

HOW NDL TARGETS DIRECT MAIL AND COMPLIES WITH DATA PROTECTION LAW

NDL International Ltd (NDLI) gathers personal data for use in targeting direct mail. Tony Coad, NDL's Managing Director, focuses on three issues. Firstly, how questionnaires collecting personal data have been amended by NDLI to bring them into line with Data Protection best practice. Secondly, the potential impact of those changes upon questionnaire response rates and, finally, some observations on practical effects of data protection legislation on the problem of "junk" mail. His report shows how much can be achieved by negotiating with a Data Protection Authority - while perhaps also increasing response rates, an approach worth studying in any country.

1.0 Informing data subjects

NDL International builds marketing databases for over 80 UK based manufacturers and retailers. On questionnaires usually packed with domestic appliances, consumers are invited to provide information about their purchase of the product, and about themselves. Most questionnaires require the respondent to pay postage; some offer a small incentive to complete them.

The information given will typically be used in two ways as follows:

1.1 **By the Manufacturer:** An appliance manufacturer, for example, will be able to contact users of the product in the event of a product recall. Manufacturers also form user panels of recent purchasers of a particular product, conduct direct marketing promotions with retailers, and derive very valuable aggregate market research data from the database.

1.2 **By NDL International:** NDL International operates a database of prospects for mailers called "The Lifestyle Selector", which is compiled from some of the data provided through the 80 manufacturer/retailer clients described above. This enables mailers to select names of respondents to a questionnaire who seem appropriate for a particular offer.

Clearly it is important for consumers to have sufficient information about the purposes of the questionnaire for them to make an informed decision about whether or not to complete and return it. We have also felt it important to give respondents the opportunity to complete the questionnaire while withholding permission for the use of their name in mailing lists. This is how we, in conjunction with the UK's Data Protection Registrar, have attempted to meet these objectives.

1.3 **Who are the data users?** The respondent needs to know who will be holding his data, and the uses to which those keeping his data have for it. We were concerned to convey as much information in as clear and rapid fashion as possible, having seen from "focus group" research how little time respondents seem prepared to invest in reading the preamble to a questionnaire. While we were happy to give the client's name and our name equal prominence on the questionnaire, we were aware that our name "NDL International" would be unknown to the great majority of respondents. We felt that even a short description of who we were and what we did would eat into our precious explanatory "window" before the responding consumer became bored.

We therefore decided to form a subsidiary company which would be the data user, and to make the name of that company as expressive as possible of the company's activities. After testing alternative names in focus groups we chose the name "Consumerlink" as the one that best conveyed the purpose of our company, i.e. to provide market research and to link appropriate consumers with our client companies. On our questionnaire this name would appear frequently so it was important that it effectively conveyed information about us.

1.4 What information do data users seek? The two data users, Consumerlink, and our Client - say "Alpha Electrical", have different reasons for collecting data. We are concerned therefore to relate the data sought to the precise purposes of each data user. We therefore decided to break the questionnaire into three sections:

PART A **Name and Address**, with product purchased

PART B **Market Information section** Questions of relevance only to Alpha Electrical would appear here such as "where did you buy this product?" and "what price did you pay?" None of this data would be used by Consumerlink, although it would be held by us for the client.

PART C **Personal Information** Demographic information, such as age, gender, marital status, profession and household income; and lifestyle/leisure interest data is sought in this section. This information is used to profile the answers in Section B for Alpha Electrical, and also by Consumerlink to add to the mailing database.

By these means, therefore, questions are separated according to whom the data user is, and what use is made of the data.

1.5 What explanation is given to Respondents? The aims of the exercise are concisely explained in three places on the questionnaire: the beginning, the middle and the end! At the beginning of the questionnaire, the two data users are introduced and the data's uses are described. Here is a typical example:

"Thank you for choosing this quality product from Alpha Electrical. Now please fill in this questionnaire - the information you give will be held and processed by Consumerlink.

What is the questionnaire for?

Product Registration By filling in Part A overleaf you are registering your ownership of the product. Then it's easy for Alpha to contact you, if necessary, about your purchase and about new products.

Collecting Market Information By filling in Parts B and C, it is also your chance to talk to Alpha about you and your

needs - this will not affect your guarantee or legal rights. **Keeping you informed** If you have no objection, your name and address may be used by Consumerlink and other responsible organisations to post you information about products and services that you might find interesting according to your answers in parts A and C. You can choose not to share in this opportunity by ticking the box at the end of this questionnaire."

If there is any incentive to return the questionnaire, this would be explained at this stage.

After the introduction, this information about the questionnaire's purposes and the identity of data users is repeated in headings to the questionnaire's three parts, A, B and C. Before completing PART A, the name and address section, the respondent's attention is drawn to this statement:

"Please feel free to ignore any questions you prefer not to answer - completion is not necessary for your guarantee."

The respondent is then invited to begin completing the questionnaire. Firstly, he is asked in Part A to give his name, but not before a short summary of the reason is given

"PART A: By filling in these details, you will help Alpha, if necessary, to contact you about your purchase and about new products".

After the name and address, and any information about the purchased product's model and serial number is given, PART B is introduced.

"PART B: About your purchase: Alpha is keen to listen to its customers to learn about their changing needs. Your answers - and those of other customers - will be a great help to the company".

After PART B has been completed, the respondent is invited to complete Part C.

PART C, is the section for data which this time is also used by Consumerlink. It is introduced thus:

"PART C: About you: Alpha would like to know more about you as a person - it helps when designing new products. Knowing more about you also helps Consumerlink and other respected organisations to ensure that, if you choose to receive information by post it will interest you."

At the end of the PART C section, therefore, the Consumerlink role in this process has again been described. Also, at this stage, a means by which respondents can withhold permission for their name to be used in the mailing database is provided as follows:

"Thank you for completing this questionnaire. We promise to take great care of the information you have provided. As

mentioned before, Consumerlink offers you the chance to receive information from other respected organisations about products and services that relate to your answers in part C. If you would prefer NOT to receive these details please tick here ()."

Finally respondents are told:

"If you have any comments or questions about Alpha Electrical products or the services of Consumerlink please write to (the addresses of Alpha and Consumerlink are then given)."

By these means we hope to inform people clearly about the purposes of this data gathering process and about the two data users. We intend, through the provision of the negative option, to gather data for list database purposes from only those respondents willing to receive direct mail.

Finally, we aim to inform respondents that only "respected organisations" will be allowed to mail to them. These organisations have to submit their mailing piece to NDLI/Consumerlink for approval, pass other checks and agree a stringent contract with us before names can be released for rental.

2.0 Effect on response

These changes were introduced soon after the publication of the UK Data Protection Registrar's Guidance Note 19 on August 21 1988, which set out his thinking on fair data collection.

Before Guidance Note 19, NDLI's cards did not separate PARTS B and C, and the identity of NDLI as a data user was not disclosed. However a prominent negative option was provided.

Clearly there is a large time lag before new questionnaires are returned. Alpha Electronics may manufacture in South Korea or Taiwan, and it will take time for products containing questionnaires firstly, to reach UK retailers, and secondly, to work through a retailer's stock. It will be another twelve months, perhaps January 1 1991, before a statistically respectable analysis of questionnaire response can be given, comparing response to pre and post Guidance 19 cards.

But a statistically unproven test recently conducted of 5,000 responses suggests that the more explanatory the questionnaire, the better the response. Four different cards were used, Card 1 being of the old pre-Guidance 19 type and Card 4, the most candid of the post-Guidance Note 19 cards. The test was of a number of variables so was not predictive, but there was a clear increase in response with the greater provision of information.

On average, Card 1 scored a 15% return while Card 4 a 22% return. Interestingly, while Card 4 showed a greater gross response, "opt-outs", at about 30% of all returns, were significantly higher than the other cards, which began at about 22% of all responses. From this albeit crude and initial investigation, we tentatively concluded that responses could be greater as a result of the reassurance provided by the higher standards of explanation. However, an enhanced awareness of the mailing purpose of the questionnaire

increased the "opt-out" rates. Despite the higher opt-out rate, the most candid card still produced a greater volume of data suitable for direct mail than the original version. A statistically more water-tight examination is currently in progress but the full results are not immediately available.

3.0 The effect of data protection legislation upon direct mail

The process of informing data subjects about the uses and users of the data they give comfortably meets the requirements, as currently understood, of the UK's 1984 Data Protection Act. The Registrar frequently refers to the need of data users to give the would-be data subjects the opportunity to "walk away" from a request for information. This clearly is provided by the design and wording of the questionnaire we now use. The requirement we place on data subjects to provide their own postage is another hurdle in the way of response: the cards returned to us, we believe, are from well informed and enthusiastic responders.

3.1 Ability to target: The result of the Registrar's interpretation of the 1984 Act has therefore been to ensure that the uses and users of personal data are transparent to the data subjects, and that they can "walk away" from giving data should they choose. But the interpretation also allows companies like NDL under these controlled conditions, to enable mailers effectively to target their postal advertising. Targeting means a smaller volume of direct mail, and less "junk" or irrelevant mail.

3.2 Less targeting - more "junk" mail: In the Federal Republic of Germany, for example, NDL's ability to collect personal data would be severely circumscribed. In addition to the safeguards and hurdles that I have described, it is likely that we would have to divide the questionnaire into two physically separate versions, one for each data user. This would mean much duplication of questions which would confuse and irritate respondents. It is also most likely that, despite all the information given about the purposes of the questionnaire, and the opportunity to "opt-out," the authorities would also require a signature from the data user requesting that their name was included in the mailing database. Given these further constraints, and the additional respondent caution created by the legal overtones of a signature, it is unlikely that a database offering individual targeting would be viable in West Germany.

It is not surprising therefore that the volumes of direct mail in the Federal Republic are well over twice those in the United Kingdom. Instead of being a medium enabling the targeting of individuals, direct mail to new prospects in West Germany tends to be more of a mass medium, of "blanket mailings" to a more general population.

It would appear therefore, that as currently interpreted, Data Protection law in the UK has achieved a very useful balance. The law effectively protects the data subject, but by allowing carefully controlled targeting also helps to reduce irrelevant or "junk" mail.

Tony Coad is Managing Director of NDL International and this is an edited version of his presentation at the Privacy Laws & Business conference at Windsor in October last year. He has recently been elected Co-ordinator of the European Direct Marketing Association's Public Affairs Task Force.