

The **ENTREPRENEUR'S** Guidebook Series™

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PERSONAL PLANNING

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“I know we haven’t spoken to Aunt Bethel in fifteen years . . . but do you think she might be interested in some of our poodle products?”

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BUILDING A LIST OF POTENTIAL CUSTOMERS

WHETHER you operate a service, retail, mail order, or wholesale business, you can start to approach the problem of finding and then building a growing body of satisfied customers by compiling a list of your present customers and then augmenting this list with lists from outside sources.

A customer list will allow you to carry out highly targeted promotional activities. You can launch direct-mail packages, conduct surveys to learn how to better serve your customers, and inform already established clients about new product innovations and trends with company newsletters.

By using outside lists, you can prospect for new clients or customers with a brochure or catalog.

WHAT IS A HOUSE LIST AND AN OUTSIDE LIST?

THERE ARE two important types of lists you can use to increase sales and help build a customer base:

1. a house list of your own customers
2. a compiled list from an outside source

A **HOUSE LIST** consists of people who have purchased goods or services from you in the past and are likely to continue to do so in the future.

A **COMPILED LIST** can be bought or rented from any of the hundreds of professional mailing list companies or brokers or

A business without a customer base is like a house without a foundation, a tree without roots, and a chair without legs.
POWERPOINT

from publications to which consumers and business people subscribe to. A compiled list is a record of customers and prospects, often numbering thousands of names and including their complete addresses.

These names can be used for advertising solicitations and surveys and for any contact that demands an answer from the recipient.

The cost of these lists depend on their size and exclusivity. A list of names and addresses pulled from a city directory or telephone book might cost you only \$30 per thousand names, whereas a list of widowed millionaires or a select list of subscribers to pig farming publications might cost anywhere from \$50 to \$150+ per thousand names.

Compiled lists can zero in on people with similar characteristics. For example, people who are teachers, females, under 30, of high income, or a combination of all these four.

Compiled lists can also be created yourself with the help of a computer and a database program by entering information from your local Yellow Pages and any other directory where names are accumulated, or by examining public informational databases via the Internet or other computer network services.

NOTE Initially you may be tempted to take advantage of free lists. However, realize that a “free list” may not be so free if it has a poor return rate.

Initially you may be tempted to take advantage of free lists. However, realize that a “free list” may not be so free if it has a poor return rate.

Types of Outside Lists & Their Costs

Invariably, the name and address of anyone who joins a club or organization, gets a telephone number, files for a license or

permit, subscribes to a magazine, or places an order with a mail order company ends up on a list of some kind or another that can be purchased or rented.

In the chart, on **page 7**, is a list of the types of consumer mailing lists typically available through mailing list brokers. Costs of these lists are usually between \$40 to \$100 per thousand names (4 to 10 cents per name). Clean highly targeted lists tend to cost more. These costs are for one-time use only.

NOTE There are many ways to purchase lists. You can buy them demographically (by age, profession, habits or business) or geographically (by location, state and zip code). Or you can buy a list with both qualities. More than likely, there is a mailing list company in your area that would be happy to consult with you on your needs.



Costs of lists are usually between \$40 to \$100 per thousand names (4 to 10 cents per name). Clean highly targeted lists tend to cost more.

LIST COSTS

Types of Outside Lists & Their Costs

| | | | |
|-----------------------------------|------------|----------------------------|------------|
| Air Ambulance Services | \$40-\$100 | Horse Riders and Breeders | \$40-\$100 |
| Art & Antique Dealers | “ | Insurance Buyers | “ |
| Automotive Shops | “ | Investors | “ |
| Babies Just Born | “ | Labor & Trade Unions | “ |
| Banks with Assets \$5 -10 Million | “ | Land Investors | “ |
| Baptist Churches | “ | Literature & Book Buyers | “ |
| Boating & Yachting Clubs | “ | Military, Naval & Veterans | “ |
| Brides & Newly Weds | “ | Millionaires | “ |
| Business Leaders | “ | Music & Record Buyers | “ |
| Clubs & Associations | “ | Opportunity Seekers | “ |
| College & Alumni Members | “ | Plastic Surgeons | “ |
| Contest and Puzzle Participants | “ | Premium & Catalog Buyers | “ |
| Credit Card Holders | “ | Religious Members | “ |
| Dog & Pet Owners | “ | Rubber Band Manufacturers | “ |
| Dude Ranches | “ | Senior Citizens | “ |
| Fraternal & Professional Groups | “ | Sperm Banks | “ |
| Game Buyers | “ | Tattoo Shops | “ |
| General Merch. Mail Order Buyers | “ | Teenagers | “ |
| Gifts & Gift Buyers | “ | Windmill Wholesalers | “ |
| Home Gardeners | “ | | |

CREATING A CUSTOMER RECORD FORM

A CUSTOMER RECORD or database record starts with a name. Added to this name is a unique identification number (e.g., customer number, social security number). This number will be of paramount importance, if your operations become computerized.

- **name**
- **customer number**

An example of a customer number might be: JG2345 for John Gunther. An A/R account number should be in a number form,

e.g., #12015 (see the “Customer Record” on the following page).

Added to this name and number is additional information including the customer’s:

- address
- zip code
- company name
- phone number
- discounts given
- taxes paid, **and**
- most importantly, information on every item the person has bought including price quantity, size, color, the dollar volume of every order, returns, and profit margins

In the U.S. sources calculate that over 50 million (20% of the population) move every year. This is why mailing lists are difficult to keep clean and updated.

FUNFACT



CUSTOMER RECORD

| | | | |
|-------------------|-------------------------|--------------------------|----------------------------|
| Name: | <i>Sarah Jones</i> | Date First Order: | <i>10/15/94</i> |
| Company: | <i>N.A.</i> | Customer #: | <i>100125SJ94</i> |
| Address: | <i>25 Rosedale Road</i> | Account #: | <i>N.A.</i> |
| | <i>Yonkers NY 10710</i> | Discount Rate: | <i>N.A.</i> |
| Phone/Fax: | <i>914-337-4288</i> | Other Data: | <i>Mail order Customer</i> |

| Date | Item Description | Code | Qty. | Unit Cost | Total | REMARKS |
|-----------------|--------------------------------|-------------|----------|--------------|--------------|--------------------|
| <i>10/15/94</i> | <i>Red Turtle Neck Sweater</i> | <i>SW12</i> | <i>1</i> | <i>25.95</i> | <i>25.95</i> | <i>Credit Card</i> |
| <i>11/22/94</i> | <i>Make-up Kit</i> | <i>MK99</i> | <i>2</i> | <i>25.95</i> | <i>51.90</i> | <i>Cash</i> |
| <i>01/12/95</i> | <i>Cosmetic case</i> | <i>BJ03</i> | <i>1</i> | <i>39.95</i> | <i>39.95</i> | <i>Credit card</i> |
| <i>01/12/95</i> | <i>Cosmetic case</i> | <i>BJ03</i> | <i>1</i> | <i>39.95</i> | <i>39.95</i> | <i>Credit card</i> |

*** CONFIDENTIAL MARKETING DATA ***

| | | | |
|--------------------|--------------------------|-------------------------|----------------------|
| Birth Date: | <i>December 16, 1964</i> | Personal Status: | <i>Single</i> |
| Education: | <i>University</i> | Family: | |
| Employment: | <i>Teacher</i> | Religion: | |
| Hobbies: | <i>Hiking</i> | Heritage: | |
| Interests: | <i>Singing</i> | Economic Status: | <i>Middle Income</i> |

BUILDING YOUR HOUSE LIST

WHENEVER a person:

- buys goods or services from you
- joins an organization you belong to
- requests a catalog
- samples a promotion piece
- visits your business and registers their presence
- visits your trade show exhibit and leaves a business card

These are all opportunities for you to add their name to your mailing list for future direct mail solicitation or promotion.

Many successful companies offer free products in order to get the addresses of potential customers.

Other ways of building your “house” list include:

Add anybody who makes an inquiry about your company. Anybody, who writes to you, responds to your advertising looking for more information, phones you, or talks to you at a trade show, exhibit or convention, should be added to your list and qualified as such.

Have a contest – By having a contest you can collect names to be used for a catalog or DM promotion.

Offer free products as list builders. Many successful companies offer free products in order to get the addresses of potential customers. Once they have these addresses, they mail catalogs promoting similar interest items hoping the qualified prospect will respond.

Offering free products is a good way of building your prospect list and collecting names you wouldn't otherwise have received. But remember to keep these names separate from your "house" list and watch them carefully for conversion to sales.

Offer promotional items as list builders. It is hard and expensive to gain customers using *conventional* advertising. By such means, it usually costs anywhere from \$1 to 3\$ to gain a customer that becomes loyal. Few ordinary entrepreneurs have the kind of money to finance the acquisition of, say 100,000 customers (e.g., a minimum number for a really good mail order business). Therefore, if you can find a way to acquire a large number of loyal customers directly,

A good loyal mail order catalog customer is usually worth paying \$3 to \$5 for considering the amount of business they are likely to give you in the future.

at no cost, and in all likelihood at a profit, than you are well likely headed for success.

One of the best ways to do this is to try and create one or several promotional items – as list builders and money-makers (in a similar fashion, retail stores use loss leaders to bring people into the stores). If your ultimate goal is to build a list of customers then send them catalogs, start looking for "promos" that tie-in with the general thrust of your business.

NOTE A good loyal mail order catalog customer is usually worth paying \$3 to \$5 for considering the amount of business they are likely to give you in the future. However, that doesn't mean that's

what you can afford to lose when trying to get them on your list. Even, if for example you acquired customers at \$1 each during a not so successful catalog promotion to a certain outside list, it is a good idea to discontinue mailing to that list. This is because there is a difference between what something is worth and what you should pay for it. Another list might yield a profit. Once again, stay away from trying to buy customers.

Place inquiry ads in classified sections offering free info. Inquiry classified ads in newspapers and magazines can help create a solid mailing list.

Rent lists from companies that rent your lists. When prospecting for new cus-

To build your house list, ask your customers for names and addresses of friends and colleagues who might be interested in your products or services.

tomers, test the lists of companies who frequently rent your list. Usually companies that rent your list have similar target markets.

Seek out referrals. Ask your customers for names and addresses of friends and colleagues who might be interested in your products or services.

How to Build Your House List Using Outside Lists

Below is a list of possible sources for getting compiled lists, some of which you can write to or contact, some of which can be rented or bought for a fee, and some of which can be created yourself through special promotions.

Names from compiled lists can then be tested and if responsive added to your house list.

Community Yellow Pages – If your community has a local Yellow Pages, this can be an excellent source to compile names, especially if you offer business-to-business services or products.

Direct Mail Lists, Rates and Data – In the **DMLRD** directory, existing companies offer lists for rent. They indicate how many customers they have and their average unit sale of so many dollars. This will help you pick out profitable companies. For example, the house list of the American Bronzing Company, in 1983 had 89,000 buyers, whose average purchase was \$21. A copy of

Many magazines are willing to sell you their list of subscribers.

DMLRD sells for ABOUT \$170 (1985). Try and get a back copy.

DMLRD 5201 Old Orchard Road, Skokie IL 60076

Dun & Bradstreet and Other Credit Agencies – If you want to target a market consisting of individuals with certain kinds of credit, you may be able to rent or buy a list from Dun & Bradstreet or other credit monitoring agencies.

Federal Governments – The Government Printing Office in Washington, D.C., publishes a free list called: Directories and Lists of Persons and Organizations.

Local Governments – Tax records, birth registrations, marriage licenses, and build-

ing records can be used to create customer lists.

Magazines – Many magazines are willing to sell you their list of subscribers. Furthermore, numerous mail order companies are also willing to sell you their lists of customers.

Mailing List Brokers – Once you start expanding, it is better to consult a list broker, and write off your list expenses as business expenses. A good broker can tell you more about a list, its demographics, buying habits and history, and you give you an extra edge – a better handle on structuring your offer and positioning your product for sale. Below is a selection of mailing list brokers:

Alvin B Zeller Inc
37 East 28th Street

New York NY 10016-7919
212-689-4900; 800-223-0814
catalog available

American List Counsel

88 Orchard Road
Princeton NJ 08540-8019
201-874-4300; 800-526-3973
catalog available; list managers

Best Mailing Lists

34 West 32nd Street
New York NY 10001-3806
212-868-1080; 800-692-2378
10 million business names, 82 million consumers

Compilers Plus

466 Main Street
New Rochelle NY 10801
914-633-5240; 800-431-2914
catalog available

CorpTech

12 Alfred Street #200

Woburn MA 01801

617-932-3939; 800-333-8036

computer lists

Fred Woolf List Company

6 Corporate Park Drive

White Plains NY 10604

914-694-4466; Fax: 914-694-1710

800-431-1557

catalog available

Kanter and Brown

29169 W Heathercliff Road #203

Malibu CA 90265

800-233-LIST

MacLean-Hunter DM Services

481 University Avenue

Toronto M5W 1A7 ON Canada

business, science, medical, professional

Mailing List Asia

9/F Nin Lee Commercial Building

45 Lyndhurst Terrace,

Central Hong Kong 5-430556

international lists

Postal Promotions

1100 Birchmount Road

Scarborough M1K 5W9 ON Canada

416-752-8100; Fax: 416-752-8239

Canadian Lists

Zeller & Letica Inc

15 East 26th Street #1708

New York NY 10010-1567

212-685-7512; 800-221-4112

catalog available; list managers

Organization Membership Lists –

Write to or contact the headquarters of any organization or association, to find out if they will rent you their list of members.

NOTE Don't forget to contact religious organizations as well.

Schools – Ask any school for its list of recent graduates.

State Directories – Many State Departments of Commerce issue directories of manufacturers and schools etc.

Telephone Directories – Order Yellow Page directories from twenty-five major cities in the United States and Canada. This is one of the cheapest and most accurate mailing list sources you can create.

Ask any school for its list of recent graduates.

Trade Directories – Names and addresses from Trade Directories can be used target businesses that might be interested in your product or service.

20 Questions to Help Evaluate an Outside List ✓

To choose a good list you must examine many factors, which in the end will contribute to the overall success or failure of the list. The most important of these are the **recency** of orders from the customers on the list, the **frequency** of their purchases and the **cost** per thousand people. Questions which outline these and other important factors are listed below.

- 1. Are the basic characteristics and demographics of this list similar to your present list?** When deciding

which lists to mail to, always select those which are most closely aligned to your own list. A good list will also consist of people on it with similar psychographics, i.e. similar mental makeup, as your customers.

2. **Are the prospects on this list recent buyers?** You should know how recently listed prospects made purchases. A list of people who have bought recently – within the past 6 months – is more valuable than one without information on buying history.
3. **Can names on this list be tested in limited amounts before you purchase or rent the entire list?** When launching a large promotion you

A list of people who have bought recently – within the past 6 months – is more valuable than one without information on buying history.

need to test the response rate of the promotion before going full scale. A good list will allow you to test 5,000 or 10,000 names before rolling out to 100,000 or even a million names.

4. **Can this list be customized to meet your needs?** A good list can be broken down into other criteria more useful to you.
5. **Can you select frequent buyers from this list?** A good list will allow you to select prospects who have consistently bought items similar to the ones you will be promoting. This list will cost more per thousand but may well be worth it.
6. **Does the list tell you where buyers normally shop?** A good list will

tell you where its prospects normally shop and how they normally buy: retail, mail order or wholesale.

7. Does this list consist of buyers?

Ideally, a new list should consist of people who have actually made purchases or similar purchases to the type of item you are promoting. If you are selling golf-balls than the people on this list should have made golf ball purchases or sporting good purchases before (a list of buyers is more valuable than a list of applicants or inquirers).

8. Does this list give you any bad

vibes? Considering the wide choice of lists available to you, if you have gut feelings about a poor response rate,

than maybe you shouldn't bother with it.

9. Does this list have a high duplicate name rate?

A good list will not have the same name recurring over and over at different addresses. Lists with many duplicate names should be avoided. These lists are not well maintained.

When you rent a list you pay to use the name only once. If you use the name twice you must pay for it again.

10. Does this list have continuation usage?

When you rent a list, you pay to use the name only once. If you use the name twice, you must pay for it again. However, some lists allow you to use the names of prospects on it over and over again.

11. Does this list inform you about its prospect's recent purchases?

You

can use this information to find out how similar the prospects on the lists recent purchases are to the item(s) you will be promoting.

12. Does this list state how people pay for their purchases? In

order to better serve their needs, it is useful to know whether prospects on the list pay by cash, check or credit.

13. Does this list tell you how much each prospect spends per order? A good list will tell you the average amount of

money spent per order. A list of prospects who have spent \$50 or more is more valuable than one of those who have spent only \$10. Similarly, a list of people with a stated income level is

A list of prospects who have spent \$50 or more is more valuable than one of those who have spent only \$10.

more valuable than one with no income level stated.

14. Have other companies rented this list before? A good list is rented often by many companies.

15. Have your competitors rented this list before? A good list is rented by your competitors.

16. Is the delivery date of this list guaranteed? A good list can be purchased or rented whenever you want it. You shouldn't have to wait for someone else to finish with it.

17. Is the list available in the format you want? A good list can be purchased in the format you can manipu-

late best. If you have a database program that cannot accept the format of the list, you're out of luck. A good list can also be purchased or rented on a disc and sent via a modem.

18. Is this list clean? To be considered *clean* a list must have no repeating addresses, no errors in addresses, and no names of people who have now moved.

19. Is this list cost effective? A list that has a high cost per thousand needs a high response rate in order to offset its higher overhead.

NOTE If there is no evidence that this higher cost per thousand will also lead to a higher response rate, the list should be

To be considered "clean" a list must have no repeating addresses, no errors in addresses, and no names of people who have now moved.

avoided.

20. Is this list related to your offer? A good list targets people who will likely be interested in your offer. If you're selling golf balls the list should target golfers or in the very least sports enthusiasts, not potato farmers.

Testing an Outside List

Before you go out and spend hundreds or even thousand of dollars renting or purchasing a new list, and before you go out and spend three to ten times that much on catalogs, flyers, letters and postage on a direct mail promotion, it is paramount that you test a few thousand names – about 5% to 10% percent of the list – before the whole list is used. To make sure the list

hasn't been stacked with good names up front, use a random selection of names. This can be done by selecting only names that begin or end with a certain letter, certain zip codes numbers, or certain "nth" list numbers.

NOTE Do not base your testing selections on geographic areas as your response rates will not indicate accurately what the total response rate of the list is. Your test must be random.

What kind of response can you expect from a compiled list? A good response rate depends on what you are using the list for. Generally, a good response rate for direct mail promotions is between two and four percent. However, for business to business promotions, that

New catalog to a catalog customer base will outpull cold lists by 400 to 800 percent.

FUNFACT

response rate must usually be higher as more money is often put into the accompanying promotional material. In comparing compiled outside lists to your own lists, generally it is found that at best an outside list gives you 80 percent of the response rate of your own. In other words, customer lists invariably outpull compiled lists.

Improving the Response Rates of Your Lists

In general, you can improve your response rates by offering better service, better prices and better quality products. More specifically, to improve your response rates:

Acquire information from prospects or customers for greater list refinement. In addition to the basic information

contained in a customer database record, which includes your customer's name, identification number and address among other things, additional information should be gathered to further understand, weed out, and qualify your customers to better meet their needs. You can gather this information by surveying your customers or by asking a few well-worded questions on any lead generation mailings you do. Ask questions pertaining to their income, interests, desires, lifestyle characteristics, income, education, age, marital status and propensity mail or phone.

NOTE Make sure you include a statement that assures the prospect that they are under no obligation to answer any questions they consider too personal. Your efforts

A follow-up to the same list within 30 days will pull 40 to 50 percent of the first mailing.

are only to offer them better service.

Change your promotion if you mail frequently to the same list. If you mail frequently to the same list, periodically change the format and look of your mailing pieces. If all of your mail looks the same, prospects may think they're receiving the same offer and discard it.

Follow-up to the same list within 30 days. A follow-up to the same list within 30 days will pull 40 to 50 percent of the first mailing.

Get more involved with your list. Learn how to manipulate and refine your list with a database program. Every time you get a new list, have a set of macros you run through to test it for duplicate names. An "outside" list with some of the

same names as on your “house” list can be a good sign. It likely means that many of the customers on this new list will share the same characteristics as your present customers.

Have a good address correction system.

To improve your response rates keep your customer addresses up-to-date. One way to do this is to include address correction requests right under your own return address on every order form you print.

NOTE Although, the postal service can return mailing pieces to you, with the customer’s new address, if it is available, this service costs money.

Keep lists clean. Keep your customer and prospect files clean by verifying addresses through the postal service, asking

customers to let you know when they change address, doing periodic address correction requested mailings etc. A clean list is a responsive list.

Keep lists up-to-date. If a customer does not buy after a year, remove their name from your list or reclassify them as being less likely to respond.

To improve your response rates keep your customer addresses up-to-date.

Merge and purge two lists or more. If your promotion involves using two or more compiled lists including your own, it is a good idea to merge and purge them so you don’t get repeat names. A list of merged and purged names will outpull any single list from which these names have been extracted.

Plant fictitious names. Creating keyed fictitious names and planting them on lists your competitor's might use, can help you monitor their promotion activities, as well as, learn from their testing. If you get a promotional letter or catalog from them more than once (under your fictitious name), this likely means that they are having a great deal of success with this list. That means it's time for you to copy their actions and use the list for your own promotions.

Use only part of a list. When renting lists don't use the whole list. Test different segments of the list under different criteria, to see if you can get a higher response rate.

Creating keyed fictitious names and planting them on lists your competitor's might use, can help you monitor their promotion activities, as well as, learn from their testing.



RENTING YOUR LIST FOR PROFIT

ONCE YOU'VE established a large enough library of names in your customer database – you should have at least 25 to 30 thousand names – consider renting your list to other businesses through a mailing list broker at the current market rate. Specify that the list is for rent not for sale and that you do not want your list to be used by your competitors. A mailing list broker will typically charge you a 10 percent commission. A well maintained list of 200,000 active names can pull in an extra \$40,000 a year for your business.

NOTE For some companies in the mail order business, selling its list of customers is a more profitable business than selling its

In 1986, Entrepreneur magazine earned more than \$350,000 in list rental income.
FUNFACT

products.

Renting List Strategies

Be scrupulously honest. Tell your agent exactly how your names were recruited. State who are inquirers and who are buyers.

Don't be too selective to whom you rent. Don't worry about competition, unless you sell exactly the same items. However, do not allow your list to be used for immoral or pornographic purposes.

Keep list clean. A clean list gets higher use per thousand. And more repeat use. If the list is productive to the renter, they will rent it again and again.

Provide adequate selection criteria for your prospective list rental cus-

tomers. As a minimum, you should offer selection by title, by sex, by state, by zip code, by elimination of low ticket customers, and by recency and frequency.



Seed your own mailing list with fictitious names.

Fictitious names have addresses that allow you to monitor who is using your list. It works this way: if someone steals your name, you receive their promotion at the seeded address and can thus trace the offender back to their place of business and seek reparations.

Seed your own mailing list with fictitious names.

Segment your lists. Segment your list into buyers, hot buyers, prospects, subscribers, recent buyers, buyers who have not bought in a year, and buyers who have purchased more than \$100.