and is moving processing away from mainframes and onto microprocessor-based systems.

Data bases can be logically and physically partitioned to work on multiple machines. It does not required a single powerful computer. Today, systems using vast quantities of data employ as many as 100 microcomputers in parallel. Storage Cost Reduced

These systems are scalable. The cost of storing the sea of data required to support economically useful consumer data bases continues to plummet by 30% or more per year.

Today, in a large-mainframe environment, the fully loaded annual cost of a million bytes of storage - 6,000 card sales or 20,000 addresses - is about $5.80. The annual cost of a million bytes of storage on smaller systems is about 50 cents.

State-of-the-art technologies also afford protection for the data owners and enable consumer privacy issues to be addressed. In the United States, so long as data are used to construct positive offers, companies are generally free to use it without explicit consumer consent. In the European Community, the situation is more ambiguous. Gradual Increases Likely

There are several ways in which cross-industry, cross-business integration of consumer data can be increased. Slow increases in information intermediation will continue.

Individual information brokers, step by step, will find new data sources, or create new uses for existing data, and bring them to market.

Alternatively, a large resource-rich consumer business with moxie will seek market advantage by aggressively tapping nontraditional data sources and partners.

Consumer businesses have an opportunity to obtain competitive advantages by acquiring information to serve existing markets more cost effectively, to expand the markets served, and to expand services offered.

Companies must start questioning their assumptions regarding cooperation. There is an opportunity for creative partnering among enterprises with complementary data, enabling more intelligently targeted offerings of products and services.

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