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WORKING PAPER SERIES

Strategic Database Marketing: Customer Profiling as New Product Development

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2010/2011 No. 8

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Strategic Database Marketing: Customer Profiling as New Product Development

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December 2010
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INTRODUCTION TO DATABASE MARKETING

The task of acquiring, satisfying and retaining customers has become an uphill battle in massified consumer markets of the affluent world. Building of lasting relationships with customers becomes at once more important for ensuring continued profits, yet less likely to occur. To further complicate matters, the 1990s brought about what some commentators have described as the heady days of hypercompetition (see, e.g., D'Aveni & Gunther, 1994), a condition characterized by excess capacities of progressively more – and more alike – brands and products vying for the same consumer dollar (see also Barber, 2007). Under such circumstances, merely satisfying consumers is an insufficient barrier to prevent customer defection (Haughton, 2005). Rather, securing future business from capricious, unfaithful, and demanding buyers now requires nothing less than customer delight, which is a difficult task to accomplish when market exchanges are characterized by a significant lack of social interaction, growing anonymity, and an ever increasing alienation from the social, cultural, and material processes of production (Keiningham & Vavra, 2001; Pardee, 1996; Seth & Seth, 2005). The challenge of delighting and retaining customers, therefore, elicits the predictable response from the corporate offices: to somehow reconstruct the type of relationship that used to characterize customer-marketer/seller interactions of an idyllic era – before the brand started to mediate between the shopkeeper and the customer, production went offshore, and dozens of identical products crowded the shelves in supersized stores. In other words, corporate marketers often nostalgically aspire to a relationship between the firm (i.e., the brand or the product) and the customer that is based on traditional and premodern notions of intimacy, mutual recognition, and trust (Arvidsson, 2004; Vandermerwe, 2004).

Lasting customer commitment to a brand, a product, or a company has become more difficult to obtain in the era of postmodern markets (Holt, 2000) characterized by impersonal mass selling and what could be called structural disloyalty of an unmanageable and fickle consumer (Firat & Dholakia, 1998; Gabriel & Lang, 1995). Advertising agencies and ‘trend scouts’ provide us with ample evidence of consumers’ growing weariness and increasingly cynical attitude toward all forms of overt marketing and advertising assaults (Frank, 1999, 2000). This mercurial consumer is deemed impervious to most forms of marketing control and delights in the playful and ingenious subversion of corporate marketing communication and dominant meanings to suit her or his own individual and collective political projects (Frank, 1999; Holt, 2006). Consequently, the most recent models posit a market populated by consumers whose tastes and patterns are increasingly fluid, fragmented, heterogeneous, and less amenable to categorization, management, and direction (Firat & Dholakia, 1998; Thompson & Troester, 2002).
In recent years, fuelled by decreasing costs of information technology, data storage systems, and analytical power, data-driven marketing has emerged as a powerful response to the condition of postmodern markets. By capturing consumer activities in a ubiquitous fashion and in minute detail, databases become rich repositories of the fast-changing tastes and fluid identities of postmodern consumers. By making contemporary consumer behavior available as coded, standardized, and manipulable data, it can be studied and become known to the marketer at the microscopic level (Zwick & Dholakia, 2004b). The hope is that by regaining the intimate customer knowledge akin to that of the traditional shopkeeper, relating to each individual customer on a more meaningful level is again within reach – even for an anonymous corporation selling to the masses. Hence, the rise of database marketing and its positioning as a powerful competitive weapon for companies, especially large ones, is rooted in the idyllic ‘small business’ philosophy of being close to the customers, understanding and meeting their needs, and treating them well after the sale.

More than a decade ago, the National Center of Database Marketing in New York defined database marketing as:

Managing a computerized relational database system, in real time, of comprehensive, up to date, relevant data on customers, inquiries, prospects and suspects, to identify our most responsive customers for the purpose of developing a high-quality, long-standing relationship of repeat business by developing predictive models which enable us to send desired messages at the right time in the right form to the right people – all with the result of pleasing our customers, increasing our response per marketing dollar, lowering our cost per order, building our business, and increasing our profits.

An updated version was provided by Blattberg, Kim, and Neslin (2008, p. 4) who define database marketing [as] “the use of customer databases to enhance marketing productivity through more effective acquisition, retention, and development of customers.” In the final analysis, database marketing as defined by the National Center of Database Marketing and Blattberg et al is part of a company’s marketing research function that, when well-integrated, underlies other strategic and tactical marketing activities such as communication, product development, pricing, and channel selection. Hence, database marketing represents the revival of a longstanding business maxim that copious knowledge of individual customers is essential in developing a more interactive, exclusive, and deeper relationship. In short, via technology-enabled marketing a customer is “developed” from a one-time buyer to a regular patron. “Development means enhancing the volume of business the retained customer does with the company” (Blattberg et al., 2008, p. 5). Examples the authors give of database marketing performances are:

- An internet portal trying to understand which customer profile is most likely to use its service and which profiles are not.
- A bank trying to decide which of its many financial products should be marketed to which of its current customers.
A wireless carrier using a model to identify customers that are most likely to leave the contract and to develop a “churn management program” to make them stay.

Database marketing shares a lot of common goals and features with “its close cousins” (Blattberg et al., 2008, p. 5), direct marketing and customer relationship management (CRM). The main difference is that database marketing emphasizes the use of customer information for the support of a broad range of marketing activities, while direct marketing and CRM are more closely associated with a company’s communication strategies. We will return to this observation below as it is central to our reconceptualization of database marketing from a cultural marketing theory perspective.

In sum, from a mainstream marketing perspective database marketing is considered a way to improve marketing communications, channel strategies, and product offerings in an effort to satisfy consumers and build lasting relationships (Blattberg, Getz, & Thomas, 2001; Drozdenko & Drake, 2002); in short, “database marketing is about [improving] marketing productivity” (Blattberg et al., 2008, p. 4) and the rejection of the production concept, which favors the company’s capability to produce certain goods and services rather than the identification and satisfaction of customer needs. We do not actually contest this claim nor the nature and usefulness of the many examples of database marketing in action. Rather what we will argue in this chapter is that Blattberg et al’s perspective of database marketing as support function for other marketing tasks gets us only half way to understanding the growing significance of database marketing as part of the post-Fordist production systems of 21st century information capitalism. Thus, against Blattberg et al’s non-theoretical account, we formulate a theory of post-Fordist database marketing that ultimately reformulates (indeed, reverses) their dictum: database marketing is about improving production (see Table 1).

<table>
<thead>
<tr>
<th>Function</th>
<th>Traditional DBM</th>
<th>Post-Fordist DBM</th>
</tr>
</thead>
<tbody>
<tr>
<td>Concept/Philosophy</td>
<td>Marketing Research (relationship marketing)</td>
<td>Production Concept (manufacture of customers)</td>
</tr>
<tr>
<td>Objective</td>
<td>Providing new marketing solutions (new products, positioning, channels, etc.) to existing customer needs (Relationship through satisfaction)</td>
<td>Finding new customers for existing marketing solutions (Profits through transactions)</td>
</tr>
<tr>
<td>Approach</td>
<td>Strategic (differentiating and positioning of products; segmenting and targeting of customers)</td>
<td>Experimental (trial and error: sifting, sorting, separating, and grading of customers)</td>
</tr>
</tbody>
</table>

In fact, as indicated in the table, we suggest that under conditions of post-Fordism, database marketing represents a return to the much maligned production
concept, with the key difference that the new virtualized production is organized akin to the informal and experimental processes of technology-intensive innovation and artistic imagination characteristic of the creative industries; and what is developed and produced – in the sense of new product development – is a new customer for an existing product. Hence, contrary to prevalent claims in the literature that database marketing is about building better customer relationships, we argue that post-Fordist database marketing represents a highly production- and transaction-oriented philosophy to marketing where the objective is to drive up sales numbers by ‘producing customers’ rather than generating deep relationships.

To develop our argument, we employ a research strategy that combines material garnered from conversations with professionals working in database marketing and theories generally discussed under the headings of information capitalism, postindustrial capitalism, and post-Fordism (Castells, 1996; Gorz, 2004; Hardt & Negri, 2004; Liagouras, 2005; Neilson & Rossiter, 2005). The majority of conversations occurred as part of a two-year-long ethnographic study inside a database marketing company called Insight, where one of the authors at times spent several workdays per week as a Participant observer. Supplemental exchanges with database marketers outside the field site were also recorded and used in this study, including professionals working in market analytics departments of large financial institutions, insurance companies, and retailing. We use quotes from these conversations for the purpose of providing illustrations from the ‘field of practice,’ to use Bourdieu’s (1990) well-known term, and to underscore the central theoretical points we are developing.

The result of our undertaking is a model of customer databases as a site for new product development rather than merely knowledge production and marketing research (see Table 1). The “product” developed with the customer database is a set of customers with certain desired propensities to buy a specific product or service and the nature of the production process is experimental and playful rather than primarily strategic and scientific. Current conceptualizations that maintain the separation between product/service (to be manufactured) and customer (to be sold/communicated/marketed to) need to be updated to acknowledge the evolution of database marketing and customer intelligence (marketing support) services into a central site of creative and flexible production processes in information capitalism. In the final analysis we propose visualizing customer databases and database-driven marketing not primarily as a tool for relationship-driven marketing strategies but as a tool whose simulational capabilities and always increasing computational power turn it into the info-factory of the 21st century.

THE CONTEXT OF PRODUCTION

Insight, the site of our ethnography, is one of a fast growing breed of businesses that offers to its clients – typically marketers at larger consumer product manufacturers, retailers of all sorts, financial institutions, etc. – ‘micro-marketing’ services, which claim to enable “direct to consumer marketing with pinpoint accuracy and unprecedented results” (from Insight’s marketing material). The company is a little more than ten years old and has sales offices in three major cities in the U.S. and Canada. The overall value proposition that companies like Insight present to clients consists of promising ‘total market information’, granting marketers ‘intimate access to every consumer’s life’, and
turning this intimacy into ‘real profits.’ This transformation of massive amounts but ‘raw’ 
market information into actionable consumer intelligence requires the perceptive 
deployment of highly sophisticated analytical tools and statistical techniques, which is 
Insight’s area of expertise.

A look at the amount of data the company hosts on consumers lends credibility to 
the total market information claim. For example, the company’s flagship asset is a micro-
marketing database that contains data on every household in the United States and 
Canada at the zip and postal code level respectively, boasting thousands of data points on 
geographic, demographic, psychographic, behavioral, attitudinal, life style-related, and 
expenditure-related aspects of the households. Perhaps somewhat hyperbolically, the 
company declares that this database is 20 to 25 times more finely targeted than typical 
consumer databases. Insight’s significant investments of time and money to continuously 
grow the amount of, and maintain the accuracy and relevance of, consumer data stored in 
this database does make it an important and valuable aspect of the company’s business. 
Furthermore, Insight has made a name for itself among its corporate clients as a supplier 
of fast analytics and data mining services, which the company claims is based on its 
employees’ superior mathematical, statistical, and software engineering skills.

A micro-marketing project typically begins with a visit from a brand manager of a 
client firm facing a particular marketing task. This could be the launching of a 
promotional campaign to encourage product trial which may require winning over 
consumers of, for example, body wash for men, from a competitor’s brand or convincing 
men who do not use body wash that their lives would be improved if they did, 
particularly by using the promoted brand. Alternatively, a brand manager may feel the 
need to alert consumers of a specific new attribute that has been added to the original 
product, such as the whitening feature of a toothpaste. Initially, then, various members of 
the Insight team join the client for an exploratory needs assessment meeting to discuss the 
nature of the promotion and to develop a list of specifications with regards to the 
customer information required for a successful execution of the campaign.

Among its employees, Insight distinguishes between technical staff – those 
trained in mathematics, statistics, and software engineering – and business staff – trained 
as managers, marketers, and sales people. While research and development is the 
responsibility of the technical division at Insight, managing customers and developing 
new business lies in the hands of those holding MBA degrees. They are, as one chief 
technician put it, ‘closer to the customer.’ Accordingly, during needs assessment 
meetings the client, who often possesses little technical expertise, considers Insight’s 
business person in the room as the translator between the client’s marketing needs and the 
information products required for the job. The two or three technical staff members also 
attending the meeting are far from inept on the business side of things; nevertheless they 
 too look to the team’s marketing expert to reconcile available information production 
capabilities with the client’s product needs and demands for actionable clarity. Once 
needs have been assessed and everyone in the room is satisfied with the plan, however, 
the project gravitates to and remains almost exclusively in the hands of Insight’s 
mathematicians and statisticians. They take the specific information requirements that the
client desires and begin their work of database mining, customer profiling, and list generation in front of powerful computers in the back rooms of the company. The client liaison on Insight’s project team then retreats from the ensuing arcane, if not esoteric, production process until that time when the results need to be put in a more presentable format for the client. This task of translating the results of the data mining efforts into a meaningful marketing language typically results in a 20-page report containing a range of standard tools for visualizing statistical analyses, such as the obligatory pie and bar charts as well as a range of commercially acquired and strategically placed photos representing typical exemplars of a specific consumer type (see figure 1).²

![Figure 1: Illustration of Insight’s use of visualizations in client reports.](image)

The challenge of producing such documents lies in the act of delicately balancing the client’s need for easy access to the results with the firm’s interest in reinforcing a perception of the marketplace as a tremendously complex battleground full of traps, mystery, and ambiguity that requires the services of Insight to ensure victory for the brand in the war for market share.

The process of generating such a report and its contents represents an important element in the production of customers, just as the symbolic work of generating a client-specific language with which to make up the marketplace in ways that allow the performance of marketing practice is important. This process of constructing, disseminating, and eventual translating of a specific kind of marketing language into practice no doubt is fascinating and ripe for theoretical scrutiny (see e.g. Appblbaum, 2004; Dávila, 2001; Hacking, 1986; Lien, 1997). The scope of this chapter, however, does not permit a comprehensive treatment of this specific aspect of the general cycle of production of customers, markets, marketing language, and, vicariously, marketing practice. Instead, we will focus our attention on the work of data technicians, analysts, and data miners whose productive labor, in our view, represents the key to understanding
database marketing from a cultural theory perspective as a site of new product
development *qua* the production of customers.

**THE MODE OF FLEXIBLE PRODUCTION**

Marketing’s use of panoptic market research techniques for maintaining control
over increasingly mobile and seemingly capricious consumer subjects has a history that
goes back to at least the 1950s (see e.g. Arvidsson, 2004; Miller & Rose, 1997).
Nevertheless, the sheer amount of data produced by contemporary electronic consumer
surveillance, the computer power available to analyze information, and the speed with
which differences, distinctions, and commonalities among customers can be detected are
historically new and qualitatively radically different from any previous forms of market
research (cf. Castells, 2001). For the first time in history, according to Arvidsson (2004:
457), it is now possible to capture, store, and retrieve the “physical, social and cultural
mobility of social life, the moving about between environments and activities that has
become a key characteristic of post-modern life.” In other words, the ability to monitor
and describe virtually all of consumers’ consumption and non-consumption activities
ensures that fewer and fewer elements of everyday life escape the electronic super-
Panopticon, thus increasingly turning everything consumers do into raw material (as
encoded, decoded, and recoded information) for the production of consumer
representations.

It is important to recall that databases are made up of symbols in data fields. They
embody a specific mode of representing the world, what Bolter (2001) calls ‘numeric
inscription.’ As Poster (1995) puts it, “one does not eat them, handle them, or kick them,
at least one hopes not. Databases are configurations of language; the theoretical stance
that engages them must take at least this ontological fact into account.” Poster has in
mind a post-structuralist analysis when he points to the database as a repository for
linguistic power. Yet theories approaching information and communication technologies
via an analysis of the informatization of production also benefit from this insight because
it speaks directly to some of the fundamental features of a post-Fordist economic system:
the nature of the technological base, the nature of commodities, and time-space
compression (Harvey, 1989; Kumar, 1995; Liagouras, 2005).

Many authors have pointed to the shift from an energy-intensive to an
information-intensive production system as a key element of the transition from Fordism
to post-Fordism (see e.g. Allen & Scott Morton, 1994). The electronic and information
revolutions of the last two decades not only affect how work gets done but what kind of
work generates the bulk of economic value. The emphasis is no longer on the
development of technologies that have the ability to replicate and replace hard physical
labor but on machines that allow for the manipulation of symbols and for the production
and representation of information (Joschner, 1994; Kumar, 1995). In short, postindustrial
technologies do not replicate manual labor as much as they enable and automate
knowledge work. Consequently, the dominant strategy of value creation under post-
Fordism is focused on expanding, proliferating, and improving symbolic and
communicative systems, rather than on the mass production of physical goods
(Korzeniewicz, 1994; Liagouras, 2005: 21). As a consequence, the manufacturing of
material components of products declines in economic importance, and thus in strategic importance; while the production of emotional, intellectual, communicative, and aesthetic components becomes increasingly significant (Lash & Urry, 1994). When value generation is the outcome of informationalized production processes, economic value becomes a function of the degree to which time and space can be compressed, i.e., sped up, in the production cycle (Harvey, 1989).

Usually notions of time-space compression refer to the discussion about the acceleration of global capitalism (e.g. Gee, Hull, & Lankshear, 1996). As Castells (1996: 92) puts it, “[T]he informational economy is global.[…] It is an economy with the capacity to work as a unit in real time on a planetary scale.” While the new realities brought about by the worldwide real-time interconnectivity of complex and spatially dispersed production systems has garnered most of the attention of theorists of information capitalism, there are other ways in which post-Fordist economies rely on time and space compression to produce valuable commodities. They are related to the shift from the production of capital-intensive, tangible commodities to the production of knowledge-intensive, ‘intangible’ value such as market information, business intelligence, patents, brands, and community (Arvidsson, 2006; Holt, 2004; Lury, 2004). The focus here is on the accelerated interaction between consumption and production expressed in management concepts such as fast fashion, Toyotism, just-in-time, and lean manufacturing (Lane & Probert, 2009; Thrift, 2005), and more recently in marketing practices that use the Internet to establish more immediate relationships with consumers (see e.g. Moor, 2003; Tapscott & Williams, 2006; Zwick, Bonsu, & Darmody, 2008). The speed at which, for example, symbolic goods like brands are fabricated, launched (often globally), positioned, repositioned, and made obsolete is historically unprecedented and points to the relevance of theorizing the nature of goods, the technological base, and time-space compression for the production of intangible goods in post-Fordism (Lury & Moor, 2010; Moor, 2007). It is against this backdrop of post-Fordist capitalism and its continuous search for increased efficiencies in connecting production and consumption and its pursuit of more flexible value strategies that the database has moved into the center of value creation today.

Databases have come to represent the dispersed and largely surreptitious repositories of our lives. They constitute, according to Haggerty and Ericson (2000: 606), massive computer-assisted classification systems that operate “by abstracting human bodies from their territorial settings and separating them into a series of discrete flows. These flows are then reassembled into distinct ‘data doubles’ which can be scrutinized and targeted for intervention.” Robert, senior data analyst at Insight, explains how this process looks in practice:

Once we get the specifics on a new job, we talk to the client to get all the information that they have stored somewhere in their existing databases. They have tons of transactional and sometimes even personalized information [e.g., demographical, geographical, and life style data] that they collected at some point themselves. With most clients we have a standing relationship so they know what we need for the job, so it’s no problem. We take their data, clean it up a little,
usually, and then add it to our own database. Depending on the client we may be able to develop customer lists of more than a hundred thousand individuals each consisting of 300 or more data points.

Now, the consumer can be converted into a digital assemblage and as an assemblage she or he exists and acquires meaning (in the sense of market value, or what Pridmore and Lyon (forthcoming 2011) and Deighton (2005) refer to as ‘consumer brands’) only in connection with other assemblages. As a consequence, database marketing becomes deeply functional because database marketers never really ask what a particular data flow means, nor do they look for anything to interpret in the data. What they want to know is what they can do with the data. Consider Robert’s description of Insight’s value proposition to its clients. The company does not promise a hermeneutics of the digital text to excavate deep-seated truths about consumers. Rather, Insight delivers customers “that work”:

Most of our work now deals with identifying customers for whatever it is companies want to promote and sell. This is really where we see our value added to the client and so we push that capability on to them. Basically, we tell them, ‘Look, we don’t care what you’re trying to sell, you know, how good or bad or whatever it may be, we will find you customers with the highest probability of success.’

Implied in Robert’s promise to find “high-probability customers” is the ability of the database to create purely functional hierarchies that set desirable targets apart from undesirable ones for a specific product or marketing message. In other words, meaning emerges from the data only when a customer profile is put in relation to another. Herein lies the challenge (but also the opportunity) for the database marketer because the production of meaning, or more accurately the creation of customer knowledge with market value, depends on continuously and creatively de- and re-assembling sets of consumer representations by establishing always new and productive relationships between data points.

Importantly, the notion of assemblage produces a model of the database as a curiously static representation of the world “out there” that ignores the circular, or as Elmer (2004) calls it, cybernetic dimension of the technology, specifically “the manner in which the signifieds and the process of signification are continuously reconstituted by each other” (Elmer, 2004, p. 48). Elmer offers a more dynamic perspective that focuses on the feedback loop between the nature of customer data coming in and the marketing actions taken to influence customer behavior. Hence, the recurring generation of economic value through the production of customer assemblages is not based primarily on the accuracy of data storage and categorization but on the continuous obsolescence of previous customer productions as well as the constant refinement of the data mining technique. Miro Kundra, who holds a doctorate in statistics and founded Insight in early 1990s, explains:

Our job is not to tell our clients ‘this is how your market looks like’ and ‘this is who your customers are’. We tell them ‘this is what your market looks like right
now but soon it will be different again because everything changes because you act, your competitors react and do their own marketing, then your marketing strategy changes, and then consumers react to the new product selection out there, and everyone does new advertising as a result, and so on.’ We know consumers change all the time because we see the data coming in. In addition, we change here at Insight because we always work on our analytics and try to improve the accuracy of our forecasts and profiles.[...] So we never promise a stable world but we promise the most accurate view of the world as it is right now.

Kundra’s comment points to the fact that the signified (the consumer) and the process of signification (targeted marketing interventions) always act on each other, thereby ensuring the ongoing variation of data flows. In addition, data mining techniques constantly change because the mathematical algorithm used to analyze (or here, recode) customer behavior, wants, needs, and desires is always under construction and even small changes in the code can make a significant difference in how consumer representations are assembled. This combination of always changing data flows, and permanent upgrading of data analytical capabilities, form the basic building blocks for the flexible production of heterogeneous sets of customers, where each manufactured data assemblage can further be reduced to a single index of propensity of desire. Gary, data marketing specialist at a large bank, describes this production of assemblages, what he calls targets, as his main activity:

What do we do all day [laughs]? Good question. Well, I guess, much of what we do here, [...] we help our product managers identify customers so they can go out and sell them something they don’t know yet they need [laughs].

[Interviewer:] Can you explain?

Well, often it starts when..., ok let’s say, a product manager would come in with this new product he wants to get out there. Could be a new type of personal savings account or whatever. Anyway, so they have their product and now they need customers for it, right? So we ask them a few questions like who they think would want this and why, which gives us some idea what variables to include in our model. Then we run the model and generate a list of high-probability targets for them to go after.

Recoding in the context of database marketing, then, refers to the ongoing production of relationships and associations. Put differently, marketers find in the database a tool to manufacture customer sets with specified desires always already ‘built in’ via specific algorithms and statistical models at work.³

Hence database marketers do not aim at producing complete and authentic consumer identities or holistic representations of the consumer’s inner consciousness. Rather, seen from a modernist perspective on identity, the process of consumer recoding
in databases yields extremely selective and partial identities, which are – in the tradition of lean manufacturing and just-in-time delivery – stripped of anything that might distract from addressing the specific functional needs of marketers. This is the crux of the ‘score’, a numeric that demarcates the final result of a complex data mining, simulation, and decoding process. Sunil Handa, analytics expert at Insight, describes the role of the ‘score’ from the perspective of the economics of customer production:

For our clients it’s of course important to know who is likely to respond to their message and buy their products. For them, talking to someone who won’t buy their products no matter what is a big waste. So they come to us, [expecting us] to tell them which is which by ranking thousands of individuals according to a model we prepare for the client. Each individual gets a ‘score’ and then we provide the client with deciles to make it easier for them to compare the different segments of the market for their specific product. Our database is huge so we believe we can really parcel out the true scores for each member of the population we look at and the client has a lot of confidence in the targets and non-targets we provide them with.

The score, then, rank-orders consumers according to the mathematically generated relative intensity of their desires for a specific product or brand at a specific time and in a specific place – from ice cream, to toothpaste, to mutual funds, to lifestyle magazines. In other words, the score is the outcome of fast data mining processes that recodes consumer habits, routines, idiosyncrasies, and trajectories into relationships and associations that signal each consumer’s potential economic value within the specified field of consumption.

The score, then, responds perfectly to the imperatives of modern marketing because it creates instant comparability and calculability of the economic value of a consumer, allowing for the identification of those that have more value and those that have less. Simulating the economic value of consumers through scoring is a dynamic process that ultimately wants to operate in real time. With the emergence of computerized informational networks that increasingly automate data collection, diagnosis, and production, the speed at which scores are assembled has increased steadily. Banks, for example, owners of arguably the most sophisticated mining operations and concerned about all sorts of risk associated with the business of lending and investing money, make use of a wide range of different analytical and simulation techniques to determine the probability of a credit-seeking customer defaulting on his or her loan. To build their simulation and profiling models, banks can rely on millions of customer records from disparate sets of archives of information located across many sites, collected with diverse processes, and stored via numerous techniques of input. Yet, in the hands of a bank’s frontline employees, the process of customer profiling becomes an automated, real-time calculation exercise aimed at generating a single number called the individual risk score (see also Vargha, 2009). This is how Gary explains the dynamic decoding and recoding process at his bank:
We take historical data to build this risk model and what it is... is a mathematical formula that spits out a number. It could be a, you know, a combination of models. Our fraud protection process uses four different techniques, but the ultimate output of that is a number. [...] We had up to a million records to build this model. But when we put it in the hands of our frontline employees who interact directly with customers that may ask them for some credit, for example, they apply it in real time. They can see immediately what the risk level is of that customer and suggest an appropriate product. And as new records come in from the customer, or any customer we have, we take the mathematical formula, run that new data record daily or monthly or weekly, however frequently we apply it, and update the risk score immediately.

The individual risk score simulates only risk, which is a key piece of information for the bank to determine the profit potential of each customer for a specific product. The model itself could be considered very comprehensive, pooling a vast range of historical and personal (sometimes very personal) data about each applying customer. Yet, in the final analysis, the task of the model is to generate a comparable number – a numerical common denominator to rank riskiness of customers. For the model to work efficiently it ought not to say anything else about the individual seeking a loan, nor should it because any other piece of information could distract the employee from matching the score generated by the system with an ‘appropriate’ response from the institutional repertoire of available responses.

As information becomes the core substance driving value creation in contemporary capitalism, consumers inserted in seamless technological networks of surveillance are made a key resource for the (re)production of information. As Sunil Handa from Insight explains:

Consumer behavior is always changing but when that happens that’s not a problem but actually pretty good because we are the first ones to know about it, right? We even know it before they [the observed population] know it [laughs]. So we can go out and run our analyses on the new data that comes in from the market and if we see changes we make a nice report and sell them to our clients. So for us at least, we need that change. It’s good for us. The more the better.

Hence marketers, previously concerned with controlling consumers in time and space, are learning to exploit the capacities of electronic surveillance networks to follow ‘free’ consumers everywhere, turning the mobility of everyday life into input for the “more diffuse and expanded systems of production that characterize post-Fordism” (Arvidsson, 2005, p. 237). In other words, within the logic of information capitalism the production of customers as commodities with exchange value requires in the first instance the flexible reproduction of new information (through novel behavior) from a more or less autonomous, spatially dispersed, and socio-culturally diverse mass of consumers. Indeed, as Virilio (1977) proposed some time ago, it is precisely dynamic and fast-changing information that holds the most value (see also Der Derian, 1996, 1999).
Speed of information production, then, becomes an important added dimension in the valorization of customers as products because “speed guarantees the secret and hence the value of all information” (Virilio, 1995, p. 53). This is what Insight does: speeding up the process of decoding, recoding, and communicating information to such an extent that the production of information, whether by consumers in the market or by the database marketers in front of their computers, constitutes the communication it claims to capture. Post-Fordism therefore foregrounds the productive role of the circulation of information, or as Arvidsson (2005, p. 240) puts it, “[T]he ‘information economy’ is thus one important example of the fusion of communication and production.”

Until recently economists and marketers considered information about the market as a means of controlling volume of production and of determining desired product features. From this perspective, product customization through digital “versioning” – e.g., producing a customized version of the daily newspaper based on a customer’s previously specified preferences – lies at the core of the creation of value where information about consumers is said to improve the matching of product features with consumer desires. Increasingly, database marketing is turning this established relationship between market knowledge and the production of goods on its head because the informationalization of consumption has created a situation in which digital versioning can most effectively be achieved via the flexible and rapid production of customer sets. Hence, rather than adjusting product features to match existing customer desires, marketers can now adjust, at very little cost and in real time, customer features to match an existing product. As Miro Kundra explains, Insight pushes the logic of flexible, modular production of targets to its extreme:

It takes us a few minutes to generate – out of more than 100,000 data profiles – a nice set of customers with extremely high specificity. But the next step is to put this capability online so our clients can do it on their own time, on their own computer. That is what we are working on right now. The result is that a brand manager can produce his own set of customers based on his own requirements whenever he needs to. He can do it online and it will take him 2 minutes to find out […] who might be a good target for his brand.

Understanding the reversal in the production of value in information economies has implications for how we theorize the role of the databases in a firm’s value creation strategies. Concretely, we may see costly and relatively lengthy efforts to redesign supply chains, products, and production processes replaced by the much speedier, cost-effective, and flexible production of customers.

In sum, then, theorizing technologies such as the customer database in terms of production requires us to reevaluate from where these technologies derive their unique power. The dominant focus in the current literature on consumer surveillance and management technologies has been on the spatial aspect of consumption that attempts to locate and map information to generate marketing insights and applications. A ‘production of customers’ perspective proposes that the importance of the database for the creation of economic value is derived less from its capacity to identify and map
consumers, although these elements are important (e.g. Zwick & Dholakia, 2004a). Rather, the ability to produce modular (flexible and reflexive) sets of consumer facsimiles in real time or nearly instantly is what has elevated the customer database from a technology of knowledge production and marketing productivity (Blattberg, Glazer, & Little, 1994) to a technology of production *tout court*.

Hence, recent gains in speed and the flexibility of production processes, premised on the unfolding of increasingly powerful data-mining techniques, is central to our argument of how the customer database leads to a reversal of Fordist organizations of production and consumption that pervade the writings of Blattberg et al (2008) and others in the marketing field (e.g. Hughes, 1994; Kamakura, Wedel, de Rosa, & Mazzon, 2003). Indeed, even comprehensive theorizations of the informatization of production (e.g. Castells, 1996; Hardt & Negri, 2000: 280-303) fall short of grasping the extent to which communicative action has informationalized production in late capitalism because these accounts exclude the informatization of consumers.

Conceptualizing the database as a technology of production foregrounds the expanded *strategic* possibilities of market informatization in post-Fordism. We suggest that the economic strength of databases rests with their ability to continuously produce novel sets of consumers. The database’s capacity to spot and turn into value creative, nonconforming, and unexpected forms of consumer life has not been lost to marketing executives who understand very well that future market opportunities often evolve out of the social and cultural innovations generated in *uncontrolled* and *undisciplined* spaces of consumer culture (Arvidsson, 2005; Frank, 1999; Holt, 2004). Indeed, given the need of a growth-dependent, contemporary capitalism to reproduce new consumer needs at an ever-increasing pace, too much consumer homogeneity would constitute a serious challenge for contemporary strategies of accumulation (Zwick et al., 2008).

**CONCLUSION: MARKETING STRATEGY IMPLICATIONS**

In this chapter, we have explored from a cultural theory perspective the increasingly important, yet in the literature largely overlooked, relationship between growing customer databases, modern marketing practice, and contemporary strategies of value creation in information capitalism. We argue that the emergence and proliferation of the customer database has given rise to techniques, competences, expert systems, and productive units aiming not only at the supervision and control of consumption (*qua* better marketing productivity, to use Blattberg et al’s term) but at the flexible production of customers as information products. In other words, the capabilities of the database allow for the restructuring of the strategic gaze of marketers who recognize that new instruments of knowledge also contain the possibility for new forms of production, valorization, and accumulation.

Reducing the effect of customer databases to improvements in market control (typically expressed as improved market segmentation and targeting capabilities, customization, one-on-one relationships, interactivity, etc.) ignores the economic innovations brought about by the integration of database technology into existing post-Fordist modes of production. We argue that the constant and compounding growth in the
volume of data coupled with the rising analytical powers of computers has endowed the customer database with an immediate strategic importance in a company’s economic value creation process. In short, because of the massive informatization of consumers it is now more efficient (faster, more flexible, and cheaper) to manufacture customers – as modular configurations of propensities, as calculations of possible future values, and as purified groupings of selective homogeneity – than to adjust the manufacturing processes of goods. Database marketing thus emerges as a value creation strategy for the firm that competes directly with more traditional forms of production.

Arvidsson (2003) suggests that database marketing should be regarded as a response to the twin condition of marketing modernity: the increasingly mobile (spatially, economically, culturally) consumer and the disappearing consumer body (see also Lyon, 2003). The ability of the customer database to capture what Arvidsson (2004, p. 467) calls “the communicative action of life in all its walks” effectively turns increasingly complex and mutable consumer practices into value. In other words, ubiquitous information gathering transforms what has previously been seen as a practical marketing problem in need of more control – the mobile, creative, and unpredictable consumer – into a productive and economically important force. Now, action and inaction, movement and inertia, indeed all of life, has value when inscribed as digital information and rematerialized, packaged, and sold as an information good. Put differently, marketers’ continuous quest to create demand and satisfy consumers finds its latest frontier in the manufacturing of customers from the material created by the ‘labor’ of consumers themselves. Other methods to minimize the distance between supply and demand, such as product customization and one-on-one marketing (see Peppers & Rogers, 2005), cannot compete with the complete implosion of consumption into production, represented by the overall reversal of the production process.

The implications of a cultural marketing management approach to database marketing are significant. For starters, database marketing should be considered as a site for new product development and resources should be directed into data collection, mining, and customer production accordingly. Furthermore, marketers need to develop a mindset that rejects the dominant premise that database marketing is a technical and scientific tool. Rather than thinking of database marketing as dominated by complex algorithms and statistical analysis, markers need to approach this tool from the informal and imaginative culture of the creative industries, where artistic experimentation leads to breakthrough product innovation. Finally, marketers who understand the strategic value, conceptual revolution, and marketing functionality offered by database marketing will be able to embrace the fickleness of consumers as the essential prerequisite for future innovation in customer production. In the era of post-Fordist capitalism, flexible production of information has come to dominate value creation and extraction strategies. Therefore the process of continuously analyzing masses of digitized customer information to discover hidden truths and layers of desire can no longer be reduced to a supporting role of marketing production. Rather, database marketing produces a product with economic value that is itself in need of marketing, turning the customer databases into the factory of the 21st century.
Bibliography


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**Endnotes**

1. The names of the company and all informants for this study have been changed to protect their anonymity.

2. The company eschews speaking of these ‘types’ as ‘segments’ because the whole point of their production work is to do away with segmentation thinking. They aim to individualize consumers to allow for modular control.

3. Obviously, this is a rather essentialist notion of desire, which we reject, but that is the view prevalent among our informants.

4. This term refers to the organization of large computer-generated customer lists into ten equal parts where, for example, the top ‘deciles’ represent the ten percent of consumers with the highest score for the respective product and the lowest deciles assemble the bottom ten percent.
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