

The Direct Marketing Course

September 2000

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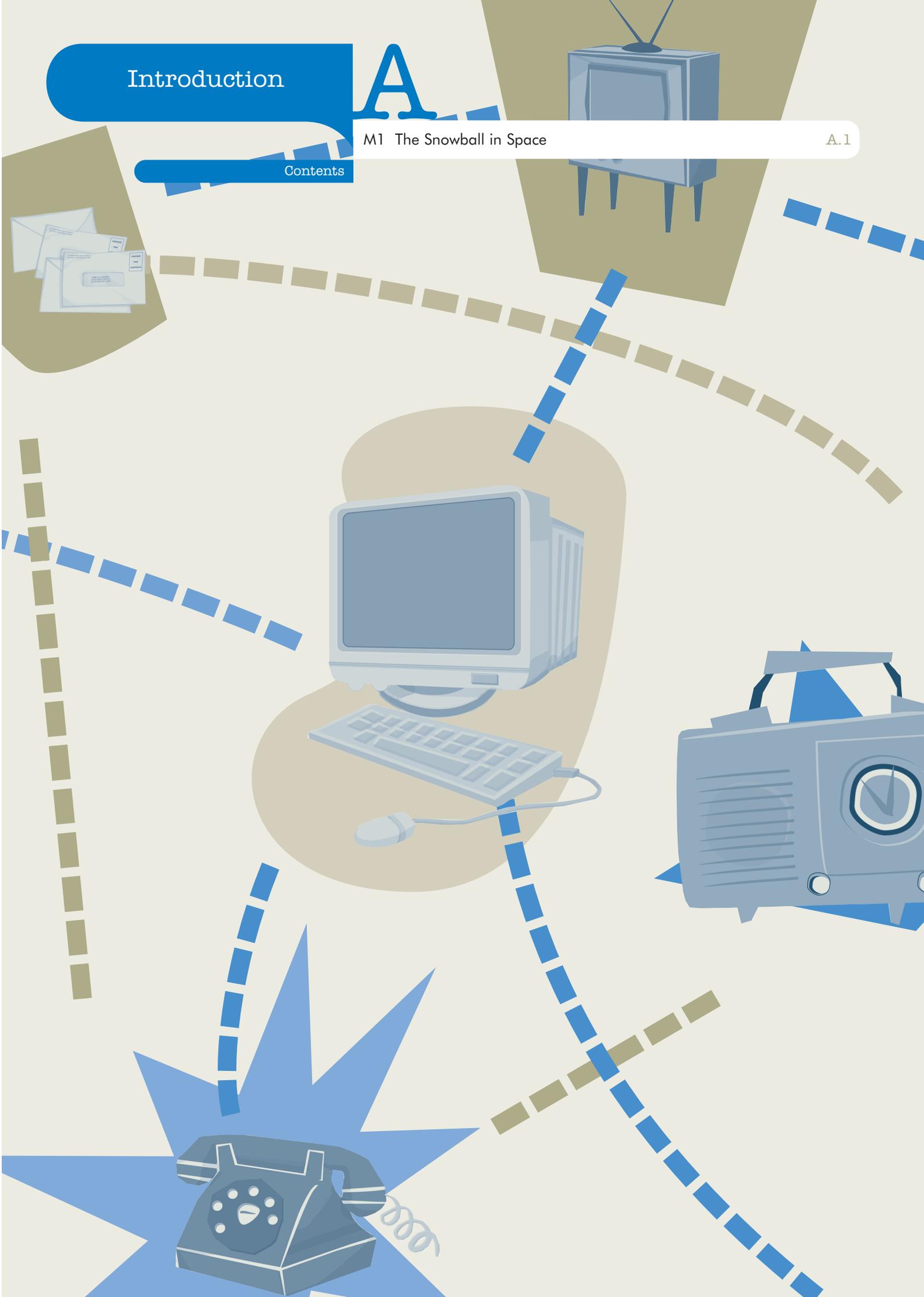
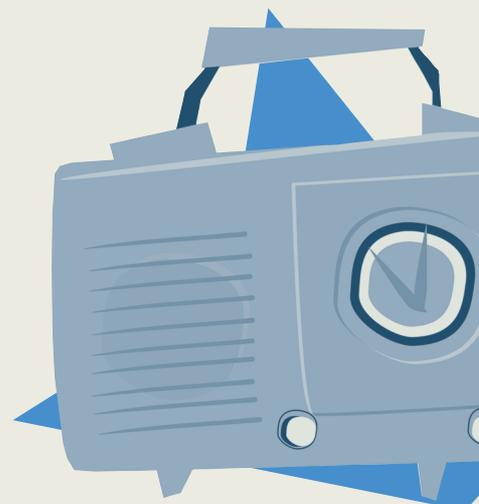
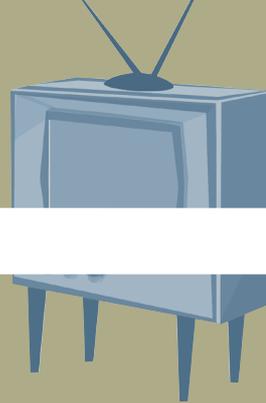
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slide S1-1: Direct marketing: a definition

Direct marketing has been described as:

“An interactive system of marketing that uses one or more advertising media to effect a measurable response and/or transaction at any location.”

Henry R. Hoke Jr. quoted in Susan K. Jones Creative Strategy In Direct Marketing, p7

Far from being a new innovation, direct marketing has been a technique of advertising and selling products or services for centuries: from the first pedlars and travelling salespeople, to the development of catalogues and mail-order services, to the numerous techniques and media channels used today.

slide S1-2: Three essential features of direct marketing

The key elements of direct marketing include:

- taking a personal approach to the customer or prospect
- eliciting a response
- maintaining a ‘relationship’ with customers, with the aim of developing long-term loyalty

While remaining firmly grounded in the attention to customer needs, direct marketing is flexible enough to register and adapt to shifting trends in the market place. Increasingly advanced database and communication technologies enable the direct marketer to keep abreast of changes, track customer behaviour and tailor products to perceived demands.

slide S1-3: The future of direct marketing

It has been predicted that with further segmentation of the market and changing consumer behaviours, there will be a direct marketing explosion, demanding an interactive, global approach, which efficiently integrates various forms of media and communication.

Direct Marketing

“An interactive system of marketing that uses one or more advertising media to effect a measurable response and/or transaction at any location.”

*Henry R Hoke Jr. quoted in Susan K Jones
Creative Strategy in Direct Marketing p7*

Three essential features of direct marketing

Personal approach



Elicit a response



Develop a long term
relationship



The future of direct marketing

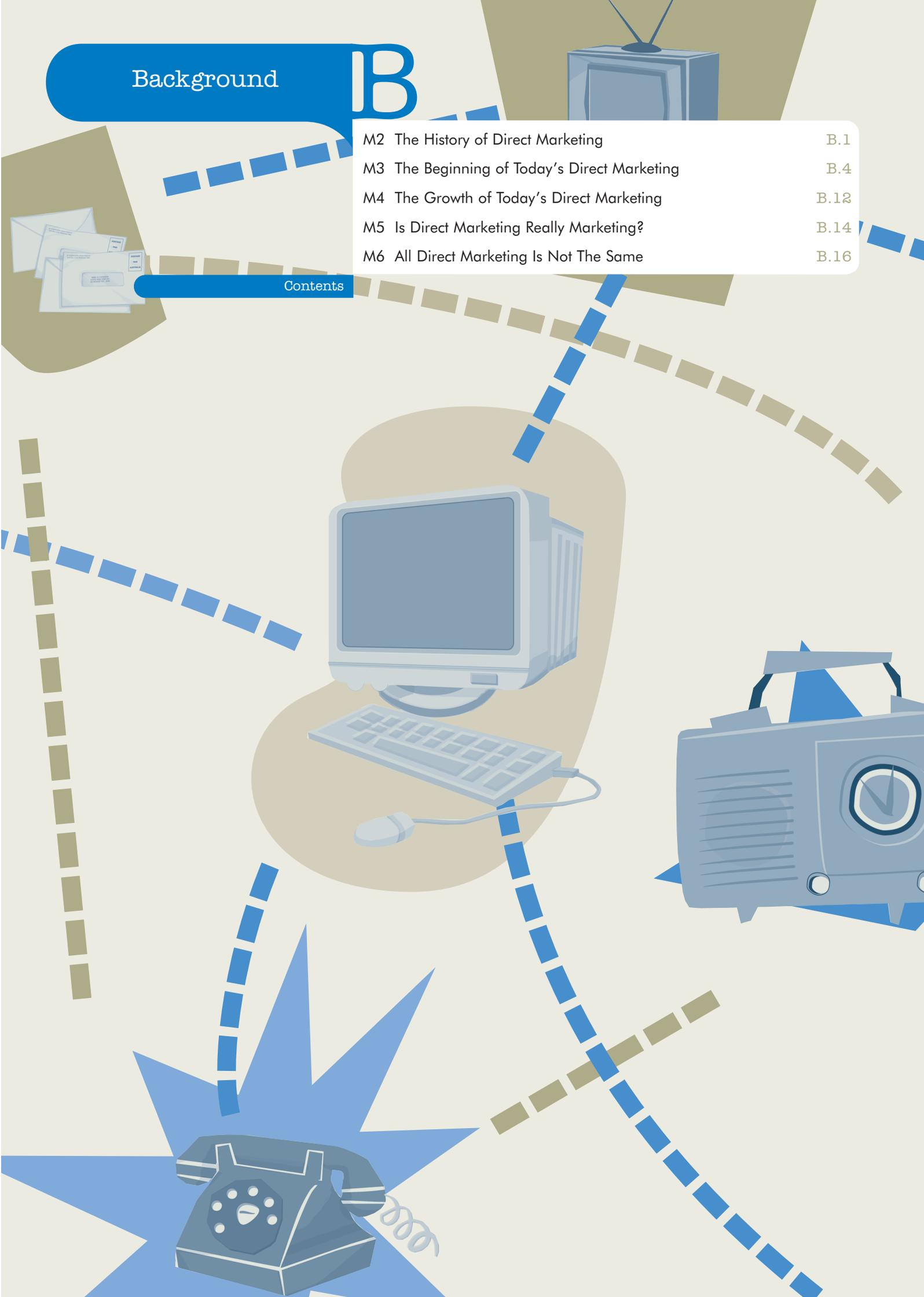


Background

B

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Contents



2.0 Outline

This module gives an overview of the history of direct marketing, from early examples as far back as the fourteenth century, to changes with industrialisation and mass production, including the expanding opportunities for direct marketing today.

2.1 Direct marketing: the adaptable marketing method

Direct marketing has developed over time with changes in social structure and demands. It has moved forward hand-in-hand with technological advances ranging from the invention of the printing press through to telephones, computers, the internet and cable TV services.

At the turn of the twentieth century, increased industrialisation saw western societies develop a 'market-industrial' focus. In this system, the product was still the main emphasis, but variety and consumer demand increased.

Leiss/Kline/Jhally, Social Communication in Advertising, p57ff

slide S2-1: From 'market-industrial' to consumer society

In a further transition, from the 1920's onward, a 'consumer society' began to emerge, in which the needs and desires of the consumer began to drive the development and distribution of products. Advertising emphasised human need and satisfaction as well as the product for sale.

Leiss/Kline/Jhally, p63

Greater production opportunities and diversifying customer needs opened the opportunity for the direct marketing of products and services.

slide S2-2: Transport, communications and the rise of direct marketing (diagram)

Catalogues and mail-order became popular forms of selling products, encouraged by improving post, boat and rail services, as well as telephone connections.

2.2 Early examples of direct marketing

Customer service:

Many of today's direct marketing skills were perfected by sales people in the past, whose livelihoods depended upon an intimate knowledge of their customers and an ability to fulfil the specific needs of those customers.

slide S2-3: Customer service: a time-honoured practice

Corner stores:

In centuries gone by, the owner of a general store, grocery or tailoring service knew that a successful business depended on:

- knowing the customer and his or her family
- informing the customer of the best and most recent stock
- adding extras for good will
- knowing what the customer likes and can afford
- having concern about product quality and availability
- contacting customers and seeking new ones, especially if the business was waning

Jones, p5 – 6

Living in the vicinity of customers and having a consistent salesforce made gathering this knowledge easier.

Victorian England: showroom shops and home delivery:

The shops of Victorian England which attracted the wealthy 'were effectively showrooms'. Items could be seen, chosen and ordered; they were then delivered to the home, where payment was made.

Direct Marketing Education Programme, 1.2.02; hereafter this text will be referred to as DMEP

Pedlars:

One of the earliest methods of direct marketing was seen in Europe from the 14th century onwards, in the form of the 'pedlar'. These travelling, door-to-door salespeople kept with them a 'live catalogue' of their wares.

slide S2-4: Pushing live catalogues (illustration of pedlar)

During the 16th century, pedlars were perceived in a negative light, often equated with the poor, homeless and vagabonds. By the 17th century, however, their reputation had improved.

The first pedlars carried their wares in a bag. Leather, metal, tobacco and toys were the most common products.

With the growth of product variety, consumer needs and desires also increased, contributing to the success of pedlars. They enjoyed the advantages of no shop overheads, less tax and a wider circle of customers than town-based businesses. Their travelling life-style gave them the opportunity to gather a great variety of wares and insist on immediate payment.

slide S2-5: A complaint against pedlars: quote from 'The Complete Tradesman, 1684'

To the concern of town business people, many of whom were crippled by debtors, pedlars increased in number and fortune, developing a 'class' of their own. Under pressure from city merchants, a pedlar tax was reintroduced in the 18th century.

slide S2-6: Support for pedlars:
quote from Journals of the
House of Commons, XL, 1007
(Davis, p246)

From the 18th through to the 19th century, travelling drapery salesmen were supported by drapery manufacturers to service the need for materials in remote areas where there were no retail stores. Drapery mills supported pedlars against parliamentary attempts to ban them.

Dorothy Davis, 'The Man With A Pack', A History of Shopping, p236 – 247

2.3 Early developments of direct marketing:

slide S2-7: The ages of printing
catalogues: summary

Catalogues:

With the advent of printing, catalogues were possible. As manufacturing increased, they became an important way of informing customers about the wide variety of products available.

15th century:

As a result of the new printing technology, book numbers suddenly flourished, prompting European publishers to produce catalogues which informed the public of available literature.

18th century:

In 1744, Benjamin Franklin produced a book catalogue, which included a satisfaction guarantee statement.

Nurseries were also advertising seeds in catalogues.

Jones, p9; DMEP 1.3

19th and 20th century:

By the 19th and early 20th centuries, catalogue and mail-order services had developed into highly successful direct marketing methods. We will consider the impact of mail and catalogue development in the next module.

References and further reading:

Direct Marketing Education Programme 1

Davis, Dorothy. *A History of Shopping*

Jones, Susan K. *Creative Strategy In Direct Marketing*

Leiss, William, Stephen Kline & Sut Jhally. *Social Communication in Advertising: Persons, Products and Images of Well-Being*

From 'market-industrial' to consumer society



manufacturer



customers



manufacturer



customers

Transport, communications and the rise of direct marketing

The growth of
direct marketing



Transport

Communications

Customer service: a time-honoured practice

The secrets of a successful corner store:

- *knowing the customer*
- *informing the customer of the best stock*
- *adding value for good will*
- *knowing customer needs and likes*
- *attending to product quality and availability*
- *maintaining customer contact*

Transport, communications and the rise of direct marketing

Early 'live' catalogues



A travelling life-style gave pedlars the opportunity to gather a great variety of wares and insist on immediate payment.

A complaint against pedlars made in 1684

*‘For they carry their shops on their backs and do sell
that way more than many shopkeepers do in their shops.
Which is not only a prejudice unto them, but if suffered,
will in time be the utter ruine of alle the Cities and
Market Townes in England...’*

The Compleat Tradesman, 1684, quoted in Davis, p236

Government support for pedlars

'Many great and Important Advantages are derived from the said useful and industrious class of Tradesmen, the Quantity of goods bought and disposed of by them being considerably more extensive than has been generally conceived, and the mode of sale which is wholly confined to small Villages and Places remote from general Markets tends very greatly to diffuse the Manufactures of the Kingdom in general and is a source of great convenience to those Inhabitants who live at a Distance from the principle Towns, great Quantities of goods of almost every Description being vended in detail, which the remote Inhabitants could not find leisure to seek and when Necessity might compel him to go from Home, the Expense of his Journey would frequently be as great as the Object of his Purchase.'

Journals of the House of Commons, XL, 1007 quoted in Davis, p246

The ages of printing catalogues

15th century:

Book catalogues

18th century:

Book catalogues

Nursery catalogues

19th & 20th century:

Catalogues

Mail-order

Direct marketing methods

3.0 Outline

This module consists of two parts:

PART A: The development of mail-orders and catalogues

PART B: The effects of mass production on the consumer market

PART A

3.1 The development of accessible mail

3.1.1 19th and 20th century, USA:

slide S3-1: Accessible mail in the USA, 19-20th centuries

Pedlar Aaron Montgomery Ward decided to "eliminate the middleman" and sell direct to his customers. In 1872 he established a direct mail business in Chicago, and by 1884 he was circulating a catalogue of 240 pages.

Richard Warren Sears began selling watches in person, later placing ads in newspapers. He teamed up with watchmaker and printer Alvah Curtis Roebuck in 1887, and by 1927 their business had an extensive direct mail service.

Jones, ch1

Mail-order advertisements were placed in newspapers, encouraging readers to send money for weird and wonderful remedies or pamphlets. Products ranged from "the health jolting chair" (New York, 1880's) to "A Scrap-Book for Homely Women Only", which included "practical devices for ugly ears, mouths, fingertips, crooked teeth, to reduce flesh etc." (Boston, Mass, in Harpers Weekly, 1887)

Dick Sutphen, The Mad Old Ads, p37, p64

3.1.2 19th and 20th century, Australia:

slide S3-2: Tattoo your lips – accessible mail in Australia

"Tattoo your lips with a glamorous South Sea red that's transparent, pasteless, highly indelible and actually softens lips! ... Send 1/- for Introductory size, stating shade desired, to sole Australian Agents, Doward & Co., 326 Flinders Lane, Melbourne ..."

This advertisement for an alternative to 'old-fashioned lipstick' was one of many mail-order offers in a 1937 edition of *Woman's World*. In Australia, from late last century onward, mail-order seems to have been a popular way of advertising products ranging from the latest farm machinery to hardware, drapery, household appliances and novelties. Interested readers were instructed to return coupons, write for more information, or immediately order the product by mail.

slide S3-3: Examples of ads

Examples:

The Fitzgerald Brothers sold drapery, clothing and carpet by mail-order (c.1880-1900).

Brian Carroll, The Australian Advertising Album, p30

Westinghouse advertised their 'cushioned' electric washer in the magazine *Woman's World*, encouraging interested customers to write or return a coupon for information.

Woman's World, Feb, 1937, p34

It seems no item was too large. Even pianos could be purchased by mail-order from Beale and Co.

Carroll, p76

Reply coupons were frequently used for health, beauty and recreational products, such as the lace patterns and Cutex nailpolish advertised in *Woman's World*, Feb, 1937 (p22).

slide S3-4: Mail-order catalogues

3.2 The first big catalogue marketers

"In some respects, the mail-order catalogue was a precursor of the modern mass media."

Leiss/Kline/Jhally, p 79

It is also a precursor of the direct marketing techniques used for mail-order, telemarketing, and internet marketing.

slide S3-5: The beauty of catalogues

Most advertisements and catalogues emphasise:

- the convenience of a mail-order service
- concern about customer satisfaction and feedback

"Kino's" advertisement in Carroll, p29

In some cases, the direct requirement of the customer was also a focus, particularly in fashion areas, where patterns and measurements were sent to tailors.

19th and 20th Century

USA:

slide S3-6: Sears and Roebuck catalogue

The best-known was the Sears and Roebuck catalogue, which even included goods available on order from other countries.

The Sears and Roebuck catalogue was particularly significant in rural areas. Often it was "the only book in the house apart from the bible", so its arrival caused great excitement.

Jones, p11; Leiss/Kline/Jhally, p71 – 2

The catalogue included detailed explanations and illustrations of the products and their parts.

It also emphasised the financial security and reputation of Sears and Roebuck.

Historians regard the catalogue as a 'social history', and some have suggested that the advertisement of electrical items contributed to an acceptance of electricity connections in rural areas.

Jones, p11; Leiss/Kline/Jhally, p71ff

UK:

[slide S3-7: 'Mobile' stores](#)

For storegroups such as Littlewoods variety store, catalogues provided the opportunity for a business to become 'mobile'.

Davis, p296

In the UK, catalogues went hand-in-hand with the success of free credit offers and the rise of mail-order business.

DMEP 1.3.06

19th and 20th century Australia

From the Myer Emporium mail-order guide to Chandlers' range of hardware, catalogues were a popular and successful method of direct marketing in Australia.

Advertisements in newspapers and magazines invited customers to write for a catalogue and price-list 'post free'.

[slide S3-8: Catalogues addressed customer concerns](#)

In general, such catalogues stressed:

- the excellent quality of products advertised, often including illustrations
- the company's knowledge of customer needs and its reliability in fulfilling those needs
- guarantees and returns for damaged goods

[slide S3-9: The benefits of catalogues: summary](#)

They also emphasise the many advantages of mail-order buying which allow the customer to:

- see recent inventions and products
- eliminate the 'middle-man'
- peruse a whole range of items and prices, from home
- order, pay and receive goods at home
- view stock before travelling to a store

1880 – 1900

Sellers of farming equipment and recent machinery inventions, the Massey Harris Co. Ltd., encouraged people to "write for catalogues, prices and lists showing terms etc."

Carroll, p73

slide S3-10: Dalwood furniture: quote below

1900 – 1914

Furniture company Dalwood and Co Ltd. claimed:

"Our Furnishing Guide is a Household Necessity, and will be Posted to our Country clients or those Unable to Call at Our Warehouse, Free for the Asking."

According to the advertisement, Dalwood had an excellent understanding of customers, "made possible by our long study of their requirements."

see advertisement for Coronation Bedroom Suite, Carroll, p76

slide S3-11: Benefits, benefits, benefits: quotes from below

Beale & Co; "makers of high grade pianos" sold direct from the factory, "avoiding the middleman's charges". The advertisement emphasises the 'easy terms' of payment, asking the reader to "permit us to send you our catalogue 'B', post paid ..."

Carroll, p76

J.G. Guest & Co furniture catalogue claimed:

"Pounds saved on finest furniture direct from the factory."

J G Guest & Co; Melbourne, 1929

c.1930's

slide S3-12: Chandlers catalogue: example of order form and instructions

Chandlers' hardware catalogue features illustrations, prices and written explanations of how various products work. The company's excellent 'service' is echoed throughout the pages. As well as guarantees, the catalogue includes complicated instructions about delivery, pick-up of goods from railway stations, a satisfaction signature, and arrangements for the return of faulty parcels.

Chandlers & Co. Hardware Catalogue

Retail discount stores and catalogues

slide S3-13: No mail or telephone orders!

While some retail and discount stores published mail-order catalogues, others had to remind customers that direct mail-orders were not their style. Some Woolworths and Coles ads stipulate NO mail or telephone orders, 'cash and carry only' (1925-1935)

The Australian Advertising Album, p79

Post World War I and II

slide S3-14: Post-war shortages

Ads published after World War II refer to shortages of supply and future stocking.

Carroll, p82

People had to look beyond their immediate location – a problem which could be solved in some cases by the mobility of catalogues and mail-order opportunities. Hence customers were receptive to the idea of ordering and waiting for goods.

In summary:

slide S3-15: Summary: quote below

The development of catalogues and mail-orders reflects shifts in social and marketing history, including the move towards a consumer society and the rapid growth of postal and transport services.

slide S3-16: Benefits for the customer and the marketer: summary

For the customer, catalogues and mail-order services provided the benefits of:

- 'eliminating the middleman'
- convenient and personalised service
- keeping up to date with the latest products available

For the marketer, catalogues and mail-orders:

- enabled the widening of the marketing circle to remote areas
- were suitable for the sale of anything from large household appliances or pianos to small novelties and beauty items
- supplemented store sales: people travelled to a town or city to visit the store on the strength of advertisements and catalogues. Some catalogues included maps, directions and phone numbers to encourage customers to visit a store or warehouse.

slide S3-17: Catalogues and consumer mentality: diagram

Catalogues are an example of how, from the last quarter of the nineteenth century onward, the "market industrial system pulled the individual away from traditional sources' towards a 'marketplace of mass production."

Leiss/Kline/Jhally, p63 – 4

slide S3-18: Catalogues as mediation

"Together with the urban department stores, it promised an all-embracing, unified and ordered mediation between persons and their social environment."

Leiss/Kline/Jhally, p79

As mass production exploded onto the market scene, the communication method of catalogues became 'too restrictive', paving the way for the development of mass advertising and advertising agencies.

Leiss/Kline/Jhally, p79

The response of direct marketing to mass production will be the subject of Part B of this module.

PART B

3.3 Mass production and product availability

slide S3-19: The effects of mass production

Industrialisation saw the rise of products which could be mass produced to a standard quality at a low unit cost.

The mass production of goods created changes in society, for example:

- it contributed to the development of a consumer society and culture in which possessions, rather than birth, became the measure of status
- people became aware of the increased accessibility and variety of products
- the positioning, or status, quality and appearance of the product and its advertising began to have an effect

slide S3-20: Henderson's Hats

The Australian Advertising Album mentions an advertisement for women's hats, which emphasised the elegant, exclusive image such a hat gives a woman. This 'positioning' was significant in that while many Australian women desired a refined look, they were often perceived as loud and brash. The ad also gave the hat an 'exclusive' feel, while in reality, it was being mass produced.

Carroll, p27, 35

Mass Production:

slide S3-21: Mass production and consumerism

One of the first examples of mass production is Henry Ford's Model T (1909). There followed an increasing number of mass-produced goods and with these, the emergence of 'discount' stores.

Some of the changes that occurred with the developments of mass production and a consumer society include:

- the customer desire for mass produced goods and necessities such as vacuum cleaners, gas cookers, wireless sets, fridges, washing machines
- packaging and modern brands altered the role of the retailer. Products are now weighed and measured before arriving at the store, and must 'sell themselves'
- altered retail experience

Discount and large retail stores introduced a less personal form of shopping. Today, cash registers are worked by people who do not develop a long-term knowledge of the customer: the volume of products and consumers makes it impossible. 'Have a nice day' is as intimate as it gets.

- emphasis on the moment not necessarily the long-lasting nature of the product. Items are replaceable and often disposable.
- the consumer is sensitive to novelty, fashion, positioning (i.e. look, image, feel, status)
- the customer can self-serve without the threat of a salesperson
- people are very receptive to buying and are aware of product variety
- they are prepared to seek out and respond to desired products

[slide S3-22: Mass production and the consumer experience: diagram](#)

The advantages of mass production, together with the opportunities of self-service, retail and discount stores, have radically altered consumer experience in the twentieth century. However, with the convenience of greater variety and choice, the marketer's attention to individual customer needs has in some respects been lost.

[slide S3-23: Direct marketing and the retail store gap: diagram](#)

It is in this area of personal attention, that direct marketing has been able to take full opportunity of the twentieth century's surge of consumerism. As consumers become more demanding in their search for products which suit their individual needs, direct marketing has the chance to satisfy where the less personalised services of a retail or discount store often fail.

Thus we see the development of an 'out-of-store' shopping mentality, which, with technological advances and changing consumer behaviour, is paving the way for a direct marketing explosion.

Discussion:**PART A:**

How has the role of catalogues changed? Compare the catalogues mentioned above with those we receive in the mail today. What differences do you notice?

PART B:

'The success of direct marketing has nothing to do with disillusionment; it's just another excuse for shopping.' Discuss.

References and further reading:

Woman's World, Feb, 1937

Chandlers & Co; Hardware Catalogue

Carroll, Brian. *The Australian Advertising Album*

Davis, Dorothy. *A History of Shopping*

Direct Marketing Education Programme 1

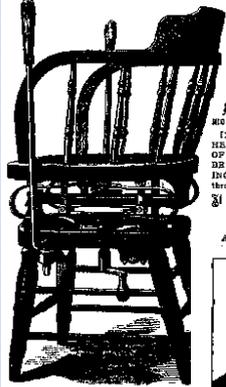
Gilmour, Peter et al. *The Australian Marketing Casebook*

Jones, Susan K. *Creative Strategy In Direct Marketing*

Leiss, William, Stephen Kline & Sut Jhally. *Social Communication in Advertising: Persons, Products and Images of Well-Being*

The Health Jolting Chair

The most important Health Mechanism ever produced
 A Practical Household Substitute for the Saddle Horse.



It affords a PERFECT means of giving EFFICIENT exercise to the ESSENTIALLY IMPORTANT NUTRITIVE ORGANS OF THE BODY in the most DIRECT, CONVENIENT, COMFORTABLE, and INEXPENSIVE manner.

Indispensable for all ages and for most physical constitutions, INDISPENSABLE TO THE HEALTH AND HAPPINESS OF MILLIONS OF HUMAN BEINGS WHO MAY BE LIVING SEDENTARY LIVES through choice or necessity.

It preserves Health, cures Disease, and prolongs Life.

An *Esperanto*, national.



A SCRAP-BOOK FOR "HOMELY WOMEN" ONLY.

We dedicate this collection of toilet articles, not to the only women who have no other means of beautifying themselves, but to those who, in the midst of their daily work, find time to devote to their own personal adornment.

CONTENTS. Part I.
 1. Improved hair cream for daily use, 10c.
 2. Toilet soap.
 3. To make feet soft.
 4. How to brush and trim 3 year olds.
 5. Recipe for hair oil.
 6. Recipe for hair cream.
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 96. How to make and apply hair cream for the hair.
 97. How to make and apply hair cream for the hair.
 98. How to make and apply hair cream for the hair.
 99. How to make and apply hair cream for the hair.
 100. How to make and apply hair cream for the hair.

Accessible mail in the USA, 19-20th centuries

1872: Pedlar Aaron Montgomery Ward establishes a direct mail business in Chicago

1884: Ward circulates a catalogue of 240 pages

1887: Richard Warren Sears teams up with Alvah Curtis Roebuck

1927: Sears and Roebuck maintain an extensive direct mail service

TATTOO YOUR LIPS

with a glamorous South Sea red
that's transparent, pasteless, highly
indelible and actually softens lips!



Now ... for lips ...
TATTOO instead of lip-
stick! Vibrant, exciting
South Sea colour... lus-
trous and appealing instead
of "just red!" Transparent
and pasteless instead of
opaque and pasty. Soothing
and softening to lips instead of
drying. TATTOO! Put it on ... let
it set ... wipe it off. Only the
colour stays! TATTOO your lips
once and you'll never again go
back to old fashioned lipstick.
Actually test all five of TATTOO's
adventurous South Sea shades on your own
skin at the Tattoo Colour Selector displayed
in your favorite store.



Reduced Price
Now 8/6

CORAL .. EXOTIC .. NATURAL .. PASTEL .. HAWAIIAN
Send 1/- for Introductory size, stating
shade desired, to sole Australian Agents,
Doward & Co., 326 Flinders Lane,
Melbourne, C.I.

TATTOO

South Sea Colour for Lips

Accessible mail in Australia

Mail-order catalogues

*“In some respects, the mail-order catalogue
was a precursor to the modern mass media”
Leiss, Kline & Jhally, p79*

The beauty of catalogues



Most advertisements and catalogues emphasise:

- the convenience of mail-order service
- concern about customer satisfaction and feedback

Sears and Roebuck catalogue

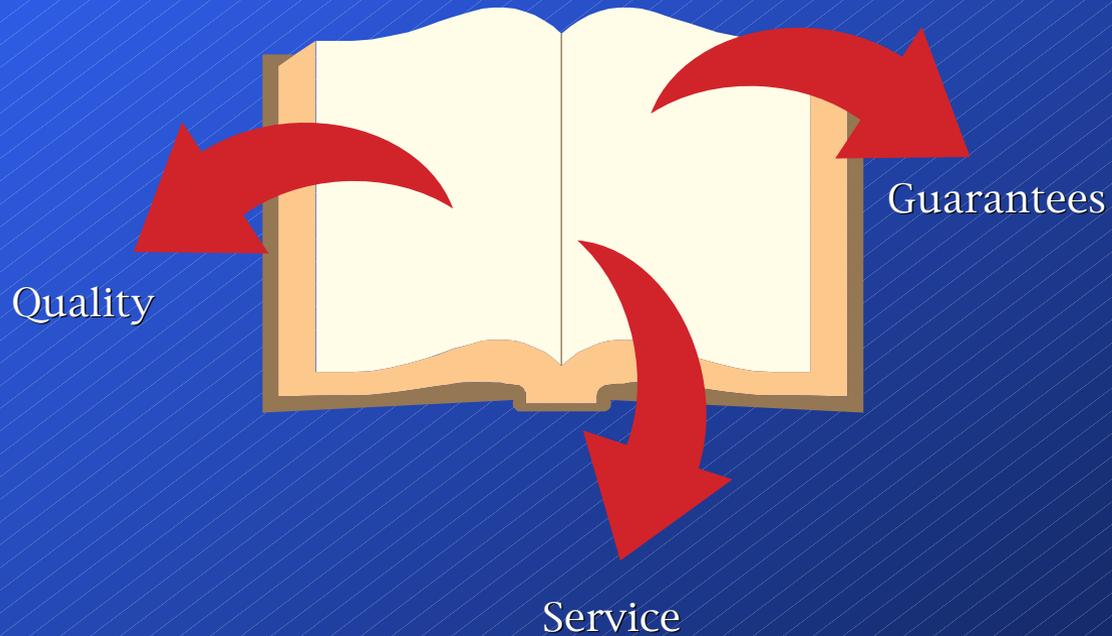
- a 'social history'
- significant in rural areas
- included diagrams of products and their parts
- emphasised the financial security and reputation of Sears and Roebuck

Jones, p9; Leiss/Kline/Jhally, p 71ff

‘Mobile’ stores – UK

- opportunity for a business to become ‘mobile’
- free credit offers and rise of mail-order business

Catalogues addressed customer concerns



The benefits of catalogues

Catalogues allow the customer to:

- see recent inventions and products
- eliminate the 'middle-man'
- peruse a range of items and prices, from home
- order, pay and receive goods at home
- view stock before travelling to a store

Benefits, benefits, benefits

- ‘avoid the middleman’s charges’
- ‘easy terms’ of payment
- ‘Pounds saved on finest furniture direct from the factory’

Carroll, Brian. The Australian Advertising Album, p76

An example of order form and instructions

Established 1876. (THIS PATENT IS COPYRIGHTED.) Telephones 9911.
D. & W. CHANDLER
PTY. LTD.
Cash Ironmongers,
Wire Merchants and Importers,
Retail Warehouse—276 to 294 BRUNSWICK ST. (Opp Post Office)
Implement Warehouse—247-249 BRUNSWICK ST.
Bulk Stores—39-41 GREEVES STREET, FITZROY.



Irrigation Pump
100 Gallons per Hour



Issue No. 34.



Our Registered Trade Mark.
A guarantee of quality and reliability.

PLEASE HAND UP
THIS CATALOGUE
FOR FUTURE
REFERENCE

AGENTS FOR
Swift's and Lebra's Agents of Land
Filtrate Reeling, Syracuse Pumps
Bulldozer Spade and House Pumps
Hills and Cashmore Gens.
Perrin's Shovelers.
Kangaroo M.F. Cars and Stores.
Kangaroo Sewing Machines.
U. S. Cotton Separators.
Tandem's Buckets.
Giant, Jumbo Implanous.

*Retail discount stores
& catalogues*

No mail or telephone orders!

GOLES
CAVALCADE OF PROGRESS 1914-1935

21 YEARS OF
GOLES
The Story of a Great Institution

MEMORABLE BARGAINS for our 21st BIRTHDAY
Come Tomorrow! Share in the Amazing Values!

1/6 BREAD	2/6 BREAD	2/6 BREAD	2/6 BREAD	2/6 BREAD	2/6 BREAD
2/6 BREAD	2/6 BREAD	2/6 BREAD	2/6 BREAD	2/6 BREAD	2/6 BREAD
2/6 BREAD	2/6 BREAD	2/6 BREAD	2/6 BREAD	2/6 BREAD	2/6 BREAD
2/6 BREAD	2/6 BREAD	2/6 BREAD	2/6 BREAD	2/6 BREAD	2/6 BREAD
2/6 BREAD	2/6 BREAD	2/6 BREAD	2/6 BREAD	2/6 BREAD	2/6 BREAD
2/6 BREAD	2/6 BREAD	2/6 BREAD	2/6 BREAD	2/6 BREAD	2/6 BREAD

26
SERVING THE PEOPLE OF A NATION
No. 2144 of 24th Street, Can. B. Accepted

G. J. COLES & COY LTD
166-168 QUEEN ST., BRISBANE

Woolworths!
Stupendous!
Bargain
Basement
OPENS TOMORROW

6/6 CUP	2/6 CUP	6/6 CUP	1/6 CUP	11/6 CUP
1/6 CUP	2/6 CUP	6/6 CUP	1/6 CUP	1/6 CUP
1/6 CUP	1/6 CUP	1/6 CUP	1/6 CUP	1/6 CUP
1/6 CUP	1/6 CUP	1/6 CUP	1/6 CUP	1/6 CUP
1/6 CUP	1/6 CUP	1/6 CUP	1/6 CUP	1/6 CUP
1/6 CUP	1/6 CUP	1/6 CUP	1/6 CUP	1/6 CUP

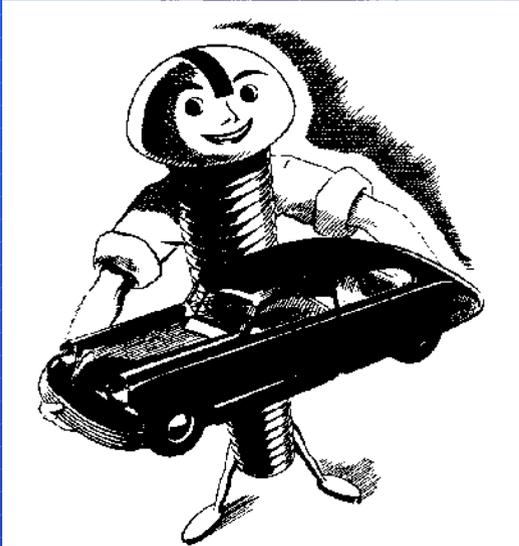
SEE THE 67 COUNTERS **SEE THE DOLL COUNTERS**

Woolworths Ltd
Basement of Imperial Arcade

OFFICIAL BAKERS
OF THE BAKING
INDUSTRY ASSOCIATION
BRISBANE DISTRICT

OFFICIAL BAKERS
OF THE BAKING
INDUSTRY ASSOCIATION
BRISBANE DISTRICT

Post-war shortages



WHEN AUSTRALIAN CARS ARE BUILT

When Victory turns our industries to the tasks of peace . . . you'll find the metal thread screws, washers, rivets and other "Mighty Atoms" of industry produced by Cooke's in motor cars . . . in the thousand and one products which Australia will be building after the war.

Engineers, builders, manufacturers, boot and shoe makers, will again be able to secure full stocks of Sidney Cooke's lines. You are assured of satisfaction if you specify the name Sidney Cooke's when ordering.



Post World War 1 & 2

The development of catalogues and mail-order reflects shifts in social and marketing history, including the move towards a consumer society and the rapid growth of postal and transport services.

The benefits of catalogues

For the consumer:

- 'eliminate the middleman'
- convenient and personalised service
- knowledge of latest products

For the marketer:

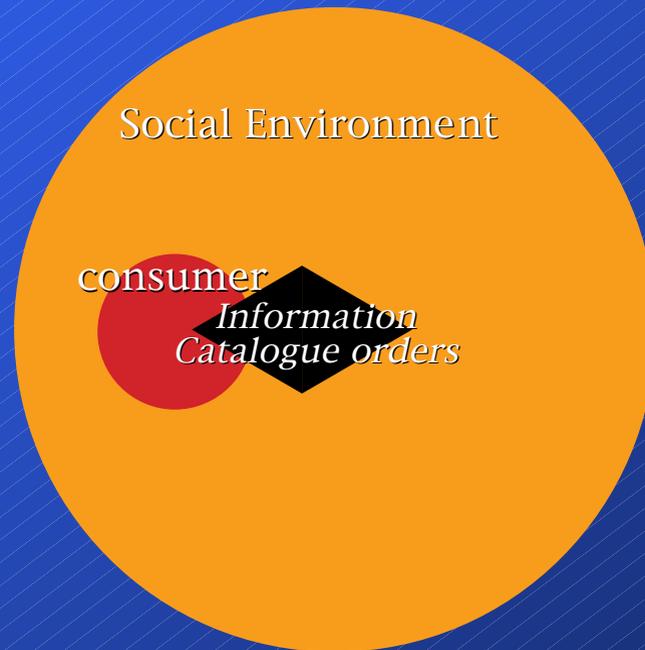
- widened marketing circle to remote areas
- suitable for the sale of a wide range of products
- supplemented store sales

Catalogues and consumer mentality

The stepping stones to mass production



Catalogues as mediation

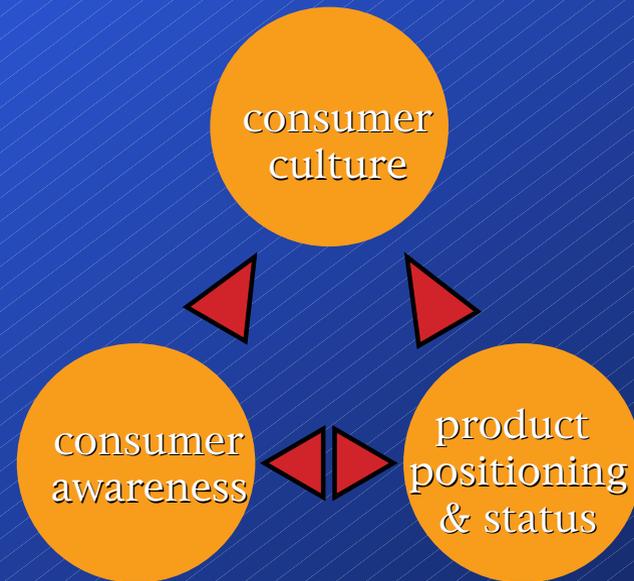


The effects of mass production

Mass production and

changes in society:

- the development of a consumer culture
- increased accessibility and variety of products
- focus on positioning, status and quality of product



Henderson's Hats



The well dressed look brings deeper admiration than a striving for sensational effect. Consistently avoiding the loud and overwrought for the higher appeals of simplicity, dignity and quality, Henderson's Hats thus earn the admiration of thousands of women in all walks of life. They assure that well dressed look and give you comfort of the most gratifying kind.

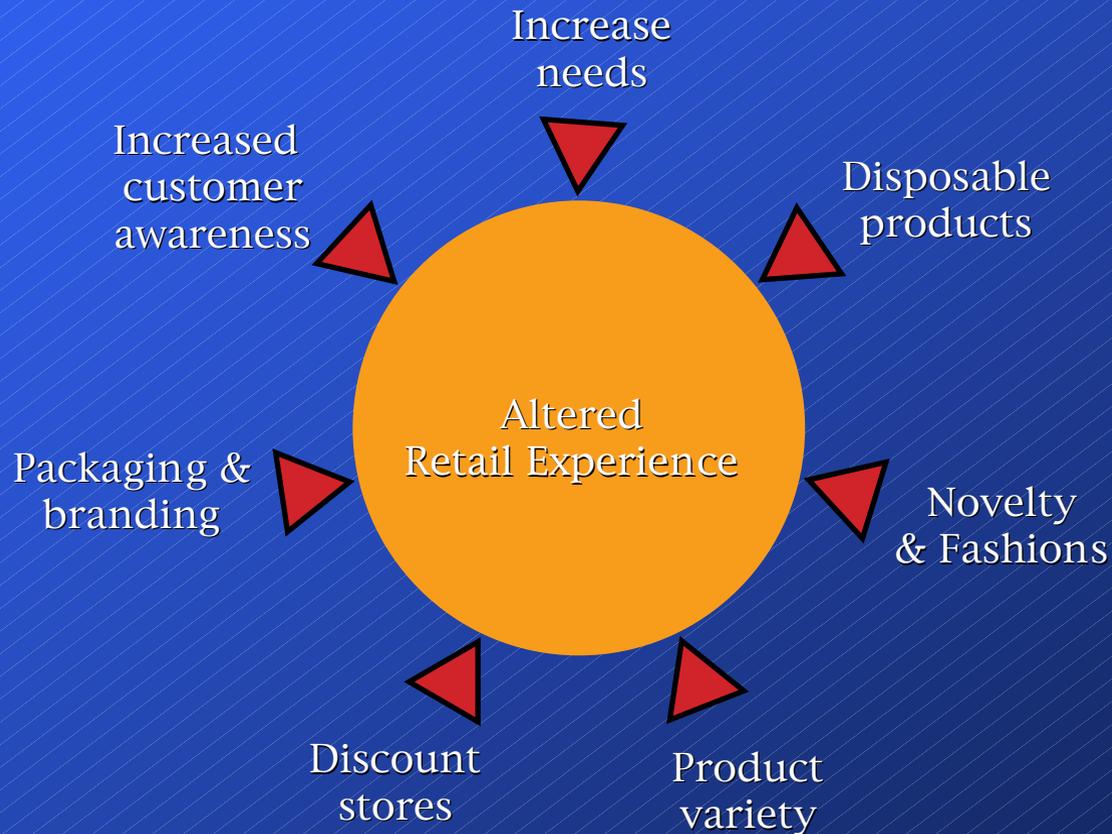


Henderson Hats are obtainable always at better class millinery shops and stores everywhere. The well known Trade Mark shown above tells you whether you are buying a Henderson Hat.

Wholesale from R. C. HENDERSON LIMITED, Designers and Manufacturers of Fashionable Millinery - 40, Abchurch Lane, London, E.C. 4, U.K.

Henderson's Hats

Mass production and consumerism



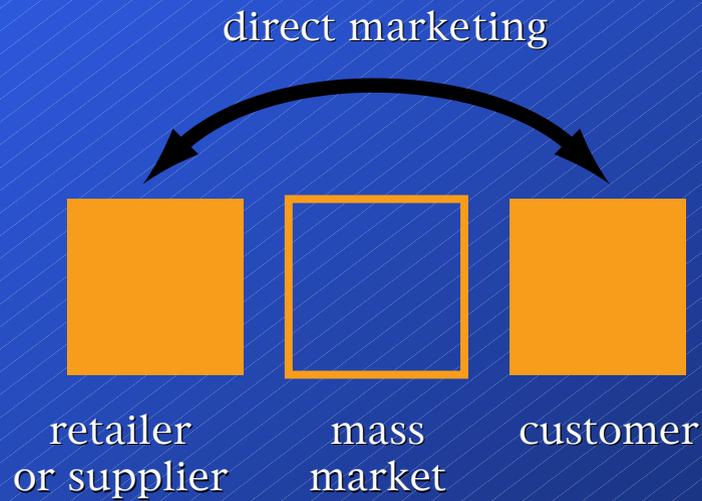
Mass production and the consumer experience

increase in
mass production



decrease in individual
customer attention

Direct marketing and the retail store gap



slide S4-1: Direct marketing and changing lifestyles: quote below

4.1 Bringing the product to you

According to Susan K. Jones, (author of **Creative Strategy In Direct Marketing**) changing life-styles and the decline of personal service have created the ideal environment for direct marketing.

With busy work, family and social commitments, customers have less time to shop around for the right product, giving great appeal to the convenient buying methods offered by direct marketing or mail-order.

Computers and cable TV enable people to view products from home or work. The increased use of credit or debit cards makes ordering and purchasing easy.

Direct marketing also offers personal attention and a concern for the satisfaction of individual needs, which is not always found in large retail stores.

Jones, p12ff

Some of the most recent and significant changes for direct marketing are:

slide S4-2: The development of direct marketing

- advances in database technology, such as complex data analysis and manipulation
- internet and www growth
 - New methods of communication and supply are developing. Customers can browse catalogues which are constantly updated and customised for them, then order and pay through their computers.
- division of mass markets into identifiable segments
 - What will please one segment will not satisfy another. People expect variety.
- the ability to locate and target market segments
 - Database analysis and specialist advice in surveys, lists, statistical analysis etc. have increased the opportunities for direct marketing.
- the growth of consumer credit
 - Buying methods which lend themselves to direct marketing.
- a decline in personal service and a consumer desire for it
- changing life-styles
 - People have less time for retail store shopping. People work at different times and places.
- changing education and expectations
 - People expect the best quality and service. They research suppliers, comparing service, quality, offer, price etc.
- special interests
 - People have money to spend on special interests such as sports, health, hobbies etc.

Jones, p12ff

Don Schultz (Northwestern University, USA) suggests that in the future, mass advertising as it is practised today will become too expensive. He predicts a shift from the dominance of the retailer to consumer needs. Customers will dictate their needs and retailers will respond, tailoring products to those needs.

Database Marketing: The Future of Marketing, p20-23

To some extent, this is already happening. Mattel and Nike both offer on-line customisation services, allowing users to design their own doll or running shoe and have it shipped to them.

Discussion:

1. 'Direct marketing on the web will be less successful than the traditional methods of direct mail and telemarketing, because it is much harder to solicit people on the internet, to approach them and make them feel special. They can filter you out if they don't want you to visit. Sure, they might look you up, but you could be waiting a long time.' **Discuss.**
2. Do you think the traditional methods of direct marketing are in competition with or adaptable to the world wide web?

Cross-references:

For more on the www, see M20

For more on the future of direct marketing, see M26

References and further reading:

Direct Marketing Education Programme 1

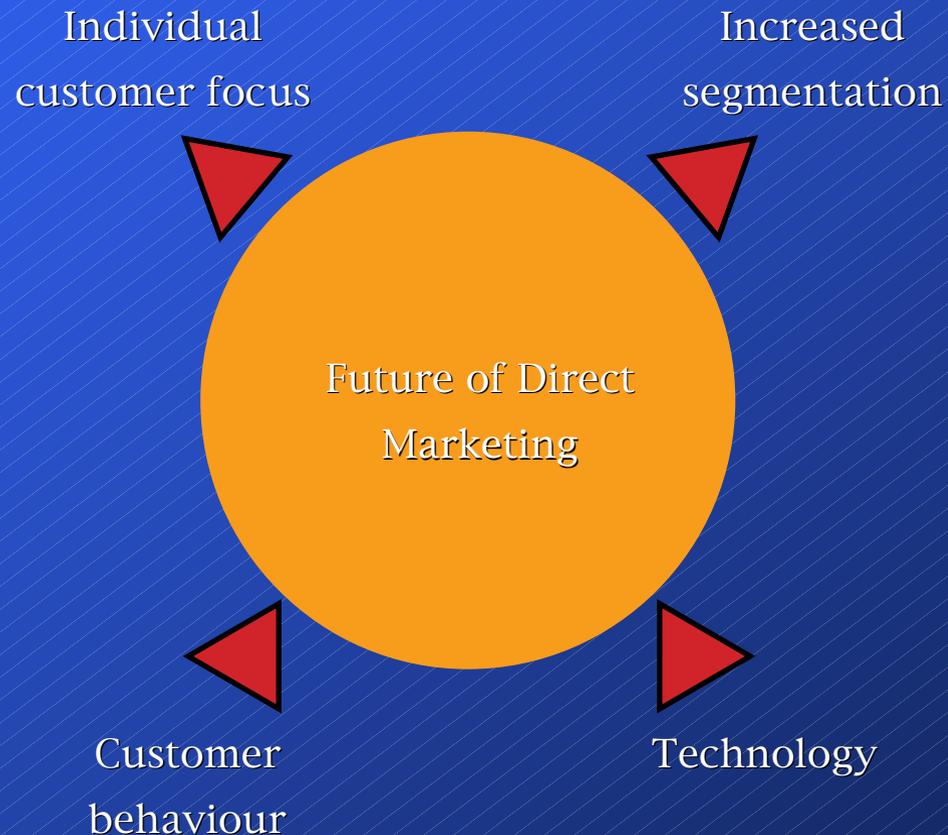
Jones, Susan K. *Creative Strategy In Direct Marketing*

Schultz, Don. *Database Marketing: The Future of Marketing*, No. 16, Oct 1995, p20-23

Direct marketing driven by changing lifestyles

- customers have less time
- computers and new media bring products to home or work
- credit and debit cards simplify purchasing
- direct marketing offers personal attention

The development of direct marketing



5.0 Outline

In this module we take a look at the advantages of direct marketing, its continuing development and the relationship of direct marketing to other marketing methods.

5.1 Market segmentation and the benefits of direct marketing

slide S5-1: From mass to segmented markets

Direct marketing has grown as a result of changes in the market place. Where once the market place was considered as one mass to be addressed, it is now perceived as 'segmented' into areas or groups with specific requirements and expectations.

Using database analysis, segmentation and testing procedures, direct marketing is able to target particular segments of the market, rather than approaching an unknown mass. Through segmentation, the direct marketer can come to know the characteristics, needs and desires of the most likely prospects and the most loyal customers.

However, the purpose of segmentation is not simply to carve up a database into groups. The direct marketer must still 'visualise the prospects individually'. (Kennedy/Boas: "The Power of One to One: A Hands-on, Practical One Day Seminar ...")

Segmentation makes this visualisation easier and more relevant to the direct marketer's aims. The skills of effective segmentation will become increasingly important in the marketing relationship with customers as:

slide S5-2: Factors affecting segmentation in marketing

- the focus on customers and customer services develops
- the consumer market divides further into specialised groups
- consumers have less time or inclination to shop in stores
- technology allows for increasingly personalised
 - target marketing through database analysis of purchases and purchasing behaviour
 - fulfilment, payment and delivery services
- people have opportunity to seek out products through cable TV and internet services

5.2 Does direct marketing belong in your marketing plan?

Direct marketing has come to play a leading role in the marketing plans of many businesses, whether as a supplement to an existing salesforce and retail outlet, or as the main avenue of sales.

One of the attractions of direct marketing is that people can start a business from home. Drayton Bird, author of **Commonsense Direct Marketing**, tells of his first direct mail ventures being conducted from the kitchen table and tiny office spaces.

With the increasing dependence on technology in both work and home environments, direct marketing will become the main driving force behind many marketing plans, regardless of company size or office space.

5.3 The relationships between different forms of marketing

Direct marketing is not at odds with other forms of marketing. The aim is still to make profits, increase sales and entice customers. However, direct marketing has developed certain focal points and techniques which distinguish it from other marketing methods.

Using these techniques, the direct marketer is able to:

slide S5-3: The roles of direct marketing

- initiate direct response
- deepen the marketer's awareness and understanding of the customer
- target advertising and marketing to particular customers, thereby increasing efficiency of expenditure
- tailor the product to customer needs
- confirm market interest through testing and analysis
- increase and consolidate customer loyalty
- record success and track consumer behaviour for future strategy planning
- inform the salesforce about customers
- supplement the efforts of the salesforce and retail distribution

DMEP 1.1.04

Discussion:

1. Discuss the fundamental differences between marketing and direct marketing: initiating response, measuring, customer loyalty.
2. What place do you see direct marketing holding in the future?
3. Draw a diagram representing your understanding of the significance of direct marketing in relation to other marketing methods. Discuss.

Cross-references:

For targeting and customer knowledge, see M7-9

For testing and analysis, see M21-24

For planning and budgeting, see M13-14

References and further reading:

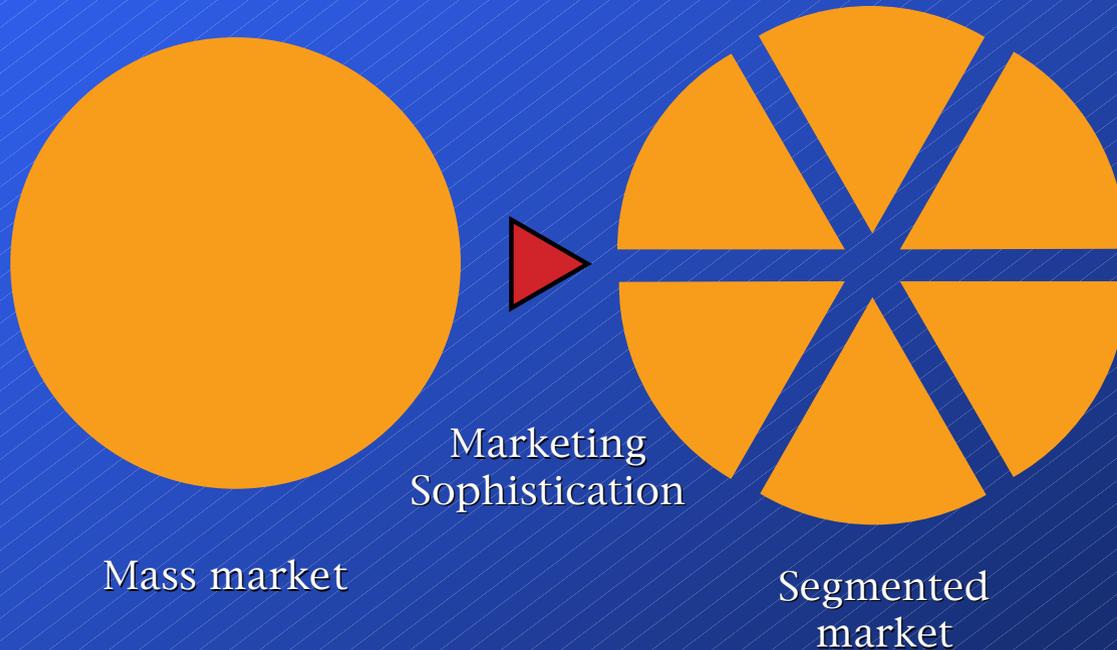
Direct Marketing Education Programme 1

Bird, Drayton. **Commonsense Direct Marketing**

Jones, Susan K. **Creative Strategy In Direct Marketing**

Kennedy, Ian and Boas, Eddy. "The Power of One-to-One: A Hands-On, Practical One Day Seminar ..."

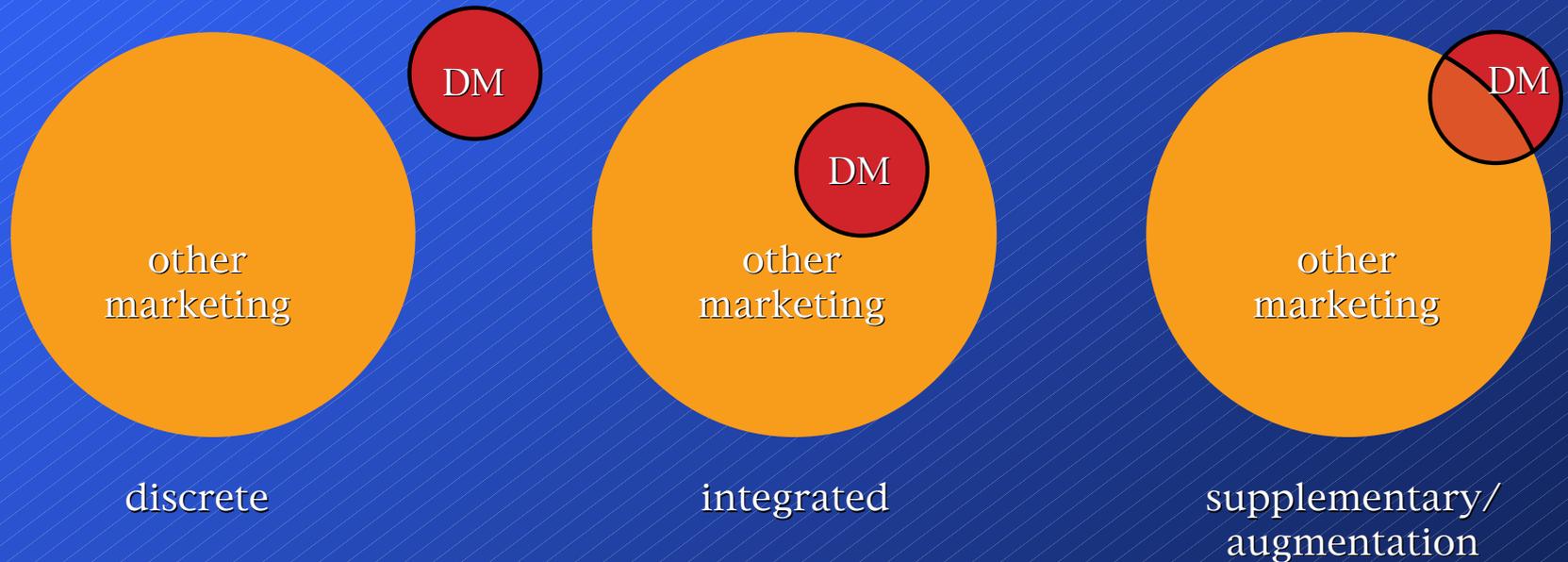
From mass to segmented markets



Factors affecting segmentation and marketing

- focus on customers and customer services
- specialised consumer groups
- less inclination to shop in stores
- advanced database technology
- advanced communications
- consumers seek out products through cable TV and internet services

The roles of direct marketing



6.0 Outline

In this module we will consider the techniques of direct marketing including communication, media choices, and 'integrated direct marketing'.

slide S6-1: The main methods of direct marketing communication

6.1 Direct marketing communications and media

The main methods of direct marketing communication are:

- direct mail (sometimes referred to as Advertising Mail)
- telemarketing
- broadcast – radio, television, cable TV
- internet – www, banner advertising, e-mail
- print – magazines, newspapers, posters

slide S6-2: The media mix:

The direct marketer may choose to communicate through:

- a media mix, in which one communication is supported by others. For example, a broadcast ad may be supporting a direct mail campaign.
- sole communication, in which one method is used, for example direct mail or telemarketing.

slide S6-3: Integrated direct marketing: brief definition

6.2 Integrated Direct Marketing

Ernan Roman (Ernan Roman Direct Marketing Corporation) calls for the integration of media, marketing plan, and corporate structure in a process which:

- emphasises long-term relationships with customers
- and
- perceives the customer as a 'partner not a target'

He claims this can be done by engineering 'the corporate structure to merge current islands of specialisation and information', thereby developing a 'consistent, customer-oriented response to market needs and requirements.'

Ernan Roman, Integrated Direct Marketing, p2

Integrated direct marketing is essentially the integration of different forms of marketing and media. Developed as a 'method' by Ernan Roman Direct Marketing Corporation (ERDM), it attempts to address the evolution of direct marketing and the media available to it. Roman claims the approach is 'revolutionary' in its aim to synchronise the use of media and research to fulfil the needs of the customer.

slide S6-4: The five basic principles of integrated direct marketing

Roman's five principles of integrated direct marketing are:

- Start with the customer
- Listen to the field sales force
- Synchronise media with laser precision
- Develop creative that provides value to the customer
- Continue the process throughout the sales cycle and beyond

Roman, p5

slide S6-5: Customer life-style management

The aims behind these five principles are to:

- find out the needs of the customer
- use the experience and knowledge of the salesforce to find out the best ways of satisfying customers. Include the salesforce in creative and marketing strategy plans
- use media methods which complement each other
- keep the creative strategy relevant to the customer and develop creative tactics which will draw in high value customers
- develop long-term goals and maintain loyalty with customers into the future

Roman, p5

Discussion:

1. 'Integrated direct marketing is not a revolution so much as a merging of what already exists.' Discuss.
2. What do you see as the 'islands of specialisation and information' and how do you think a company might work them into an integrated direct marketing model?
3. Draw a diagram of a direct marketing campaign, showing how communications, salesforce, media, creative approach and customer should be related or 'integrated'.

Cross-references:

Integrated direct marketing is also mentioned in M25

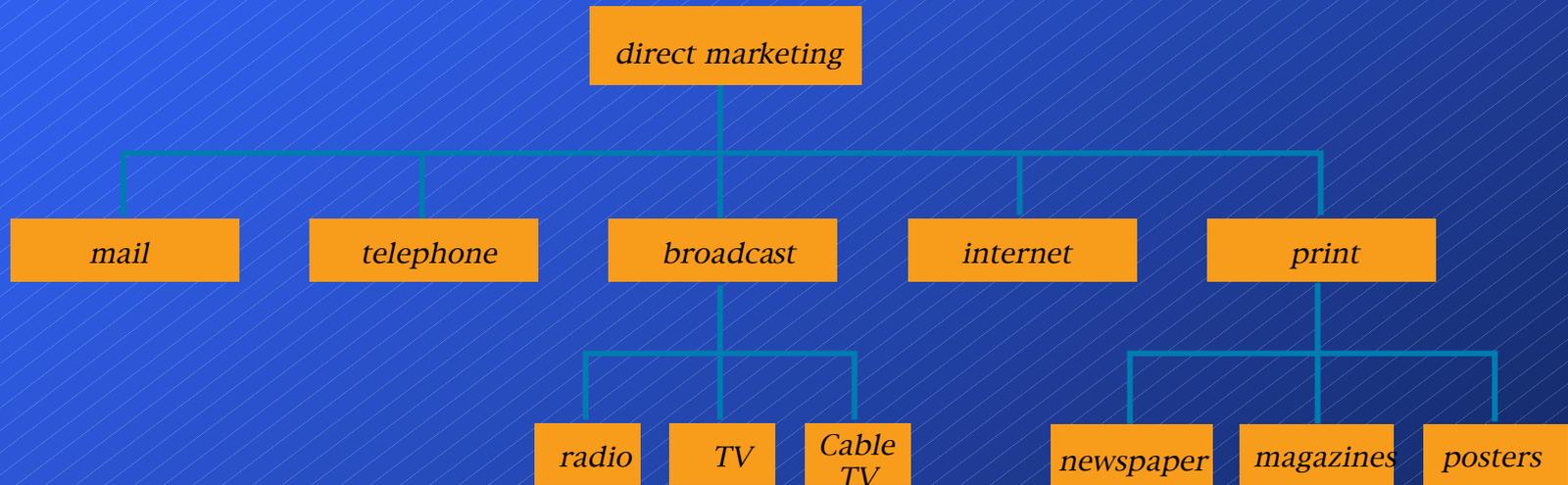
References and further reading:

Bird, Drayton. **Commonsense Direct Marketing**

Jones, Susan K. **Creative Strategy In Direct Marketing**

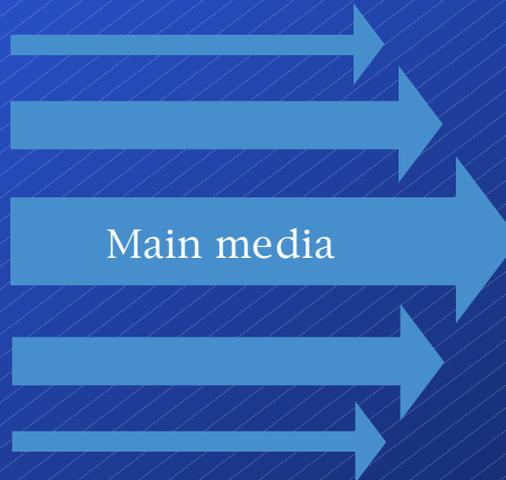
Roman, Ernan. **Integrated Direct Marketing**

The main methods of direct marketing communication



The media mix

Sole communication
vs
The media mix



Support media

Integrated direct marketing

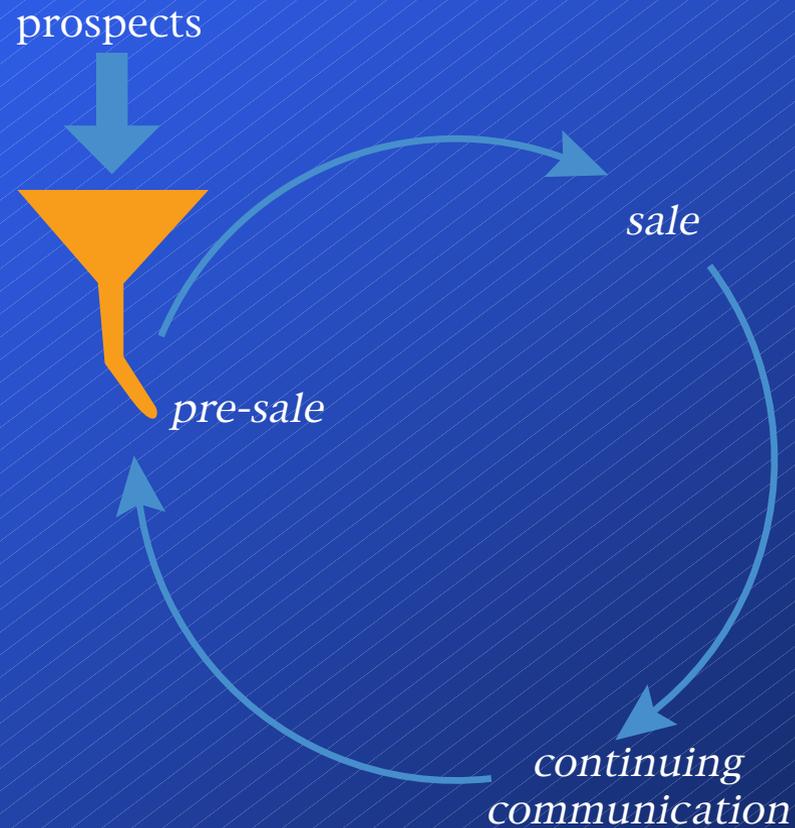
- The integration of media, marketing plan, and corporate structure in a process which:
 - *emphasises long-term relationships with customers*and
 - *perceives the customer as a ‘partner not a target’*

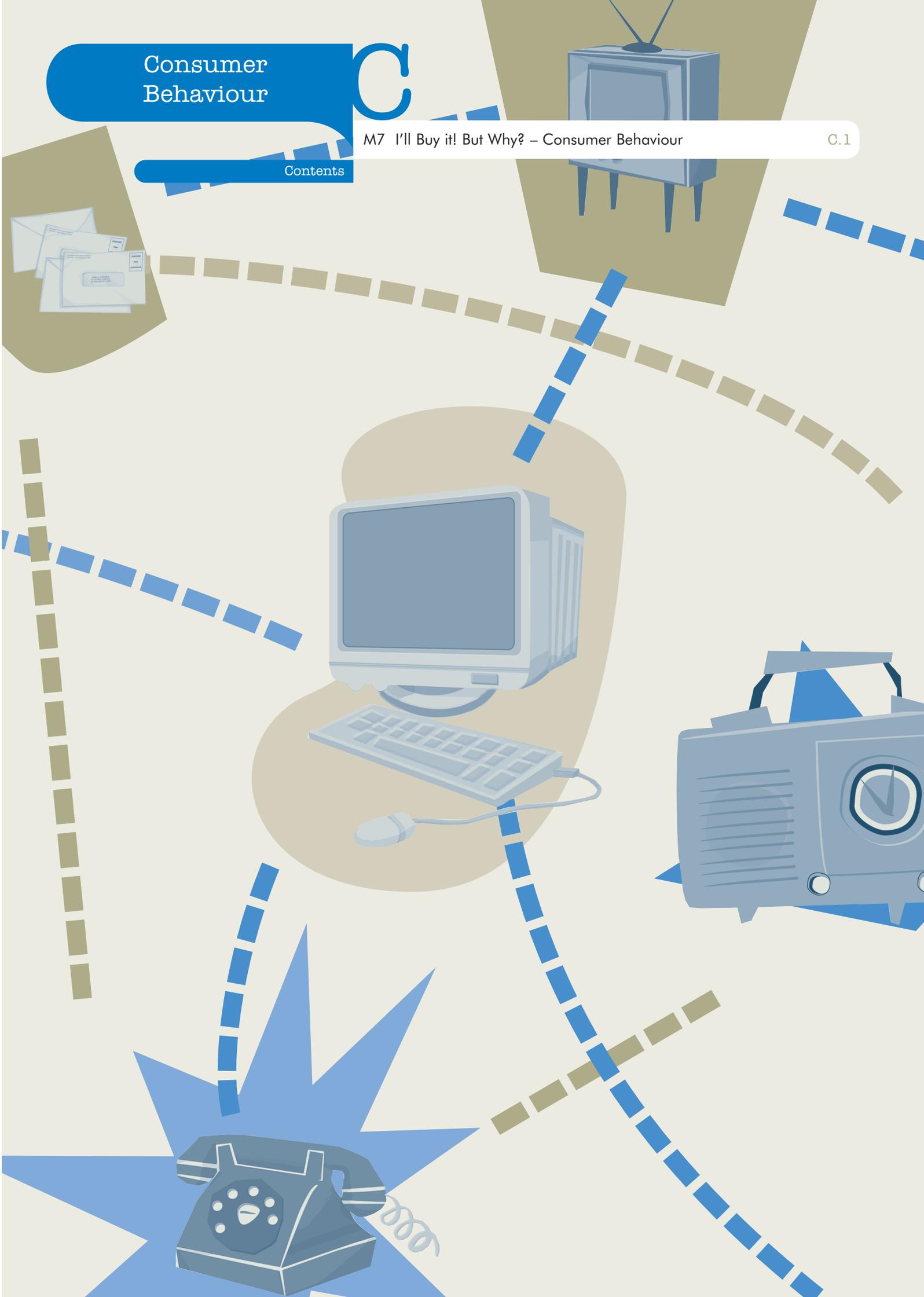
The five basic principles of integrated direct marketing

Roman's 5 principles of integrated direct marketing:

- start with the customer
- listen to the field sales force
- synchronise media with laser precision
- develop creative that provides value to the customer
- continue the process throughout the sales cycle and beyond

Customer life-style management





7.0 Outline

This module explores theories about consumer behaviour, including the importance of incentives and reason in successful direct marketing.

7.1 Responses to advertising

slide S7-1: Response to advertising: quote below

'People respond to advertisements only when the immediate gain in responding exceeds the risk or cost of responding by an acceptable margin...and it appears easy to respond.'

quoted in DMEP, 3.3.02 from McCorkell, Advertising That Pulls Response

slide S7-2:
Gain > Risk = Response

Why do people buy? Secrets of success:

slide S7-3: The famous
four P's

Jerome McCarthy's famous 'four P's' of marketing include:

- right product
- right price
- right place
- right promotion

Jerome E. McCarthy and William D. Perreault, Jr. Basic Marketing, page ix; quoted and discussed in Vin Jenkins An Introduction to Direct Marketing, p10

In its Direct Mail Education Programme, the UK's Royal Mail recommends six ingredients for a successful sale:

slide S7-4: An expansion on
the traditional four P's

- Product – its composition and selection
- Targeting – selection of target market
- Offer – what the customer is asked to accept
- Media – the format of ads, mailings
- Creative – the role of words and illustrations
- Timing – the best time to communicate

DMEP, 3.3.03

In general, advertising and promotion theories recommend the following procedure for creating customers:

slide S7-5: Advertising
and promotion

- create awareness
- manipulate attitudes
- encourage brand preference and loyalty
- induce a trial
- instigate purchase

see John R. Rossiter and Larry Percy, Advertising and Promotion Management, p131ff

7.1.1 Retail buying cycles:

Such recommendations are based on the theory that consumers go through a 'buying cycle'. In retail store situations, that process is slightly different for sequential and impulsive sales.

slide S7-6: Buying cycles: the retail situation: summary

Sequential sale (the customer goes through a process before reaching the decision to buy):

Attention
Interest
Desire
Action

= **AIDA**

Impulsive Sale (the customer goes through an abbreviated version of the above process, before reaching the decision to buy):

Attention
Desire
Action

= **ADA**

DMEP 4.2.13

7.1.2 Direct marketing buying cycles

The AIDA model can be expanded to include conviction. This extra element is particularly significant for the direct marketing buying cycle.

slide S7-7: Direct marketing buying cycles

Attention
Interest
Desire
Conviction
Action

= **AIDCA**

On the internet, where it is easier for people to find more information about products, both yours and your competitors', plus independent commentary on both, the buying cycle often has an extra step:

Attention
Interest
Desire
Research
Conviction
Action

= **AIDRCA**

While the AIDCA/AIDRCA models are useful, it is important to realise that buyers are not passive; they do not necessarily follow a formula for behaviour. All the above buying cycles must be seen as simplifications of consumer behaviour rather than prescribed models.

slide S7-8: The direct marketing challenge: relevance, inertia, fear, ease of response

Consumers who receive direct marketing advertising are affected by:

- the relevance of the product or offer to the individual's needs or desire:
 - "Do I need it?"
 - "Do I want it?"
 - "Do I like it?"
- inertia and fear:
 - "I can't be bothered to reply/enquire"
 - "I might get an unwanted call from a salesperson"
 - "I might be listed on a database and I hate boring mail"
- ease of response:
 - "Do I have to pay for a stamp, make a telephone call?"

DMEP 4.2

slide S7-9: Reason and direct marketing: diagram

The significance of reason in direct marketing

Reason plays as important a part as emotion in direct marketing. It is by reason that people will come to a point of conviction about the product.

Æsop Glim, author of **The Core of Advertising** claims that people will try to summon up reasons why NOT to buy a product.

Æsop Glim, The Core of Advertising, quoted in DMEP 4.2.15

Direct marketing has to appeal to reason, to combat this process. The direct marketer must justify why the consumer needs, wants, can afford or can be bothered to buy the product.

All the above require a sound understanding of consumer behaviour – how do you know the 'right' product, time and place? How can you determine what consumers are and are not aware of? Are the attitudes, preferences, and needs of a consumer predictable?

7.2 Know how people behave

When you know how people behave, including what they want and what they shy away from, you can address their needs and their fears.

Culture, class, education, family, personal taste, beliefs and all sorts of other factors can affect how a person receives advertising, and the kinds of products she or he is interested in purchasing.

Bird P203ff; Burstiner Mail Order Selling, p14-15

Burstiner (**Mail Order Selling**) highlights certain motives which push us away or toward people, things, concepts and places. An understanding of those motives gives insight into consumer behaviour:

slide S7-10: Motives: summary

- heart, mind, body:
 - feelings
 - desires
 - fears
 - expectations
 - needs
- social milieu:
 - family
 - lifestyle
 - culture
- value systems:
 - beliefs
 - perceptions
 - attitudes
- subcultures:
 - religion
 - race
 - geographic location
 - age

Burstiner, p14-15

In order to develop an understanding of consumer behaviour, the direct marketer needs to recognise the above motives and seek out information about customers and likely prospects.

7.2.1 Learning about the market and consumer behaviour:

A great deal of information can be found in-house, by:

slide S7-11: Customer feedback: a valuable resource

- reading customer letters and listening to feedback
- monitoring and analysing www records - which pages people visit most, in which order, etc.
- taking note of the offers people respond to – they're likely to be attracted by the same thing later on
- taking note of what disgruntled people have to say: what makes them suspicious, when is the risk too great?
- examining returned questionnaires (designed to detect customer/prospect buying preferences, interests etc.)

Having acquired a sound knowledge of prospects and customers, the direct marketer is in a better position to:

slide S7-12: The direct marketer's aims

- overcome the negatives
- make a response easy/desirable
- make the product, offer and communication relevant to prospects and customers

7.3 How direct marketing works: incentives and other factors

Overcoming fears and inertia is one of the great challenges of direct marketing. Success requires relevance, incentives, credibility, reassurance and an easy method of response.

slide S7-13: Overcoming fear and inertia: summary

Relevance

Address the consumer's:

- self-interest
- needs, desires and wants
- buying cycles

Incentives

- an "irresistible" offer
e.g. premium gifts, discounts, competitions and prize draws
- desirable positioning

Credibility

Consumers must be able to:

- believe the offer
- trust that the offer will be fulfilled

Reassurance

The consumer must be provided with:

- relevant information
- assurance of fulfilment
- assurance that no unwanted salesperson will call
- the option to return unsatisfactory or unwanted goods

Easy response

- provide an easy-to-use response device
- make sure that responses are promptly acknowledged and fulfilled

Discussion:

1. Think of the advertisements you remember most. What are the elements in the advertisement which have made it memorable?
2. Are there any direct marketing advertisements you remember? Why?
3. What are the main differences you recognise between mass and direct response advertising?
4. What do you expect of direct market advertising?

Cross-references:

See creative strategies and methods M15 – 17

For more on relationships with customers, see M25

References and further reading:

Bird, Drayton. *Commonsense Direct Marketing*

Burstiner, Irving. *Mail Order Selling*

Direct Marketing Education Programme 3 and 4

Jenkins, Vin. *An Introduction to Direct Marketing*

Rossiter, John. *Advertising and Promotion Management*

Response to advertising

“People respond to advertisements only when the immediate gain in responding exceeds the risk or cost of responding by an acceptable margin ...and it appears easy to respond.”

McCorkell Advertising That Pulls Response

Gain > Risk = **Response**

The famous four P's

Jerome McCarthy's famous '*four P's*' of marketing

- right product
- right price
- right place
- right promotion

An expansion on the traditional four P's

- Product – *its composition and selection*
- Targeting – *selection of target market*
- Offer – *what the customer is asked to accept*
- Media – *the format of ads, mailings, etc.*
- Creative – *the role of words and illustrations*
- Timing – *the best time to communicate*

The goals of advertising and promotion

- build awareness
- modify attitudes
- build brand preference
- induce trial
- create a commitment to purchase

Buying cycles: the retail situation

Sequential Sale:

Attention

Interest

Desire

Action

= AIDA

Impulsive Sale:

Attention

Desire

Action

= ADA

The direct marketing buying cycle

Attention

Interest

Desire

Conviction

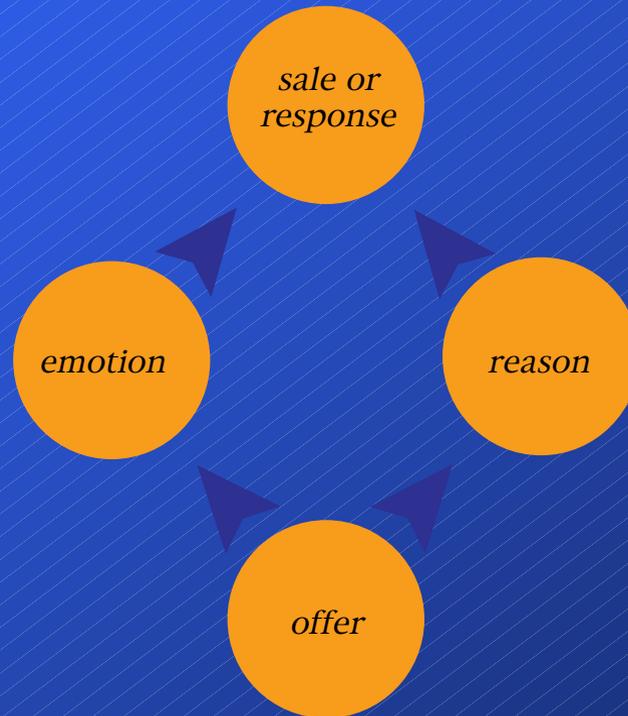
Action

= AIDCA

The direct marketing challenge: relevance, inertia, fear, ease of response

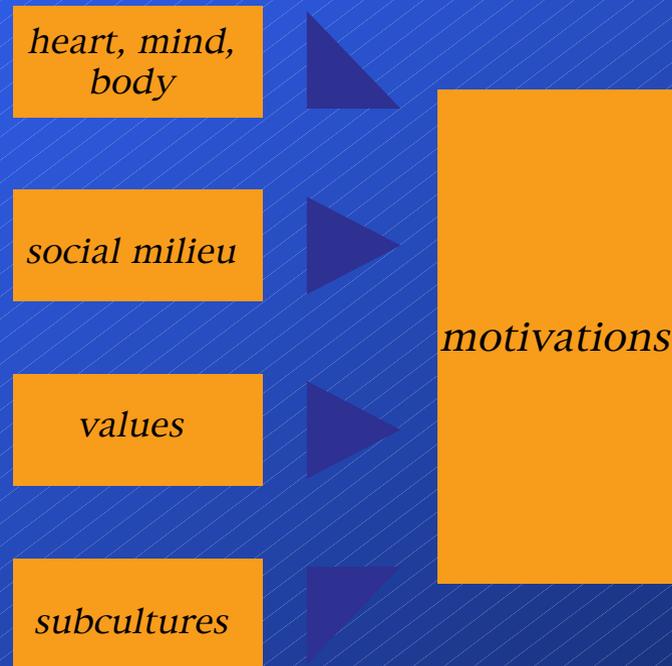


Reason and direct marketing:

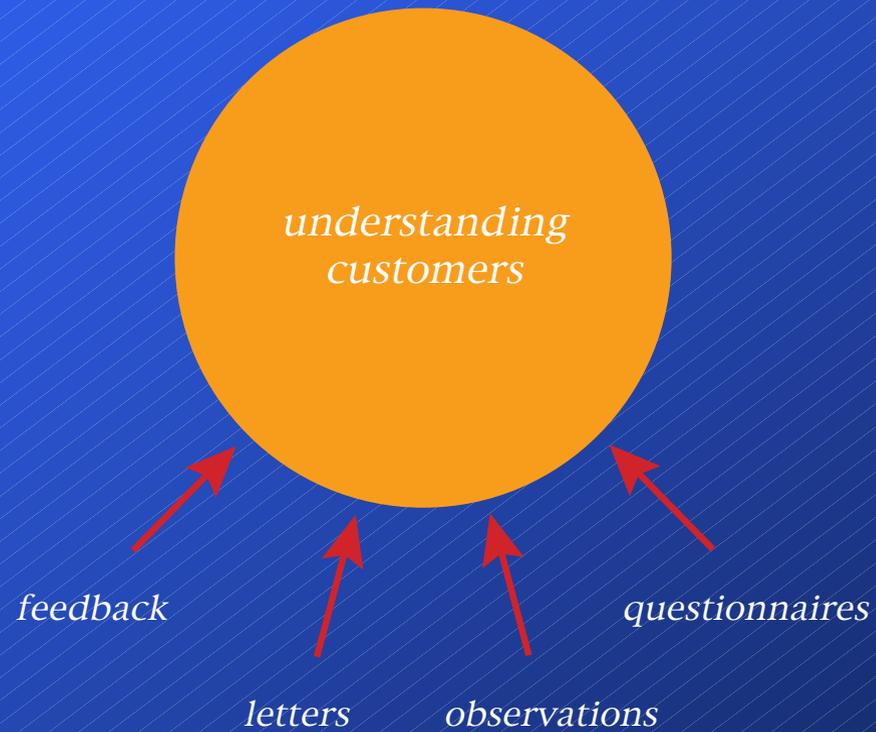


Reason plays as important a part as **Emotion** in direct marketing

Motivations



Customer feedback



The direct marketer's aims



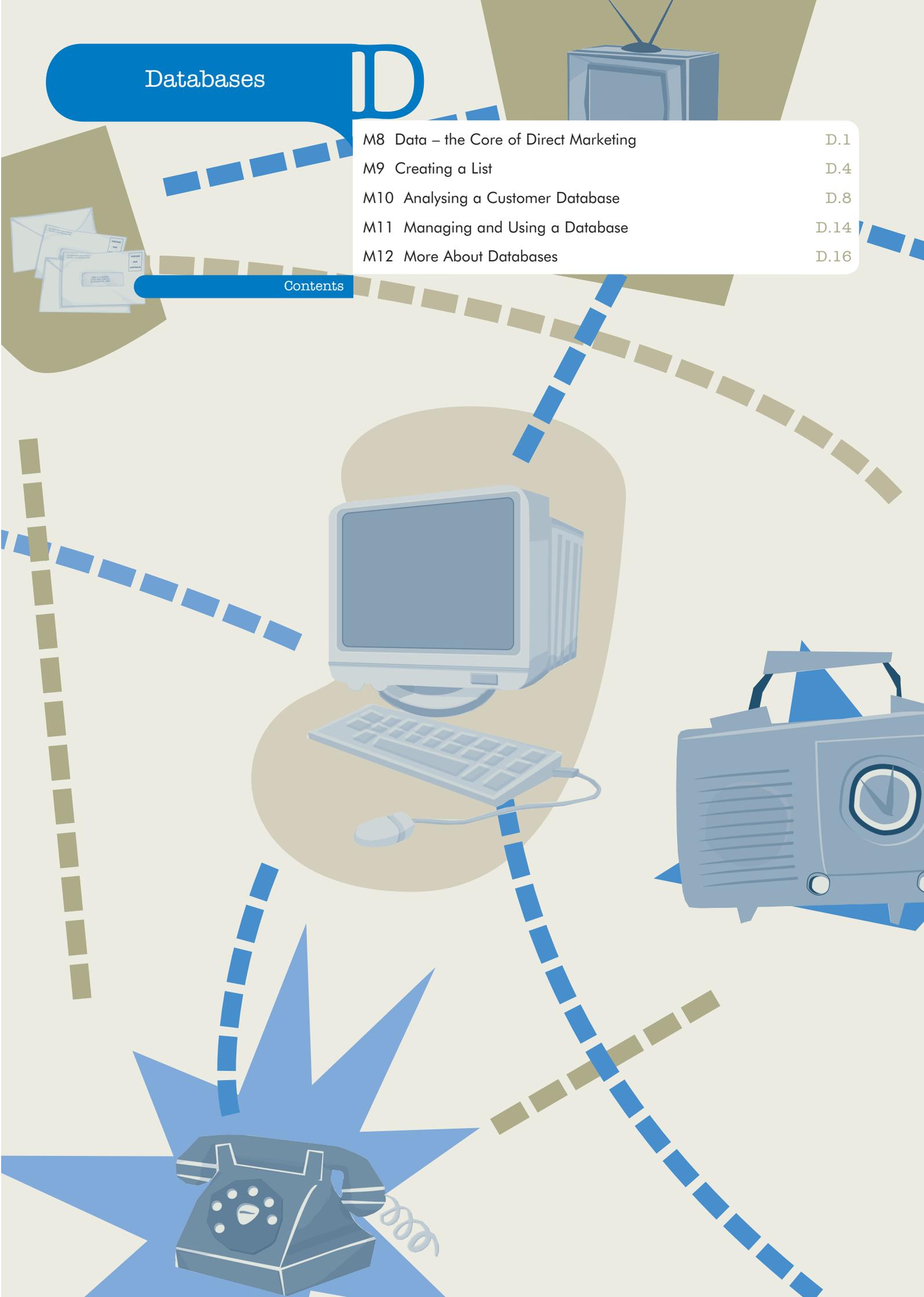
Overcoming fear and inertia



Databases

M8 Data – the Core of Direct Marketing	D.1
M9 Creating a List	D.4
M10 Analysing a Customer Database	D.8
M11 Managing and Using a Database	D.14
M12 More About Databases	D.16

Contents



8.0 Outline

This module discusses the aims of direct marketing and the importance of developing a database which is designed for specific direct marketing ventures.

[slide S8-1: The aim of direct marketing](#)

8.1 The importance and role of direct marketing

The purpose of direct marketing is:

‘to isolate your prospects and customers as individuals and build a continuing relationship with them – to their greater benefit and your greater profit.’

Bird, p34

8.2 Data is knowledge – knowledge is power

A database of relevant information enables the direct marketer to put into effect the ‘three graces of direct marketing’ recommended by Drayton Bird.

[slide S8-2: The three graces of direct marketing](#)

- isolate the individual – know them
- build a continuing relationship with the individual through contact, offers, products
- test effectiveness

Bird, p34

8.3 Assessing the worth of a marketing database

It is important to develop a database of information which is relevant to your current and future needs as a business. A database which simply contains a list of customers is not necessarily an effective tool for direct marketing strategies, although it is a start.

In determining whether or not the information in a database is relevant to your direct marketing plans, you need to ask the following questions.

[slide S8-3: Assessing your database: summary of points below](#)

Does your database enable you to:

- plan and implement your activities?
- test effectively?
- track customer interest and needs?
- develop loyalty programs?
- relate and compare fields?

Developing or choosing a database system

Many companies have a database built for their specific requirements, while other direct marketers are satisfied with the database software packages which are available for sale off the shelf.

Constructing and developing a database requires consideration of the campaigns, tests, analysis, modelling and other activities which it will be used for in the future.

The way the database will be organised, maintained and analysed affects how the database should be constructed or which software package should be used.

8.3.1 Organisation: relational and non-relational databases

[slide S8-4: Developing or choosing a database system](#)

You may need to separate your records into separate databases, namely relational and non-relational.

The relational database contains your customers and prospects: i.e. you can relate the different cells of information you develop, to help you in your marketing strategy.

A non-relational database holds your details and administration.

8.3.2 Content

[slide S8-5: Examples of fields](#)

Each element entered into a database is called a field. For example, name, address, occupation are all separate fields.

You need to determine which fields you will use and make sure that the content is regularly updated and checked for accuracy.

8.3.3 Maintenance and quality control

[slide S8-6: Maintenance and quality control: summary](#)

The database needs to be well-maintained in order for it to be used efficiently. Maintaining a database involves:

- updating the system: checking accuracy and installing new programs
- deleting duplicates
- checking that the information is entered correctly
- careful and consistent data entry, to prevent duplication or other errors
- security measures such as restricted access, making back-ups, virus protection

8.3.4 Expansion and function

[slide S8-7: Expansion and function: summary](#)

You need to make sure you can:

- merge and purge effectively, to prevent duplicates and errors
- relate different fields, to assess the market and select your target market
- construct a marketing database which will be appropriate for future ventures

slide S8-8: Test cells

8.3.5 Analysis

There is no point having a database if it cannot be assessed usefully. The best way to assess the database is to run frequent tests.

A test should be designed to look at one variable, for example a target segment or a new offer. The direct marketer designs 'test cells' which consist of a sample of people (every nth name from a list) and the one test variable. Different 'cells' can then be tested and the results compared, to help the direct marketer make decisions.

*for organisation, maintenance and database management, see McEwan, **Growing Your Business With Database Marketing***

Discussion:

Does quality of the database guarantee customer loyalty?

see Ian Kennedy and Eddy Boas. "The Power of One-to-One: A Hands-On, Practical One Day Seminar ...", p1

Cross-references:

For more about testing and analysis see M15-18

For more about merge/purge and fields see M10

For more about data entry see M10

For more about creating fields see M11

References and further reading:

Bird, Drayton. **Commonsense Direct Marketing**

De Weaver, Lynne. **How to Use Direct Marketing In Your Business**

Kennedy, Ian and Boas, Eddy. "The Power of One-to-One: A Hands-On, Practical One Day Seminar ..."

McEwan, Don. **Growing Your Business with Database Marketing**

The Australian Direct Mail Production Handbook

The purpose of direct marketing is:

*“to isolate your prospects and customers as individuals
and build a continuing relationship with them
– to their greater benefit and your greater profit.”*

Bird, p34

The three graces of direct marketing

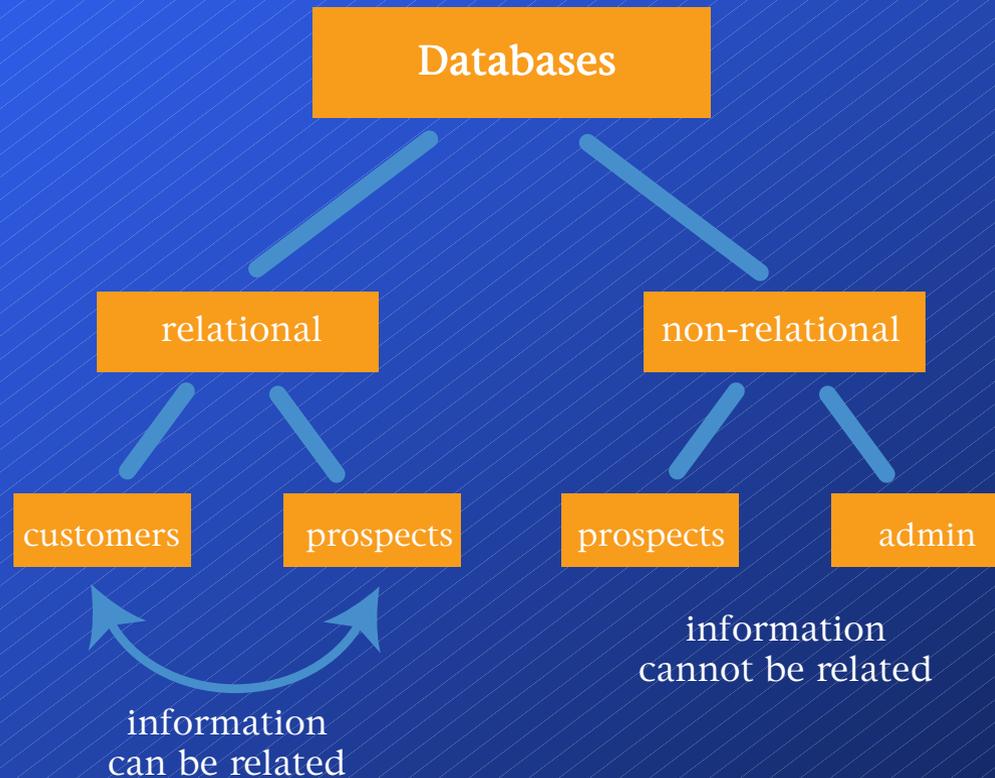


Assessing your database

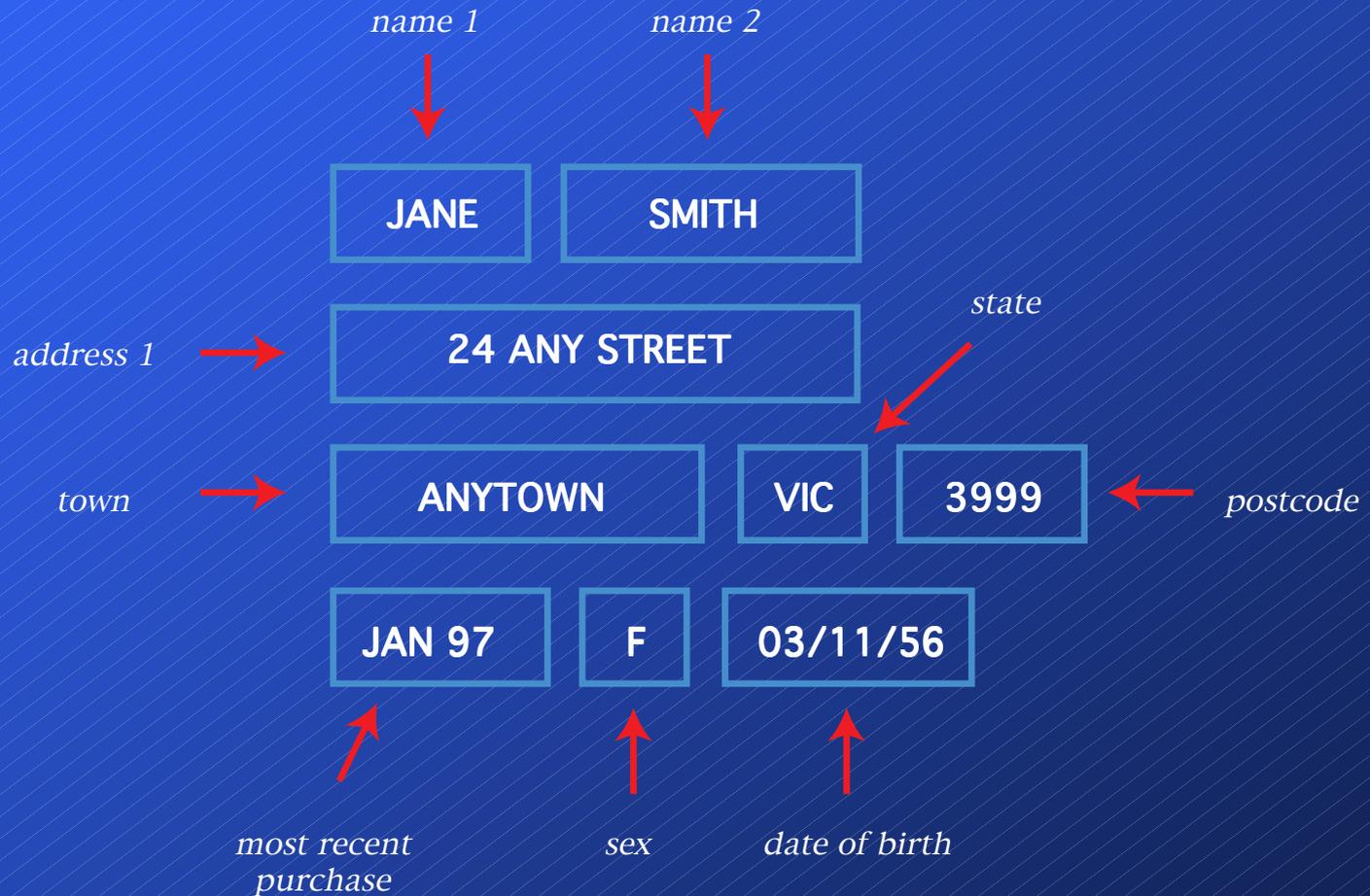
Your database must enable you to:

- plan and implement your activities
- test effectively
- track customer interest and needs
- develop loyalty programs
- relate and compare fields

Developing or choosing a database system



Examples of database fields



Maintenance and quality control

- updating: checking accuracy and installing new programs
- deleting duplicates
- checking information accuracy
- preventing duplication or other errors
- ensuring security *e.g. restricting access, backing-up, virus protection*

Expansion and function

A database must be able to:

- merge and purge effectively, to prevent duplicates and errors
- relate different fields, to assess the market and select different target markets
- construct subsets which will be appropriate for future ventures

Test Cells

- a test should be designed to examine one variable, for example a target segment or a new offer
- a 'test cell' consists of a sample of people (every n th name from a list) and the one test variable
- different 'cells' can then be tested and the results compared

9.0 Outline

The following module looks at ways of developing a useful database, including: adapting a house-list, gathering further names, renting lists and privacy issues.

9.1 Collecting relevant data for the database

In conjunction with developing a marketing strategy, you need to be able to select the target market which will respond most effectively to your plans.

slide S9-1:
Most likely prospects

Your most likely respondents are those who are already customers, and those 'prospects' who have similar characteristics to your existing customers.

9.1.1 Your list of people will include:

Those you know

Customers and other people who have communicated with you by returning coupons, questionnaires and making enquiries.

Those you don't know but suspect

People you identify as possible future customers or prospects.

Prospects are identified through research such as testing, questionnaires and geodemographic information available from statistics or analytical programs. For example Australia Post's **Prospecta** is an analysis system of the Australian market which identifies the kinds of people most likely to be interested in your products or services.

9.2 Start with those you know

A thorough knowledge of your customers and any people who have expressed interest in your product is fundamental to the development of an effective marketing database.

In addition to helping you track existing customers, this knowledge helps you pinpoint possible new customers. Future prospects are most likely to have the same characteristics and attitudes as your customers.

Your own 'house-list' is therefore the most significant list you can develop.

slide S9-2: House-list:
summary

9.2.1 House-lists:

House-lists can be developed from documents, lists, and other information which you probably have at your fingertips:

- customer details
- staff details
- bills
- past records
- invoices
- guarantee offers, warranty cards
- deliveries
- orders
- purchase records
- general enquiries

slide S9-3: Adding to the
house-list: summary

9.2.2 Adding to the house-list:

In order to add people to your existing list, you might consider generating enquiries and interest by activities that would be of interest to potential customers, such as:

- organising an open day
- participating in an exhibition
- conducting a web survey
- producing 'take-one' brochures
- running a competition
- direct response advertising

slide S9-4: The power of word
of mouth

9.2.3 Ask the help of others:

- encourage existing customers to let you know of other potential customers (look at the success of organisations such as Amway which convert buyers into sellers)
- ask non-customers to help: 'if you're not interested, please pass this brochure on to someone who could be'

Remember, especially for business-to-business direct marketing, that people move positions and departments. Request that the information be passed on to the correct person.

9.3 Questionnaires

slide S9-5: Questionnaires:
summary

Questionnaires can be a useful method of research, both for keeping up to date with your customers' interests, and for selecting prospects. Typically, a questionnaire is designed to find out information about the characteristics of individuals in a house-hold regarding brands, what they buy, where they buy it, hobbies and interests.

Customer approach:

- offer an incentive in return for filling out a questionnaire
- explain what the questionnaire is for
- include it with product delivery, on-line order form, or as part of a product guarantee form

Prospect approach:

- mail
- insert in magazine or newspaper
- exhibitions and demonstrations

9.4 Renting Lists

[slide S9-6: Renting lists: summary](#)

While it is best to develop your own list, many people rent a list.

You can rent a list from:

- a list broker
- a list manager
- a list owner
- some mailing houses

Brokers

Brokers are independent, in that they do not own the list and may give objective advice to the renter, while protecting the rights of the owner. Brokers can advise renters about rental prices, target markets and suitable lists. They also ensure that the renter is credit-worthy, a legitimate business, and willing to sign a guarantee. A sample of the material to be distributed must be provided for the list-owner's approval.

List managers

List managers focus on achieving rental for the list owner. They promote the list to prospects, rent lists to brokers, ensure the updating, maintenance and security of the list and check the owner's approval of the material to be distributed. There are fewer managers than brokers in Australia.

Mailing houses

Mailing houses will often provide a list compilation and maintenance service. Clients who wish to then rent out their own lists, may be able to do so through the mailing house.

List owners

List owners may rent their lists without going through a broker, manager or mailing house. A list should be seeded with a false name and the owner's address to ensure that the list is not used repeatedly, without payment.

Rented lists must be paid for each time they are used.

If you rent a list, be sure that it is relevant to your needs and is up to date.

9.5 Security issues

slide S9-7: Security issues

- Protect your list from being stolen or used by anyone else.
- Register your own list and check that any lists you rent have been registered.
- Seed your list with a false name and your own address to make sure that someone else is not using it. Each list should have different seeded names.

slide S9-8: Privacy issues

9.6 Privacy issues

Remove people's names from your list if they have asked you to do so.

It does nothing for the image of your integrity and competence to continue distributing material to people who have specifically requested to be removed from your list. Word of mouth travels fast, and a disgruntled prospect can do a lot of damage.

ADMA (Australian Direct Marketing Association) has mail, telephone and e-mail preference schemes which list people who want to be removed from lists used by ADMA members. The preference scheme also provides the names and addresses of people who would like to be included on certain lists.

AMI Marketing Reference and Compliance Manual, p1311ff

Discussion:

1. If you have created a list, is it ethical to sell it to another company without the knowledge of the people whose names are on it? Discuss.
2. Should it be compulsory to ask for people's permission before including them on a list and to inform them how the list may be used?

Cross-references:

For more on questionnaires and research, see M21

References and further reading:

AMI Marketing Reference and Compliance Manual

Bird, Drayton. *Commonsense Direct Marketing*

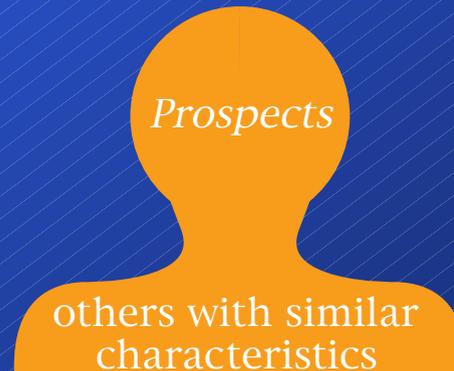
Gilmour, Peter and David L. Rados. *The Australian Marketing Casebook* p40ff

Jenkins, Vin. *An Introduction to Direct Marketing*

Kennedy, Ian and Boas, Eddy. "The Power of One-to-One: A Hands-On, Practical One Day Seminar ..."

McEwan, Don. *Growing Your Business with Database Marketing*

Most likely prospects



House-list sources

- customer details
- staff details
- bills
- past records
- invoices
- guarantee offers, warranty cards
- deliveries
- orders
- purchase records
- general enquiries

Adding to the house list



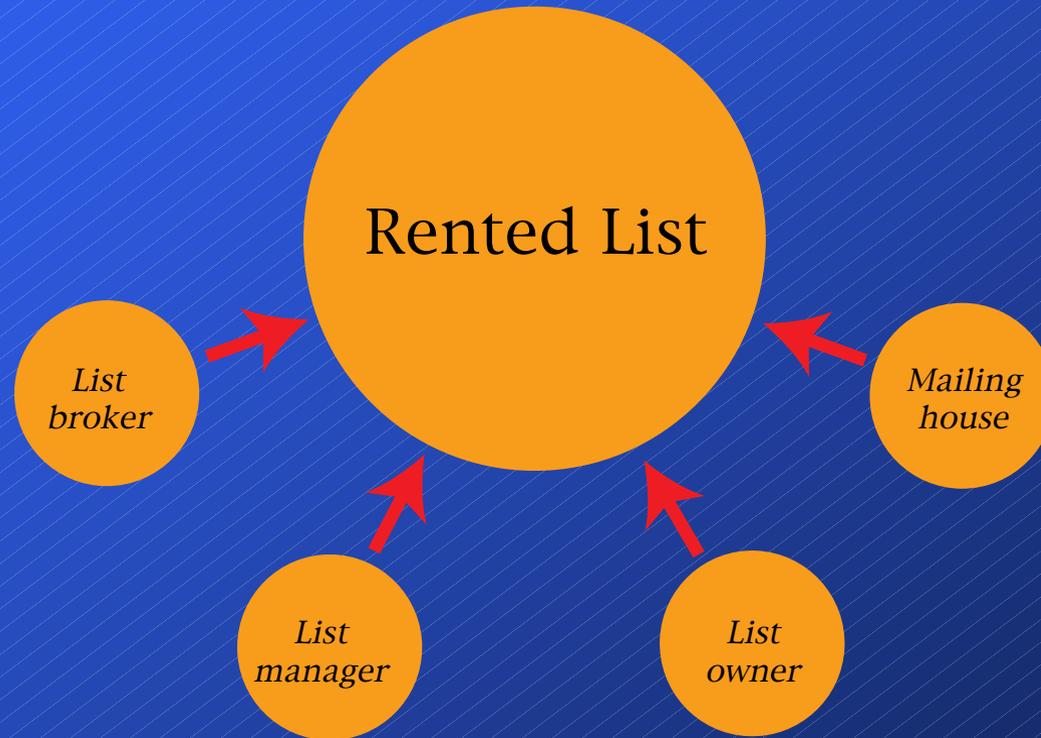
The power of word of mouth

- use a 'customer get customer' strategy
- encourage non-customers to pass on information

Questionnaires – summary of characteristics sought

- brand preferences
- what customers buy
- where they buy it
- hobbies and interests
- age and gender

List rental sources



Security issues

- protect your list from being stolen or used by anyone else
- seed your list with a false name and your own address

Privacy issues

- Remove people's names on request
- ADMA has mail, telephone and fax preference schemes

10.0 Outline

A database of information is all very well, but if it isn't analysed carefully, the information is not much use. This module introduces the methods of analysis which help direct marketers to predict future customer behaviour. Database segmentation, analysis and building prospect profiles are all covered here.

10.1 What existing data can tell us

slide S10-1: What existing data can tell us: summary

Once you have a list of names and addresses, you want to begin gathering other relevant information to enter into your marketing database, such as:

- recency, frequency and monetary (RFM) details of a product or group of products
- number of purchases and enquiries
- cross-selling opportunities
- significant events in a customer's life that will affect interests and behaviour
- the use of demographic or psychographic data appended to records of individuals, households, or geographic areas (such as census districts)
- company profile (business-to-business); key decision makers
- satisfaction, dissatisfaction, queries

Jenkins, p77

slide S10-2:
Pinpointing prospects

You will need to:

- add information to existing data
- analyse the information you gather to help you pinpoint the people who are most likely to respond positively to you and your product
- recognise consistent or similar characteristics which give you an insight into consumer behaviour so you can target those prospects appropriately. (Australia Post's **Prospecta** or similar geodemographic profiling tools can help here)
- consider different approaches for different groups

10.2 Organising data: segmentation

In order to analyse the information, you need to create groups or segments within the database which enable you to identify certain characteristics and trends.

slide S10-3: The four P's of segmentation

The analysis and grouping of a database is called 'segmentation.' Jenkins (*An Introduction to Direct Marketing*) distinguishes 'four p's' in the process:

- Probing: analysis, market research
- Partitioning: segmentation, clustering
- Prioritising: rank in order of focus (i.e. you have a superior edge/opportunity) and target clusters
- Positioning: pinpoint the competitive options in each segment that you are going to target

quoted from Jenkins, p81

In other words, collect data, segment customers and develop a focus for your strategy. Then you can tailor your products or offer to each cell.

Jenkins, p81

Segmentation is a complicated process which may require assistance from a specialist source.

slide S10-4: Considerations for valid segmentation: summary

Valid segmentation

In order to be worthwhile, a segment must have:

- substantiality – be of a considerable size
- differential response – unique market characteristics
- identification – can be statistically identified and assessed
- stability – relatively stable over time
- accessibility – able to reach segment through one or more media

H. Katzenstein and W.S. Sachs. Direct Marketing.

slide S10-5: Methods of segmentation: summary

10.3 Data analysis, demographics and geodemographics

There are many methods of segmentation, as there are theories about the most effective ways to assess data.

Commonly-used forms of segmentation include:

Geographic –

- regional

Demographic –

'the statistical study of populations with attention to specific characteristics' *Burstiner, p17*

- sex
- age
- income
- level of education
- race
- nationality

Geodemographic –

- combination of the above; see Australia Post **Prospecta**

Psychographic and lifestyle –

- personality
- value systems
- attitudes
- interests

Benefits –

- based on the benefits people look for in products and services
- what exactly do they want the product for?
 - to look good
 - feel good
 - stay healthy
 - cheaper
 - better quality
 - faster results

Usage

Usage may include segments such as:

User –

- products
- purchase frequency
- interest/enquiries

Non-users –

- sometimes the reason is obvious e.g. product is for females only; in other cases there could be an opportunity for more research
- why do they not use your product? Do they prefer a competitor; if so, why? Is there a need you could fulfil?

Organisations –

- government
- charity

Industries –

- retailers
- wholesalers
- service enterprises
- manufacturing companies

10.4 Relating and analysing segments

Blaxland, in 'Database Establishment and Management ...', highlights the difficulty of effectively analysing segments due to the complex nature of human behaviour.

slide S10-6: Segment analysis requirements

While attitudinal and sociocultural segmentation is useful for marketing purposes, it doesn't allow for the complex degree of paradox found in people.

For example, people in the same geodemographic bracket can have remarkably different ideas and values, even though other factors, for example income, number of vehicles, and general life-style might be similar.

The direct marketer needs to overlay numerous variables and fields ('multivariate analysis') in order to gain a complex understanding of the market.

Individual differences, together with general changes in buying trends make it essential for the direct marketer to continually test and research consumer behaviour and perceived market segments.

Blaxland, 'Database Establishment and Management for Direct Marketers' in The Journal of the Australian Direct Marketing Association, Vol. 6 No. 1, August 1989, p20-25

[slide S10-7: Consumer behaviour: summary](#)

10.5 Predicting consumer behaviour

'Past consumer behaviour is the best predictor of future consumer behaviour'

James R. Rosenfield (1992) 'Database Marketing – The Mother of all Buzzwords,' ADMA Journal, Autumn, p16; quoted in Jenkins, p73

In examining consumer behaviour it is essential to remember that:

- customers have similar characteristics to each other and future prospects
- statistics and data analysis are never 100% correct, but can help you predict consumer behaviour to a degree
- testing and evaluation is a continuous process in direct marketing

Database modelling

[slide S10-8: Definition of database modelling](#)

With these points in mind, the direct marketer can use database modelling techniques to predict consumer behaviour and pinpoint likely prospects.

This is done by building a profile of the most likely prospects, based on the characteristics of customers and prospects, and using predictable variables.

A marketing strategy can then focus on those prospects who are most likely to provide returns.

The direct marketer also needs to determine who are the best customers. In direct marketing terms, loyal customers are 'more important' than non-customers and less loyal customers. Database modelling provides the opportunity to rank customers according to their loyalty, the quantity they buy, the amount of money they spend etc., then the direct marketer can pinpoint and target those particular customers who are most likely to give a high return.

10.5.1 Some methods of database analysis – Recency, Frequency, Monetary (RFM) Analysis:

slide S10-9: RFM analysis:
database screen

Customers are ranked on a matrix which measures:

- recency of transactions on one axis
- frequency of transactions on the other
- shows which customers are the most likely to buy again
- combinations of other relevant data overlaid

Jenkins, p78 – 79

Regression Analysis

slide S10-10: Regression
analysis: summary

- examines key variables: how a dependent variable is influenced by an independent variable
- gives a value to each variable
- combines values to arrive at a score for each customer record
- helps select most likely customers and prevent wasting money on others

Jenkins, p79

Activity-based costing analysis

slide S10-11: ABC analysis:
summary

- an exact dollar amount is assigned to each activity (exclude fixed business costs)
- determine the marginal cost of the product, offer and mail-out to arrive at the marginal cost of promotion
- select those names with an expected marginal revenue greater than the marginal cost of promotion (start with the best customers and work back)
- assess in conjunction with life-time values of customers
- helps determine budget for investment in new and existing customers

taken from a Deloitte & Touche publication, Managing Database Technology for Success, quoted in Jenkins p80

slide S10-12: Why database
modelling?

Based on database modelling and analysis, marketers can tailor their products and communication to particular segments, instead of taking the same approach with every customer.

Summary:

In order to become an effective marketing database, the information in a database needs to be suitable for analysing the market and pinpointing the most likely prospects and the most loyal customers.

Database information can be segmented and analysed to help you track consumer behaviour.

Methods of segmentation include:

- geographic
- demographic
- geodemographic
- psychographic/lifestyle
- benefits
- user/non-user
- organisations
- industries

Methods of database analysis include:

- RFM analysis
- regressional analysis
- activity-based costing analysis

slide S10-13: Summary

Various methods of analysis can be overlaid, so that you begin to develop a model profile of the most likely prospects, based on the information within your database. This is called 'multivariate analysis'.

The aims of segmentation and database analysis are primarily:

- to identify the most likely prospects
- to tailor products and offers to those prospects

Discussion:

1. What is more important in target marketing: people's aspirations, or their lifestyles?

see Ian Kennedy and Eddy Boas. "The Power of One-to-One: A Hands-On, Practical One Day Seminar ...", p1

Cross-references:

For more on analysis and modelling, see M24

References and further reading:

Blaxland, Jane. 'Database Establishment and Management for Direct Marketers.' in **The Journal of the Australian Direct Marketing Association**, Vol 6, No 1 August, 1989, p 20 – 25

Burstiner, Irving. **Mail Order Marketing**

Jenkins, Vin. **An Introduction to Direct Marketing**

Kennedy, Ian and Boas, Eddy. "The Power of One-to-One: A Hands-On, Practical One Day Seminar ...", p1

Katzenstein, H and Sachs, W.S. **Direct Marketing**.

What existing data can tell us:

- recency, frequency and monetary (RFM) details
- number of purchases and enquiries
- cross-selling opportunities
- significant events in a customer's life
- profiles through the use of demographic or psychographic analysis
- company profile (business-to-business); key decision makers
- satisfaction, dissatisfaction, queries

Pinpointing prospects

- add information to existing data
- use analysis to identify most likely prospects
- recognise consistent or similar characteristics (using Australia Post's **Prospecta** or similar tools)
- consider different approaches for different groups

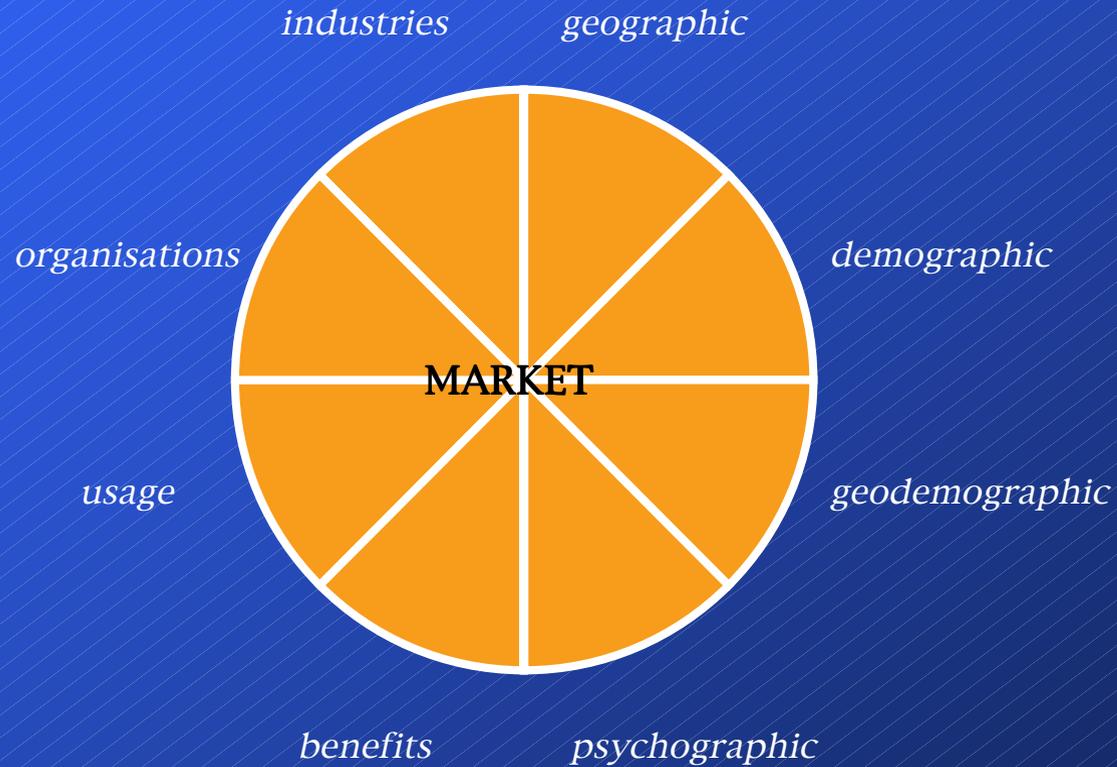
The four P's of segmentation

- Probing
- Partitioning
- Prioritising
- Positioning

Considerations for valid segmentation

- substantiality – *significant size*
- differential response – *unique market characteristics*
- identification – *can be statistically assessed*
- stability – *over time*
- accessibility – *through one or more media*

Methods of segmentation



Segment analysis requirements

- overlaying of numerous variables and fields
- continuing consumer behavioural research

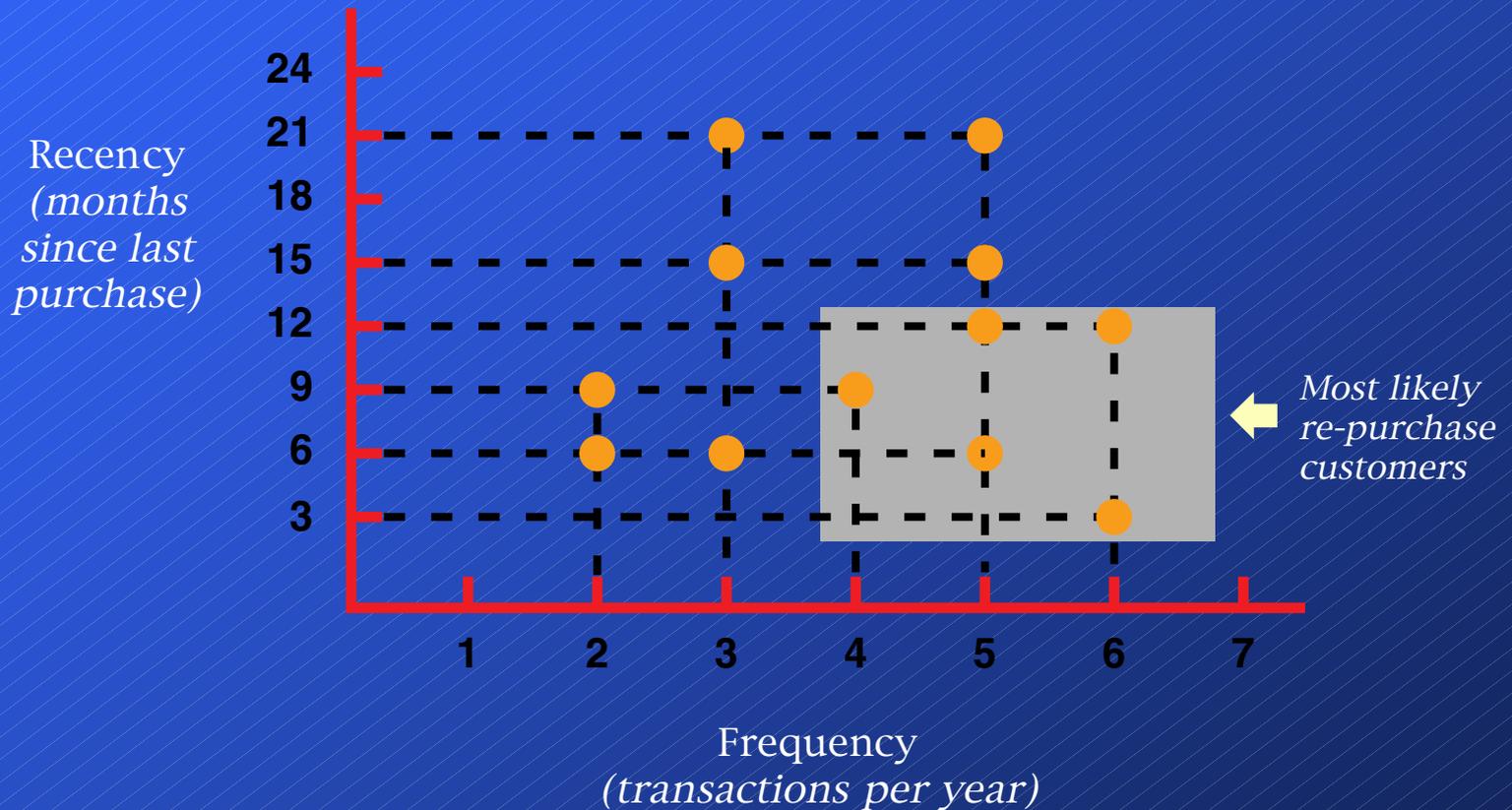
Consumer behaviour analysis

- customers and prospects share similar characteristics
- analysis is seldom 100% correct, but is predictive
- testing and evaluation must be a continuous process

Database modelling

- building a profile of the most likely prospects using:
 - *characteristics of customers using predictable variables*to determine the most important customers and prospects

RFM analysis



Regression analysis

- examines how dependent key variables are influenced by independent variables
- assigns a value to each variable
- combines values to score each customer record
- identifies most likely customers

ABC analysis

- assign dollar amount to each activity
- determine the marginal cost of promotion
- select records whose expected marginal revenue $>$ marginal cost of promotion
- assess in conjunction with life-time values of customers
- use to determine budget for investment in new & existing customers

Why database modelling?

Using database modelling and analysis, marketers can tailor their products and communication to particular segments, instead of taking the same approach with every customer.

Summary

The aims of segmentation and database analysis:

- to identify the most likely prospects
- to tailor products and offers to those prospects

Methods of database analysis include:

- RFM analysis
- regression analysis
- activity-based costing analysis

11.0 Outline

This module examines how databases work and can be used effectively for direct marketing. We also look at the need for efficient management, organisation and quality control.

11.1 Purposes of using a database

slide S11-1: Databases: main points below

The data in a marketing database needs to be organised and continually updated so that the direct marketer can:

- identify key prospects and customers
- maintain contact with existing customers
- analyse customer behaviour and trends

11.1.1 Data in databases

slide S11-2: Database storage media

Prior to computer databases, customer details were usually kept on cards which could be ordered alphabetically. Computer databases enable the cross-reference of information.

The capacity, speed and complexity of databases is a rapidly developing area. With advances in technology, the amount of data, number of fields, combinations and methods of analysis which databases can handle is increasing.

Information may be stored in several ways:

Traditionally, **magnetic tape** was used, and was stored 'off-line' and loaded onto a mainframe computer for reference. While it is suitable for a large database, magnetic tape is not suitable in situations where rapid and frequent retrieval is required.

Floppy disks are another form of 'off-line' storage, suitable for a small database of up to 5000 names. These have largely been replaced by rewritable CD-ROMs and Zip disks, which can store much more data - hundreds or even thousands of times as much, in some cases - and are also more reliable.

Hard disks are used for storing large databases to which frequent and immediate access to accounts is required (e.g. banks, large mail-order houses).

Some databases are stored on-line and accessed via the Internet. This is likely to become more common in the future, and has the advantage of being accessible to everyone in an organisation (this can also be achieved with a local intranet). The disadvantage is that access to the information can be slower than locally-stored data.

slide S11-3: How databases work: main points below

11.2 How databases work

Databases allow you to:

- use multiple applications
- retrieve and manipulate information
- relate fields of information
- organise material sequentially
- view the same material in different ways (for example you could look at fields in hierarchical relation to each other)

DMEP, 2.2

slide S11-4: Basic database development: summary

11.3 Basic database management

There are 4 basic stages of database development:

- sourcing and entering data
- editing data and eliminating duplicates
- database management – updating material, quality control, access to data
- outputs
 - mailing
 - reports
 - tapes for outside rental/laser processing
 - disks/CD-ROM
 - files for processing

DMEP 2.2.02

We will look at some of these stages more closely in the next module.

Cross-references:

for more on databases, see M12

References and further reading:

Direct Marketing Education Programme 2

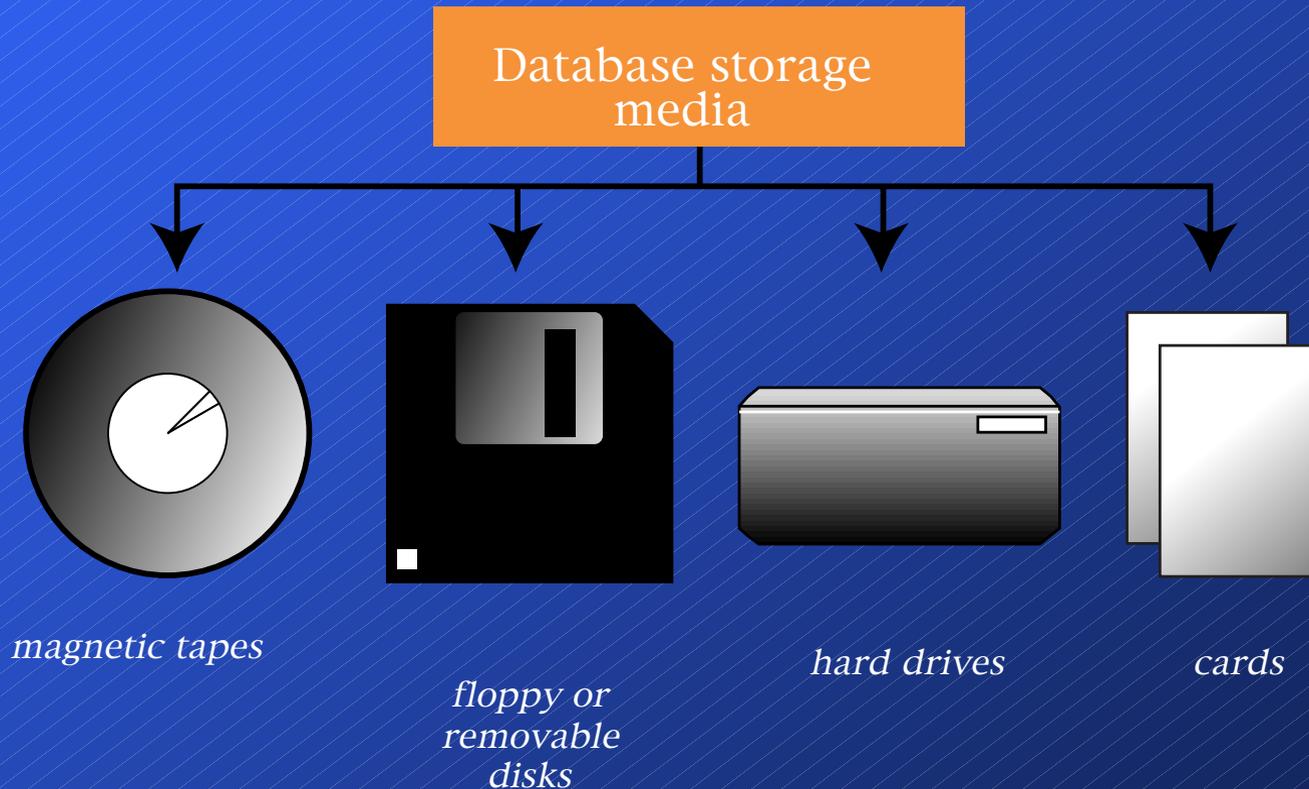
McEwan, Don. *Growing Your Business With Database Marketing*

Database data – key points

Accurate, up-to-date data is essential in order to:

- identify key prospects and customers
- maintain contact with existing customers
- analyse customer behaviour and trends

Data in databases



What can you do with a database?

- use multiple applications
- retrieve and manipulate information
- relate fields of information
- organise material sequentially
- view the same material in different ways

Four basic stages of database development:



12.0 Outline

In this module we will look at the main fields and functions which are useful when using a database for direct marketing purposes.

[slide S12-1: Databases and direct marketing activities: summary](#)

12.1 Using a database for direct marketing activities

Direct marketers use databases not only for the storage of information and its analysis, but for tasks such as printing labels for a mail-out. Some of the activities which direct marketers consider when planning a database include:

- storing and comparing marketing information
- ranking the focus and loyalty of customers
- direct mail campaigns
 - lists, label printing, letters, orders, sales, research
- telemarketing campaigns
 - lists, call records, orders, sales, research
- telephone prospecting
 - lists, sales records, research
- records of sales force activities
 - lists, follow-up, sales, orders
- customer service
 - orders, sales, delivery, complaints, satisfaction, warranties, returns and repairs
- networking
 - contacts, follow-up
- publicity
 - media contacts, press-releases, deadlines etc.
- internet campaigns
 - lists, personal details for customisation, e-mail, sales research

Partly from McEwan, p123 – 5

12.2 Creating fields

[slide S12-2: Records and fields: example](#)

Every name and its address is usually referred to as a record. One record may have numerous fields of information. Name, address, postcode, phone number, industry, latest purchase – are all different fields.

Each piece of data should appear once only with a key code to allow cross-referencing.

[slide S12-3: Creating fields: summary](#)

For each field you need:

- an accurate description
- a fixed menu of options (for data fields)
- enough character spaces for longer entries (so that if labels are printed, names are not truncated)

Some database systems have a 'mandatory' field function, which will not allow a new record to be created unless certain "mandatory" fields are given information.

The system needs to be clearly documented so that it can be used even if the main database manager is away or leaves.

McEwan, p136; The Australian Direct Mail Production Handbook, ch3

slide S12-4: Business data fields

12.2.1 Examples of useful data fields

Business data

- name and title of executive
- name and title of contact
- telephone number
- fax number
- industry
- most recent purchase date
- quantity purchased
- payment method
- cumulative purchases
- mail or offers sent
- cross-selling opportunities
- events in business calendar that might affect needs

slide S12-5: Personal data fields

Personal data

- name and title
- telephone number
- most recent purchase date
- quantity purchased
- cumulative purchases
- payment method
- mail or offers sent
- cross-selling opportunities
- industry
- events in person's life that might affect behaviour/needs

Jenkins; Bird; McEwan

12.3 Entering data

Data needs to be entered into the database in a way which the computer finds easy to process.

It is important to establish a consistent, efficient format for entering data, to minimise error and speed-up the entry process.

12.3.1 Name and address processing

A customer's name and address may be recorded in numerous different ways.

slide S12-6: Names and addresses: examples

For example:

A. B. Sample
Unit 1, 2 Example St.
Suburb 1234

Ms. Abcdef Sample
1/2 Example Street
Suburb
STATE 1234

Miss Abcdef B. Sample
Unit 1,
No. 2 Example St,
Suburb,
State 1234

slide S12-7: Consistent format

When entering names, initials, salutation and title into a database, each entry should follow the same format. Otherwise the computer will not detect subtle differences and will assume that three entries for the one customer refer to three separate customers.

For the fastest processing by Australia Post, the suburb, state and postcode need to appear on the last line in capital letters. All punctuation needs to be removed.

slide S12-8: Correct address format: example

Ms Abcdef Sample
1/2 Example St
SUBURB STATE ABBREVIATION 1234

The Australian Direct Mail Production Handbook, p28

12.4 Editing data

Merge/purge

The merge/purge function helps prevent confusion when a customer is entered into the database more than once. This may happen because:

- the customer appears on more than one list, with subtle differences in title or address
- the customer has been accidentally recorded as a prospect
- the customer has made purchases at different times or locations

It is imperative to eliminate duplications of this kind, both to reduce customer irritation and the cost of unnecessary mailings.

slide S12-9: Merge/purge functions: summary

A merge/purge system:

- merges a number of lists together
- detects and deletes duplicates, based on name and address or other field e.g. telephone number
- gives each mailing piece the correct address and salutation
- matches prospects against a file like the ADMA preference files and deletes the names of any people who do not wish to receive material

The Australian Direct Mail Production Handbook, p30

12.5 Identifying records

slide S12-10: Identifying records: summary

Records can be quickly retrieved using identification methods such as:

- a unique number (allocated to each record; need responses to include number)
- a match-key (a combination of the first few characters from the customer's postcode, surname, street number and street)
- a mail reference key (used to help analyse mail responses; refers to list mailed, mailing date, campaign code, and unique number or match-key)

The Australian Direct Mail Production Handbook, p30

12.6 Database management

Quality Control

slide S12-11: Quality control: summary

The quality of information in a database needs to be continually checked to maximise efficient use of the system. It is necessary to:

- update the information
 - changes in address, name, job etc.
- weed out irrelevant, outdated information
 - bad debtors, people who have moved, died, asked to be removed, etc.
- check accuracy
 - spellings, titles etc.
- ensure security
 - back-ups, restricted access, virus protection

slide S12-12: Outputs:
summary

12.7 Outputs

Outputs include activities such as mailing, reports, telephone calls and data storage. Certain software packages have functions to ensure that such tasks can be done efficiently.

Examples include

- label printing
- automatic dial
- pre-set call date and telephone dial

McEwan, p130

slide S12-13: Selecting and
viewing data

12.8 Ways of using the database to help segmentation

Cross-tabbing:

Cross-tabbing allows the direct marketer to extract names with certain fields in common.

The ability to cross-tab depends on the capacities of the database and the configuration of its fields.

Data-mining:

This is a term used to describe the 'drilling' or depth analysis of a database. It can take form in the extract of names fitting specific criteria, or, with some software packages, data can be graphically represented or used as the basis for creating models.

One feature of data mining is the ability to identify common characteristics of individual records by using geodemographic and similar analytical software.

"Often, geodemographic mapping can throw up relationships and opportunities that would have been almost impossible to glean from the bare data alone."

Mike Houghton, 'Data mining: a practical guide for large and small businesses' in Marketing, August 1996, p50

Discussion:

In what respects could databases fail direct marketing aims?

References and further reading:

Direct Marketing Education Programme 2

Houghton, Mike. 'Data mining: a practical guide for large and small businesses' in *Marketing*, August 1996, p49-53.

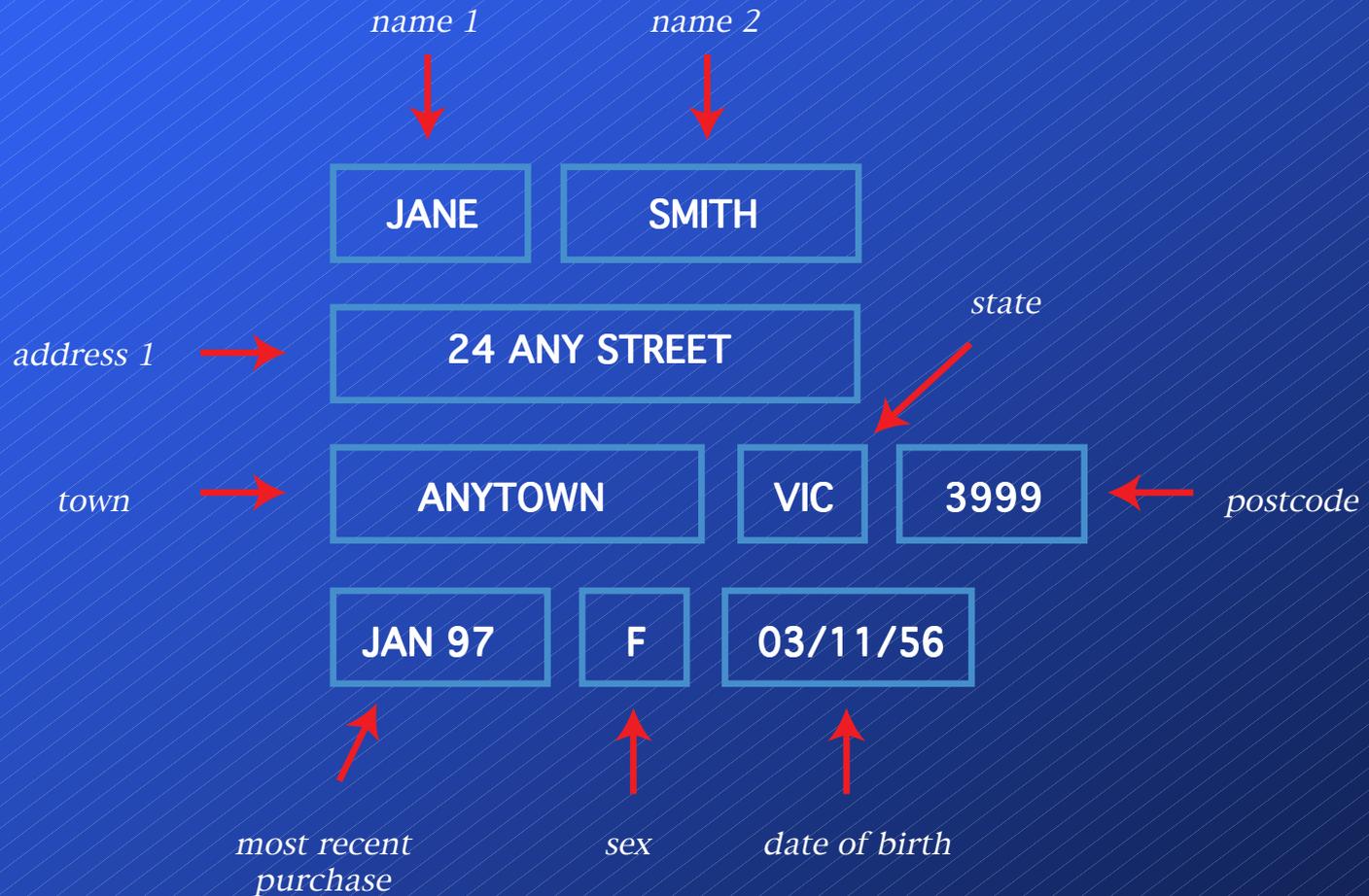
Jenkins, Vin. *An Introduction to Direct Marketing*

McEwan, Don. *Growing Your Business With Database Marketing*

Databases are used for:

- storing and comparing marketing information
- ranking the focus and loyalty of customers
- direct mail campaigns
- telemarketing campaigns
- telephone prospecting
- records of sales force activities
- customer service
- networking
- publicity

Records and fields



Creating fields

Each field requires:

- an accurate description
- a fixed menu of options (for data fields)
- enough character spaces for longer entries

Typical business data fields

- name of executive
- title of executive
- name of contact
- title of contact
- telephone number
- fax number
- industry
- most recent purchase date
- quantity purchased
- payment method
- cumulative purchases
- mail or offers sent
- cross-selling opportunities
- events in business calendar that might affect needs

Typical personal data fields

- name
- title
- telephone number
- most recent purchase date
- quantity purchased
- cumulative purchases
- payment method
- mail or offers sent
- cross-selling opportunities
- industry
- events in person's life that might affect behaviour/needs

Variations in names and addresses

*A. N. Example
Unit 12, 8 Any St.
Sampletown 3054*

*Ms. Anne Example
12/8 Any Street
Sampletown
VIC 3054*

*Miss Anne N. Example
Unit 12,
No. 8 Any St,
Sampletown,
Victoria 3054*

Format Consistency

When entering:

- names
- initials
- salutation
- title
- address etc.

each entry should follow the same format
when entering

Correct address format

*Ms Anne Example
12/8 Any St
SAMPLETOWN VIC 0000*

Ensures prompt delivery and minimises returns

Merge/purge functions

A merge/purge system:

- merges a number of lists together
- detects and deletes duplicates
- assigns each mailing piece the correct address and salutation
- matches prospects against preference files

Identifying records

Identification methods include:

- a unique number
- a match-key
- a mail reference key

Quality control activities

- update the information
- weed out irrelevant, outdated information
- check accuracy
- ensure security

Outputs

- label printing
 - automatic dial
 - pre-set call date and telephone dial
- (McEwan, p130)*

Methods of selecting data

Cross-tabbing – *extracting names with certain common fields*

Data-mining – *extracting names fitting specific criteria*

Planning and Budgeting



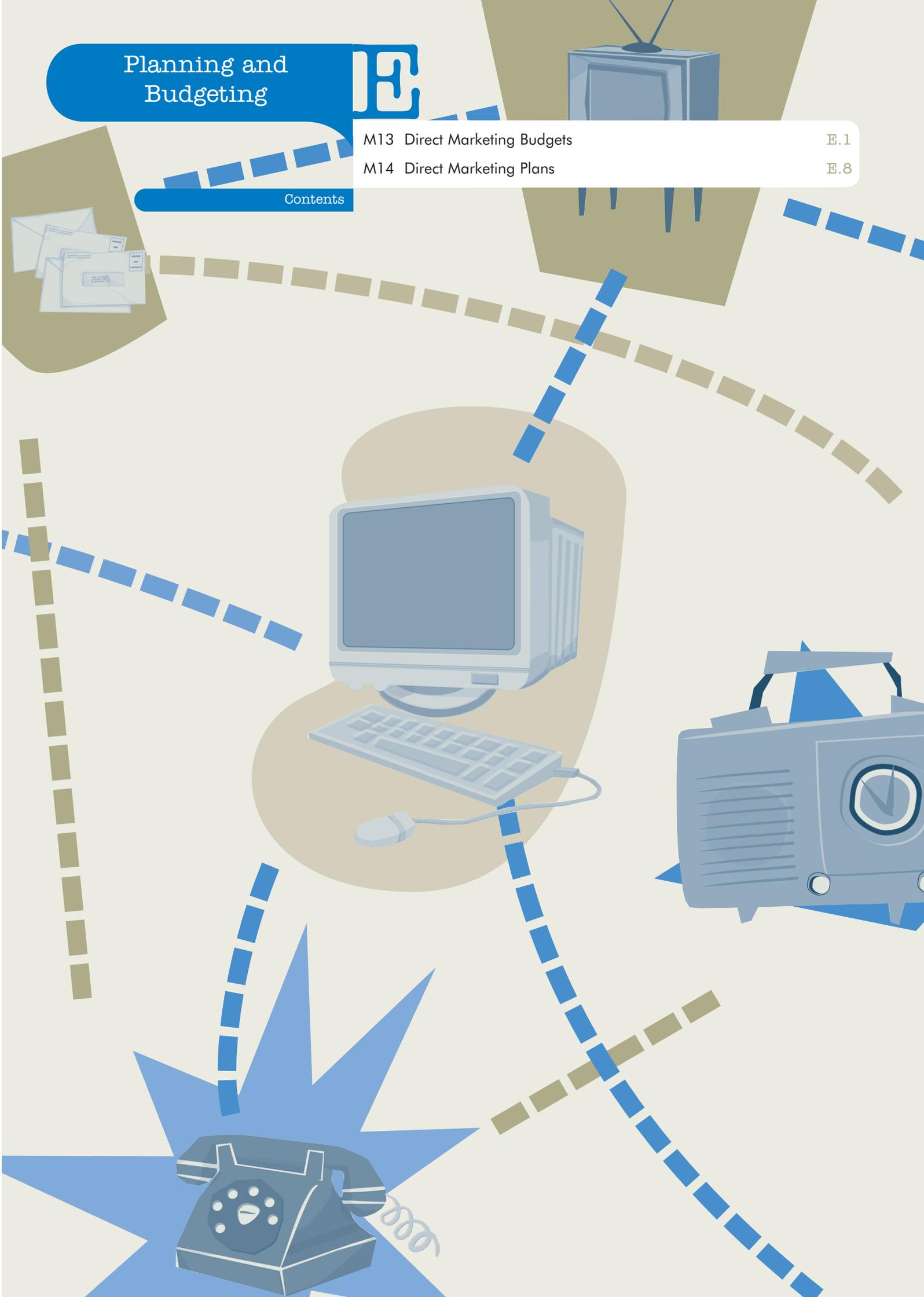
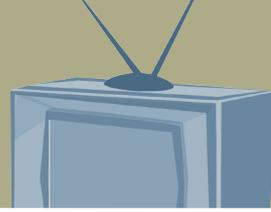
M13 Direct Marketing Budgets

E.1

M14 Direct Marketing Plans

E.8

Contents



13.0 Outline

This module gives an overview of how a direct marketing budget works, including the typical costs incurred and profit calculation.

slide S13-1: Budget: diagram showing cost, revenue, profit

13.1 Budget planning

A direct marketing budget is usually a plan of activities calculated over a period of twelve months. It is used as a control for measuring progress at intervals throughout the year. The main concerns of a budget are:

- cost
- revenue
- profit (difference between cost and revenue)

slide S13-2: The role of the budget: summary

The budget should:

- qualify strategies
- isolate costs
- predict profit
- evaluate investments
- predict funding requirements
- permit comparison
 - with alternative investments
 - between forecast and actual performance
- foster management skills

quoted from DMEB, 1.9.15

13.2 Isolating costs

slide S13-3: Isolated costs: summary

The direct marketing budget needs to include any costs incurred by activities such as:

- | | |
|---|--|
| • list rentals | • delivery |
| • testing | • creative development |
| • order and data processing | • production |
| • billing and depositing cheques and money orders | • media costs |
| • credit card transactions | • telecommunication (phone calls, 1800 lines etc.) |
| • fulfilment | • royalties |
| • shipping, handling | • legal fees |
| • cost of bringing merchandise to warehouse | • permit numbers |
| • warehousing | • agency fees |
| • postage | • placement |
| | • website maintenance |

slide S13-4: Important documents for budgeting: chart of accounts, profit and loss statement

13.3 Important documents for budgeting

Chart of accounts:

A list of all items in the budget, each one coded, grouped under headings

Profit and loss statement:

Used as 'an economic forecasting tool' this document includes, in its simplest form:

- net sales
- less cost of goods sold
- gross profit
- less selling and operating expenses
- net profit

based on Katzenstein/Sachs, p158

13.4 Measuring profit, cost and response: summary

The budget and direct marketing plan work closely with statistical and financial analyses of activities and campaigns. Measuring the results of activities is a fundamental part of direct marketing. After all, it is the ability to record and measure results which separates direct marketing from other marketing approaches.

slide S13-5: Measurement methods: list below

Measurements which are frequently used in direct marketing include:

- Cost Per Enquiry (CPE) or Cost per Response
- Conversion Ratio (from enquiries to sales)
- Cost Per Order (CPO) or Cost Per Sale (CPS)
- Average Order Values (AOV)
- Return On Investment (ROI)
- Customer Life-Time Value (LTV)
- Cost-to-Sale Ratio
- Allowable Marketing Cost (AMC)
- Break-even Analysis
- Sales Response Curve
- Response Rate

Following is a brief summary of these measurements, as they are used in direct marketing.

13.4.1 Cost Per Enquiry or Cost Per Response

slide S13-6: Cost per enquiry: equation

A simple calculation in which the cost of promotion is divided by the number of responses can help the direct marketer to determine whether or not enquiries are costing too much to generate.

Media Costs + Production Costs divided by Response volume =
Cost Per Enquiry

DMEP, 1.10.03-4

It is important to remember that factors such as the timing of a promotion (e.g. season) and the communication method used can affect response volume and thus cost per response.

slide S13-7: Conversion
ratio: example of percentage
and ratio

13.4.2 Conversion ratio (from enquiries to sales)

This calculation can be expressed either as a ratio or percentage which shows how many enquiries resulted in orders.

DMEP, 1.10.05

slide S13-8: Cost per order:
equation

13.4.3 Cost Per Order (CPO) or Cost Per Sale (CPS)

In its simplest form, the equation for CPO is:

Cost of Media divided by Number of Orders = CPO

DMEP, 1.10.06

CPO can also include a calculation of the cost of orders from enquiries:

slide: S13-9: Cost per order
from enquiries: equation

Cost Per Enquiry + Cost Per Fulfilment multiplied by Enquiry Ratio =
Cost per Order

DMEP, 1.10.07

A comparison of the cost of orders and the cost of firm sales can be made (where people may have ordered an item and decided later not to buy, versus people who order and follow through with purchase).

slide S13-10: Comparing the
cost of orders with cost of
sales: equation

Number of orders divided by number of firm sales, multiplied by the
Cost per Order = Cost per Sale

DMEP, 1.10.08

slide S13-11: Cost to sale
ratio: equation

13.4.4 Selling Cost or Cost-to-Sale Ratio

A comparison of the cost of sales to the value of sales lets you know what value of sales is generated for each dollar spent on marketing.

DMEP 1.10.09

This is calculated by dividing the cost of sales by the value of sales, and is usually expressed as a percentage.

Cost of Sales divided by Value of Sales = Cost-to-Sales Ratio

slide S13-12: Cost-to-Sales and the marketing plan: summary

The Cost-to-Sales Ratio can be used to compare the success of individual elements within a marketing plan, such as:

- a database segment
- an entire campaign
- product
- special offer
- an 'event' (e.g. a newspaper advertisement)
- creative
- fulfilment procedure

quoted and adapted from DMEP, 1.10.09

13.4.5 Allowable Marketing Cost

slide S13-13: AMC: equation

The Allowable Marketing Cost (AMC) or Marketing Allowable is one of the most important calculations in direct marketing, as it provides a guide to profitable levels of expenditure. In its simplest form, the AMC involves three cost centres: product, distribution and marketing.

AMC = sales value in dollars
 minus cost of goods
 minus cost of distribution
 minus required profit margin

In most cases, the equation is more complicated than this, because each sale becomes more profitable with an increase in sales. A variety of fixed and variable costs are thus contributing to the AMC.

DMEP 1.10.10

13.4.6 Sales Response Curve

slide S13-14: The sales response curve: graph example

The Sales Response Curve is a graph which shows the consumer reaction to different levels of marketing expenditure.

De Weaver, p102 – 4; Katzenstein/Sachs, p158ff

13.4.7 Response Rate

slide S13-15: Response rate: equation

Usually measured as a percentage, the response rate is calculated by dividing the number of responses by the number of items in a campaign.

For example, to calculate the response rate of a direct mail campaign, you would divide the number of responses by the number of items mailed.

De Weaver, p103

13.5 Measuring customer value

One of the most important aspects of direct marketing is the focus on the value of the customer. Customer value, and how much a company is willing to invest in both existing and new customers involves complex, ongoing analysis. The unpredictability of human nature, plus the amount of time it takes to establish and maintain a long-term customer relationship makes such assessment difficult.

Following are some of the methods of analysing customer value.

13.5.1 Investment criteria

slide S13-16: Investment criteria: summary

When deciding whether the expected returns are worth the investment in new customers, direct marketers can look at 'payback, rate of return and present value.'

- payback – length of time it takes to recoup initial investment
- rate of return – 'relates net earnings to the cost of an investment over its effective life'
- present value – measurement calculated from cash inflow from an investment

Katzenstein/Sachs p72 – 3

13.5.2 Return On Investment

slide S13-17: ROI: summary

Predicting the ROI involves:

- estimating response and conversion to sales
- calculating expected return on marketing investment
- projecting profit and loss
- projecting future customer values

Return On customer acquisition Investment or Customer Life-Time Value

The life-time value of a customer is an attempt to calculate the value of future business with a customer. Often, the first sale does not yield a profit, so it is important to be able to assess the future value of winning a customer's business.

slide S13-18: ROI customer acquisition equation and definition of terms; adapted

In its simplest form the calculation involves:

ROI = return on customer acquisition investment

Future Contribution = eventual profit

Discount = allowance for deferred profit (discounted cashflow)

The future gain is 'discounted' according to its distance from the upfront cost of the initial marketing investment.

An interest value is attached to the money spent on the initial marketing investment.

DMEP1.10.14

Net Acquisition Cost = cost after allowing for value of initial transaction

Return on customer acquisition investment (ROI) is calculated by dividing the 'Future Contribution less Discount' by the 'Net Acquisition Cost'

DMEP1.10.14

13.5.3 Activity-based costing analysis:

[slide S13-19: ABC analysis: summary](#)

This technique is useful for deciding how much the business can afford to spend on promotions and reaching new customers.

Steps in activity-based costing analysis:

- assign an exact dollar amount to each activity (excluding fixed business costs)
- determine the marginal cost of the product, offer or mail-out
- select those names with an expected marginal revenue greater than the marginal cost of promotion (start with best customers and work back)
- assess the above in conjunction with life-time values of customers

Activity-based costing helps determine the budget for investment in new and existing customers.

Jenkins, p80

13.5.4 Marginal economics

'Marginal economics is a system that seeks to identify the point where additional costs and additional revenues are equal and then develop ways to keep business revenues at or above this point.'

Katzenstein/Sachs, p160

In marginal economics terms, additional costs of production and distribution are called marginal cost.

Additional revenue is called marginal revenue.

[slide S13-20: Marginal decision rule](#)

Marginal decision rule:

Marginal revenue should equal or exceed marginal cost

Break-even analysis

The point at which marginal cost and marginal revenue are equal is called the break-even point.

[slide S13-21: Break-even analysis: equation](#)

It is calculated by deducting the costs from returns. Anything above the break-even point is profit.

Break-even analysis is most helpful for the direct marketer as a guide to considering 'profit alternatives.' To be used effectively, advanced methods of break-even analysis are required.

Discussion:

Discuss how the preceding equations may be of value to the direct marketer. What do you think the most important measurement is?

"Direct marketers must be as proficient in building customer relationships as in entrepreneurial skills." Discuss.

Cross-references:

ABC analysis is also mentioned in M10

References and further reading:

Bird, Drayton. **Commonsense Direct Marketing**

De Weaver, Lynne. **How to Use Direct Marketing in Your Business**

Direct Marketing Education Programme 1.10

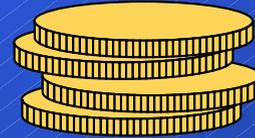
Jenkins, Vin. **An Introduction to Direct Marketing**

Jones, Susan K. **Creative Strategy In Direct Marketing**

Katzenstein and Sachs. **Direct Marketing**

Budget planning

Revenue



Costs



Profit



Budget

The role of the budget

- qualify strategies
- isolate costs
- predict profit
- evaluate investments
- predict funding requirements
- permit comparison
 - *with alternative investments*
 - *between forecast and actual performance*
- foster management skills

Isolated costs in a direct marketing budget include:

- list rentals
- testing
- order and data processing
- billing & depositing cheques and money orders
- credit card transactions
- fulfilment
- shipping, handling
- cost of bringing merchandise to warehouse
- warehousing
- postage
- delivery
- creative development
- production
- telecommunications
- media costs
- royalties
- legal fees
- permit numbers
- agency fees
- placement

Important documents for budgeting

chart of accounts:

- *a list of coded and grouped budget items*

profit and loss statement which includes:

- *net sales*
- *less cost of goods sold*
- *gross profit*
- *less selling and operating expenses*
- *net profit*

Some frequently used measurements

- Cost Per Enquiry (CPE) or Cost per Response
- Conversion Ratio (from enquiries to sales)
- Cost Per Order (CPO) or Cost Per Sale (CPS)
- Average Order Values (AOV)
- Return On Investment (ROI)
- Customer Life-Time Value (LTV)
- Cost-to-Sale Ratio
- Allowable Marketing Cost (AMC)
- Break-even Analysis
- Response Rate
- Sales Response Curve

Cost per enquiry

$$\frac{\text{Media Costs} + \text{Production Costs}}{\text{Response volume}} = \text{Cost Per Enquiry}$$

Conversion ratio

$$\frac{\text{Number of Enquiries}}{\text{Number of Orders}} = \textit{Conversion Ratio}$$

Cost per order

$$\frac{\text{Total Cost of Media and Production}}{\text{Number of Orders}} = \text{Cost per Order}$$

(in it's simplest form)

Cost per order from enquiries

Cost Per Enquiry + Cost Per Fulfilment \times Enquiry Ratio = *Cost per Order*

Comparing the cost of orders with cost of sales

$$\frac{\text{Number of orders}}{\text{Number of firm sales}} \times \text{Cost per Order} = \textit{Cost per Sale}$$

Cost to sale ratio

$$\frac{\text{Cost of Sales}}{\text{Value of Sales}} = \textit{Cost-to-Sales ratio}$$

Cost-to-Sales and the marketing plan

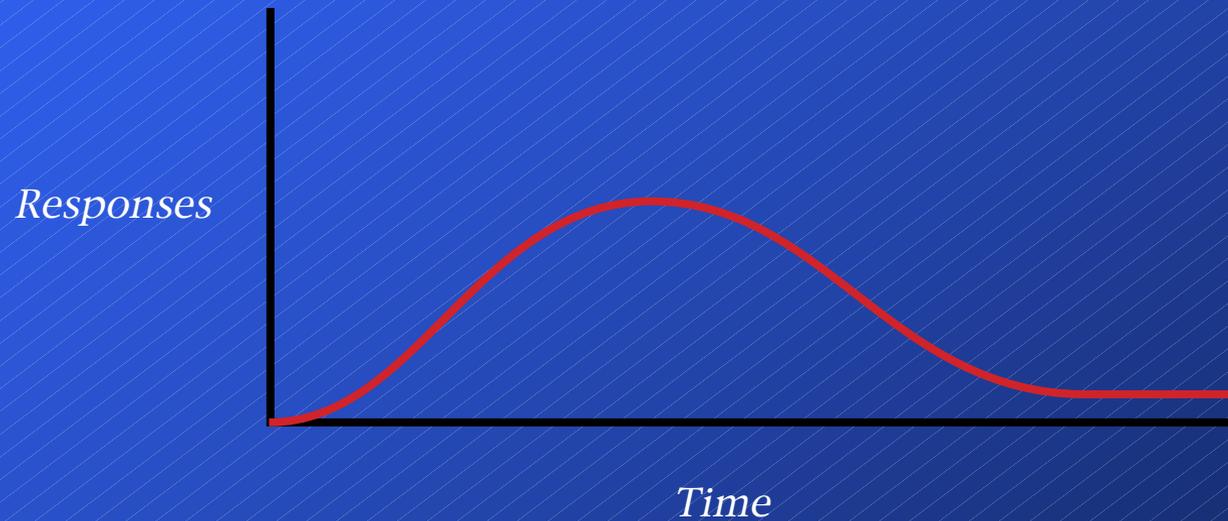
The Cost-to-Sales Ratio can be used to compare the success of individual elements within a marketing plan, such as:

- a database segment
- a campaign
- product
- special offer
- an 'event' (e.g. a newspaper advertisement)
- creative
- fulfilment procedure

A simple AMC

The Allowable Marketing Cost =
sales value in dollars
minus cost of goods
minus cost of distribution
minus required profit margin

The sales response curve



Response rate

$$\frac{\text{Number of items mailed or targets reached}}{\text{number of responses}}$$

Key investment criteria

- payback
- rate of return
- present value

Return On Investment

Predicting the ROI involves:

- estimating response and conversion to sales
- calculating expected return on marketing investment
- projecting profit and loss
- projecting future customer values

A simple ROI customer acquisition equation

ROI = *return on customer acquisition investment*

Future Contribution = *eventual profit*

Discount = *allowance for deferred profit*
(discounted cashflow)

Net Acquisition Cost = *cost after allowing for value of initial transaction*

$$\text{ROI} = \frac{\text{Future Contribution}}{\text{Net Acquisition Cost}}$$

Activity Based Costing analysis

- assign an exact dollar amount to each activity (excluding fixed business costs)
- determine the marginal cost of the product, offer or mail-out
- select those names with an expected marginal revenue greater than the marginal cost of promotion (start with best customers and work back)
- assess the above in conjunction with life-time values of customers

Marginal decision rule

Marginal revenue should equal or exceed marginal cost

Break-even analysis

Marginal Cost = Marginal Revenue

14.0 Outline

This module looks at the way in which objectives, strategies and tactics fit within the direct marketing plan, along with budgeting, campaigns, operational tasks and evaluation.

14.1 Direct marketing review

[slide S14-1: The direct marketing review: summary](#)

In order to make future plans, a company needs to ask the question 'where are we now?'. This is done by assessing the company's existing objectives, strategies and tactics as well as the results of its performance to date, including:

- company profile and objectives
- products and services strategy
- pricing strategy
- packaging strategy
- distribution strategy
- service
- research
- campaign strategy, tactics and results

DMEP 1.10; Jones, p47-48; McEwan, p15-19

[slide S14-2: Company and marketplace: diagram](#)

In order to establish where the company is situated in relation to the rest of the marketplace, a review also needs to look at external factors such as:

- business environment
- industry
- competitors
- target markets
- suppliers

McEwan, p15 – 16

[slide S14-3: SWOT analysis: summary](#)

SWOT analysis:

SWOT analysis is an important process which looks at the company's internal strengths, weaknesses and external opportunities and threats in comparison to competitors.

McEwan, p16ff

14.2 Objectives, strategies and tactics

Direct marketing planning involves the integration of objectives, strategies and tactics.

slide S14-4: Objectives,
strategies, tactics: tree
diagram

One objective may have more than one strategy stemming from it.

Tactics stem from the strategy.

DMEP, 1.9.01

Objectives: where do we want to go?

An objective is an aim or goal. In order to determine the objectives, a company must be aware of its 'mission statement' or overriding goal. All objectives, strategies and tactics should be in line with this 'mission statement.'

A company may have several objectives. Each one has its own strategy.

DMEP, 1.9.01

slide S14-5: Direct marketing
strategies: summary

Strategies: how will we get there?

A strategy is the plan for fulfilling the objective.

The famous 'four P's' comprise the basic areas into which strategies fall:

1. product
2. price
3. place (distribution)
4. promotion

The strategies which a company chooses to adopt within these portfolios is referred to as the 'marketing mix'.

An objective might have more than one potential strategy, but only one will be implemented. Each strategy may have numerous tactics.

McEwan, p6 – 7, DMEP, 1.9.01

Tactics: which route will we take?

Tactics stipulate the exact ways in which the strategy will be implemented. One strategy may have several tactics. In direct marketing, tactics usually 'involve personal communications.'

DMEP, 1.9.04; McEwan, p13 – 19

slide S14-6: Direct marketing
objectives: summary

14.2.1 Direct marketing objectives

- company objectives
 - profile
 - profit
- business sector objectives
- departmental objectives
- functional objectives

McEwan, p15

Appropriate objectives can be quantified and are achievable.

slide S14-7: Direct marketing strategies: summary

14.2.2 Direct marketing strategies

Strategies which are particularly important for direct marketing are:

- database development
- targeting and segmentation
- pricing and offer
- retaining customers

General marketing strategies used by the direct marketer are:

- products
- positioning
- promotion
- distribution
- market research
- customer services
- new customers
- generating leads
- salesforce
- communications
- media
- competitions

DMEP 1.9; McEwan, p15 – 19

14.2.3 Tactics

slide S14-8: Tactics: summary

- products and services to be offered
- pricing and payment terms
- offer (generic or by segment)
- promise
- positioning (generic or by segment)
- media and communication
- production costs
- creative treatment:
 - copy
 - graphics
 - components
- timetable:
 - materials due
 - production schedule
 - promotion campaign
 - follow up
 - other important dates

- operational tasks:
 - database management: updating content, quality control
 - research (inhouse/external)
 - handling responses (extra equipment, staff, training)
 - order and payment processing
 - fulfilment
 - salesforce (if relevant)
- public relations
- special events, activities
- testing
- statistical and financial analysis – how it is to be done and predicted result

DMEP, 1.9.12

Tactics need to be set out as an activity or campaign plan. As the year progresses, some of the tactics or activities may need to be changed because of changes in the marketplace or other, originally unforeseen events which affect the plans.

14.3 Evaluation

The objectives, strategies and tactics need to be frequently evaluated to determine if the objectives are being achieved through appropriate strategies and successful tactics.

During this process the value of setting appropriate objectives becomes obvious. Good objectives must be relevant and able to be accurately evaluated, that is, they are:

- quantifiable
- achievable
- measurable

[slide S14-9: Evaluation: direct marketing circle diagram](#)

The marketing plan is really an ongoing circle:
review – plan – testing – campaign – fulfilment – analysis – review

14.4 Budgeting and the direct marketing plan

The marketing plan needs to incorporate a budget which takes into account the cost of every activity.

Direct marketing budget plans are discussed in Module 13.

Discussion:

1. How do you think the SWOT analysis impacts on strategy and tactics?

References and further reading:

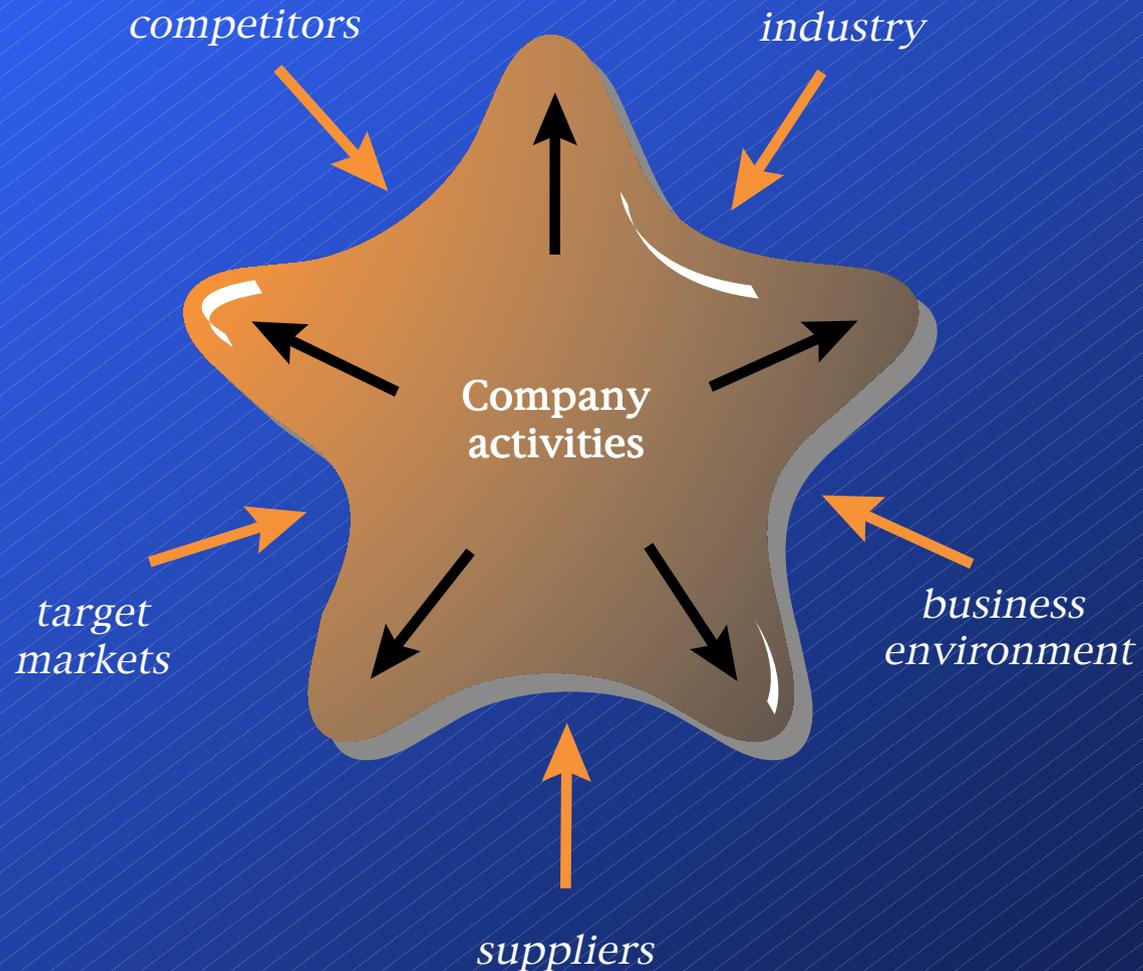
De Weaver, Lynne. *How to Use Direct Marketing in Your Business. Direct Marketing Education Programme 1.9*
 Jones, Susan K. *Creative Strategy In Direct Marketing*
 McEwan, Don. *Growing Your Business With Database Marketing*

The direct marketing review

An assessment of:

- company profile and objectives
- products and services strategy
- pricing strategy
- packaging strategy
- distribution strategy
- service
- research
- campaign strategy, tactics and results

Company and marketplace



SWOT analysis



Objectives, strategies, tactics



Four direct marketing strategy areas

1. product
2. price
3. place (distribution)
4. promotion

Direct marketing objectives

- company objectives
- profile
- profit
- business sector objectives
- departmental objectives
- functional objectives

Key direct marketing strategies

- database development
- targeting and segmentation
- pricing and offer
- retaining customers

Relevant general marketing strategies

- products
- positioning
- promotion
- distribution
- market research
- customer services
- new customers
- generating leads
- salesforce
- communications
- media
- competitions

Direct marketing tactical considerations

- products and services to be offered
- pricing and payment terms
- offer (generic or by segment)
- promise
- positioning (generic or by segment)
- media and communication
- production costs
- creative treatment
- timetable
- operational tasks
- public relations
- special events, activities
- testing
- statistical and financial analysis

Evaluation

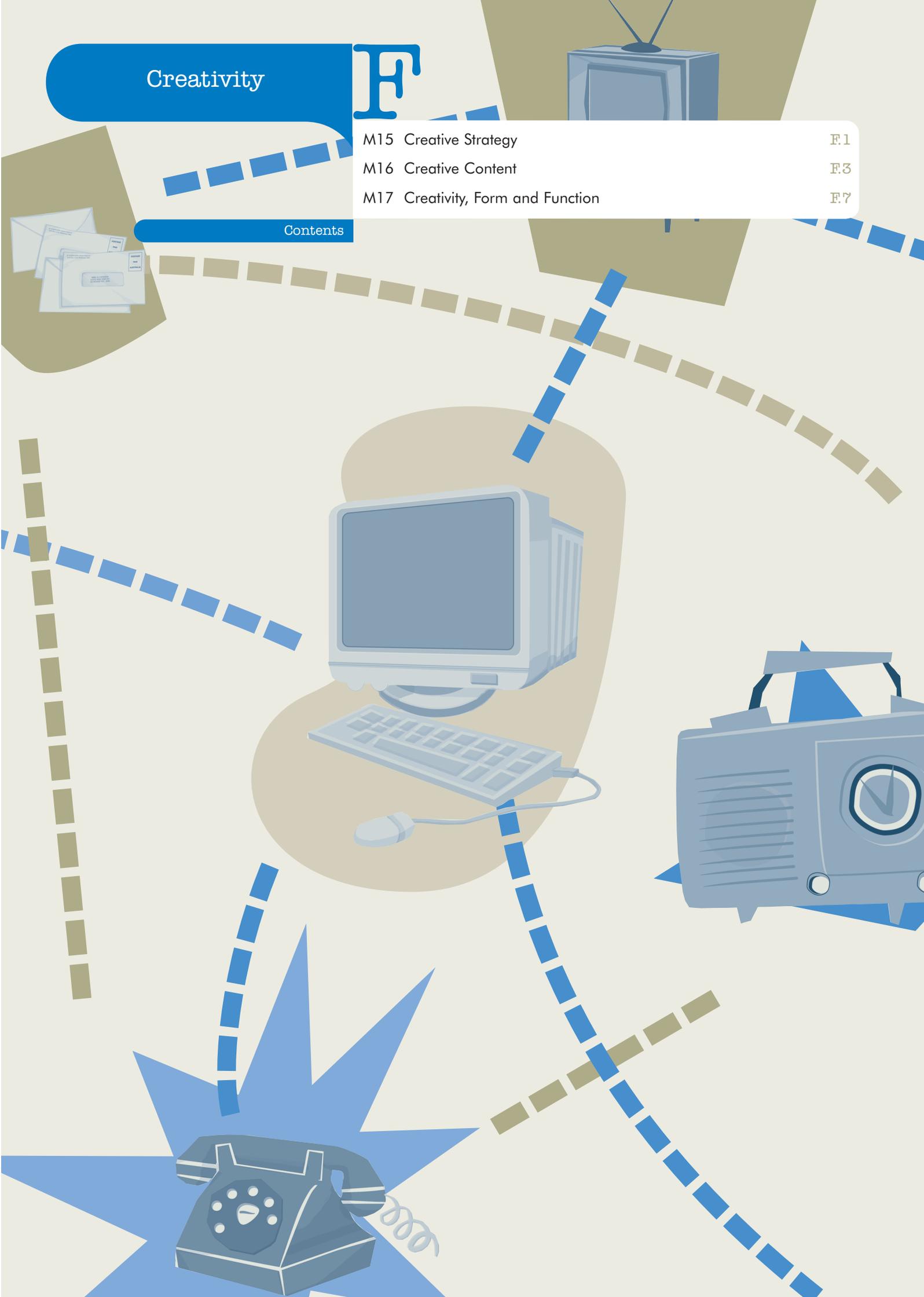


Creativity

F

M15 Creative Strategy	F.1
M16 Creative Content	F.3
M17 Creativity, Form and Function	F.7

Contents



15.0 Outline

Defining an image and establishing credibility are fundamental to the development of an effective creative strategy. In this model we explore the role of creativity and its interaction with other forms of marketing.

15.1 Who are you? – image, style

The importance of credibility

An established marketer needs to consolidate and emphasise the existing image, while a new marketer must build credibility and develop an image from scratch.

[slide S15-1: Who are you? summary](#)

The creative direction needs to keep the image and credibility of the company in mind.

- what's going on in your business?
- what is your image and positioning?
- what is your tone?
- who are you selling to? What will attract them?
- Interaction with other marketing communications

[slide S15-2: Creativity and the marketing plan: summary](#)

Creative strategy must be part of whole marketing plan. Where more than one communication is used, the creative style should be consistent.

15.2 The role of creativity

People have varying opinions as to the significance of creativity in direct marketing.

[slide S15-3: The significance of the creative](#)

Lynne De Weaver (How to Use Direct Marketing in Your Business) apportions the various elements of direct marketing as follows:

- Offer – 40%
- Media – 40%
- Creative – 10%
- Timing – 10%

It might seem like a small percentage in comparison nevertheless, a cohesive, creative approach should permeate the overall direct marketing strategy.

Discussion:

1. How important do you think creative is? Compare general advertising with direct marketing.
2. Think of the direct response advertising you have received. What do you remember most? How important was the creative in prompting your reaction?
3. What is it you remember most about direct mail? – creative, offer, benefits, reason, signature?

Cross-references:

For more on consumer behaviour see M7

For more on creative content and design see M17-18

References and further reading:

Bird, Drayton. **Commonsense Direct Marketing**

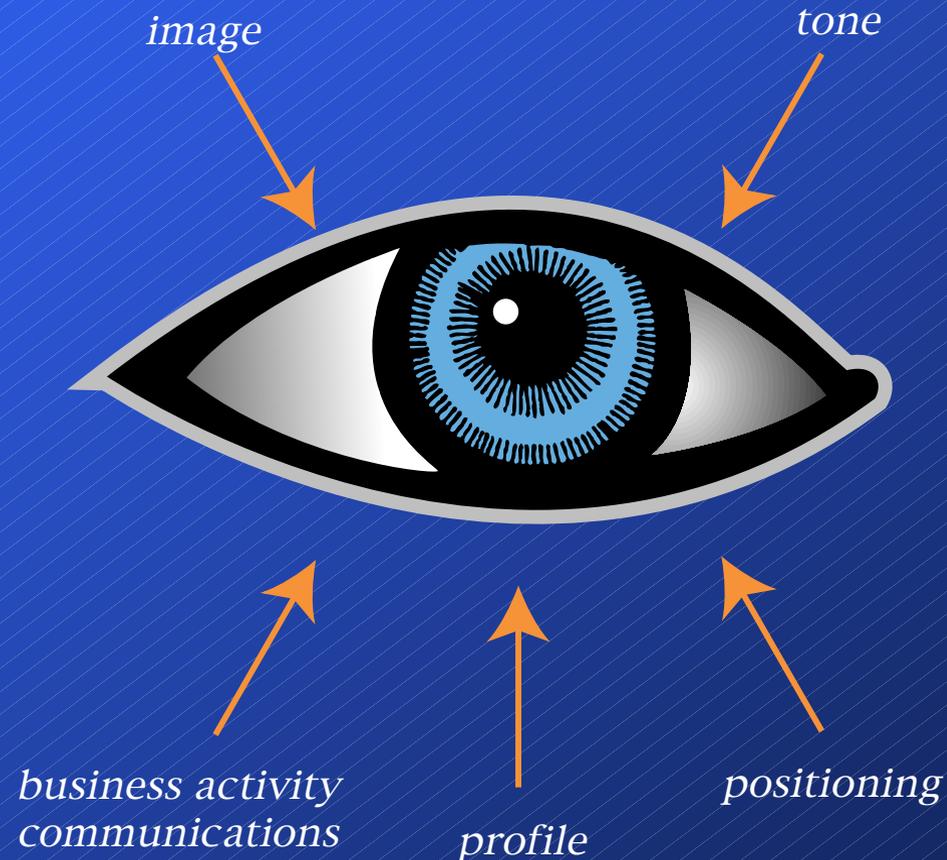
De Weaver, Lynne: **How to Use Direct Marketing in Your Business**

Direct Marketing Education Programme

Jenkins, Vin. **An Introduction to Direct Marketing**

Jones, Susan K. **Creative Strategy In Direct Marketing**

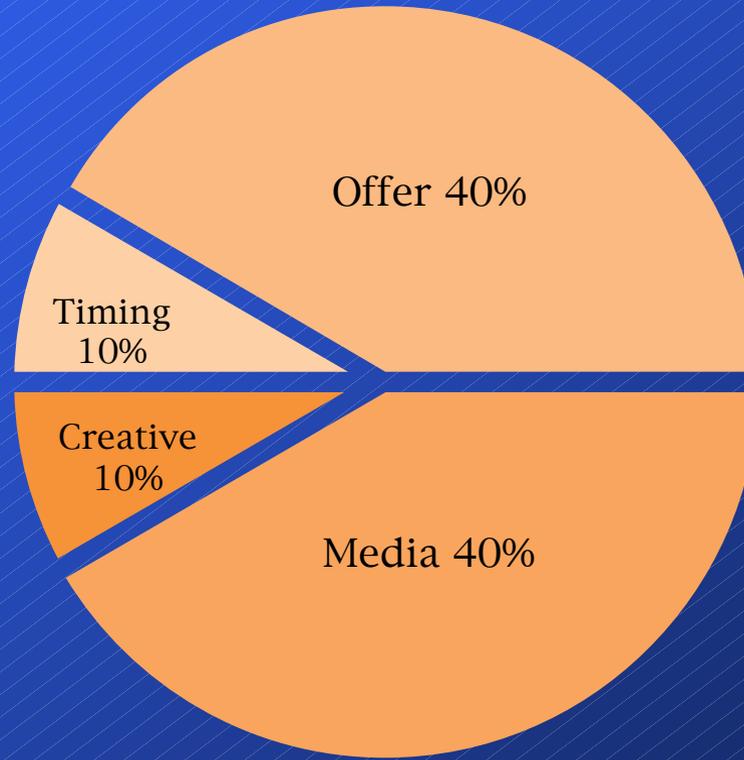
Who are you – how is your business perceived?



Creativity and the marketing plan

- creative strategy must be part of the marketing plan
- the creative style should be consistent through all communications

The significance of the creative



16.0 Outline

How important is the 'creative' – what is creative anyway and how do you assess it?

16.1 Creativity and the offer

slide S16-1: The importance of the offer

How an offer or product is presented affects both the budget and how the reader, listener or viewer responds to the message.

That said, if the offer or incentive is poor, no amount of impressive graphics and slick presentation will save it.

16.2 What is creative?

'Creative advertising isn't necessarily a completely new concept – often what has worked before will work again.'

Jones, p16

slide S16-2: What is effective creative?

Many people think of 'creative' communications as being memorable for their entertainment, humour or impact, however, effective creativity must be built on a foundation that:

- attracts and holds attention
- gets the message across clearly
- appeals to a need
- is relevant to the target audience
- encourages long-term relationship (i.e. does not offend or disappoint)

DMEP 4.3, 4.4

Mistakes in the creative

slide S16-3: Mistakes in the creative: summary

Be sure not to:

- bury or disguise the offer and benefits with graphics or copy
- generate suspicion or disbelief
- fail to answer questions and dispel fears
- offend the prospect
- give a confusing message
- make the response too much effort for the prospect
- bore the prospect

DMEP 4.3, 4.4

slide S16-4: The discipline of creative strategy: summary (quoted from Jones)

16.3 Assessing creative work

Jones refers to the creative strategy in direct marketing as a 'discipline' involving four key requirements:

- knowledge of proven direct marketing techniques
- specific research
- patience for time-consuming tasks
- courage to test ideas

Jones, p16

When considering creative approaches, it is important to keep in mind that the aim of advertising is to make people BUY.

Ads may be funny, or very creative in terms of graphics or style but do not necessarily increase sales.

The 'proven techniques' of the past can be as significant as a new, 'unique approach.'

Jones, p16

Research, careful thought about the effects of media and design, together with testing, increase the chances of producing a creative promotion which is successful.

slide S16-5: Consumers and creative strategy: AIDCA

16.4 Creative methods

It's back to the theories of consumer behaviour:

AIDCA:

- Attention
- Interest
- Desire
- Conviction
- Action

slide S16-6: Consumers and creative strategy: The four P's

The four P's:

- right product
- right price
- right place
- right promotion

McCarthy, Basic Marketing, quoted in Jenkins, p 10

slide S16-7: An elaboration of the four P's

DMEP's elaboration of the four P's:

- Product – its composition and selection
- Targeting – selection of target market
- Offer – what the customer is asked to accept
- Media – the format of ads, mailings, etc.
- Creative – the role of words and illustrations
- Timing – the best time to communicate

DMEP 4.3.03

slide S16-8: Questions to assess creativity: quote

16.4.1 Always ask:

- Will it stop the reader?
- If the reader does stop, will the ad reward that behaviour?
- Does the excitement come directly from the product?
- Does it meet the overall advertising objectives?

Burstiner, p127

slide S16-9: The direct marketing proposition: quote

16.5 Emotion and Reason

'A direct marketing proposition is a single-minded appeal to an emotional need supported by a rational argument that convinces people to act.'

DMEP4.2.17

slide S16-10: Creative criteria for direct marketing

The direct marketer needs to:

- research and address the prospects' need
- make an unambiguous appeal
- justify the argument; persuade and reassure the prospect
- incite action; encourage the prospect to find out more or buy

Reason

As mentioned in module 7, reason is extremely important in direct marketing. General advertising appeals more to emotion, because its aim is to raise awareness, rather than to elicit an immediate response.

Direct marketing prospects have time to think and choose whether or not to act. They look for reasons to reject an offer (*Glim, The Core of Advertising*). Direct marketing makes a call to action which aims to move the prospect beyond thinking 'that's a clever ad'.

slide S16-11: Support the offer

Thus the offer needs to be supported with:

- specific and clear details of benefits
- reasons why the offer is irresistible and should not be rejected
- persuasion or proof of credibility
- clear instructions about the response required
- a reward for prompt response

slide S16-12: Address the consumer ego

A direct marketing advertisement needs to address the egocentric nature of the consumer who will ask:

- how does it benefit me?
- is it interesting to me?
- is it easy for me to respond?

slide S16-13: Target and creative strategy

In other words, the target audience should determine the direction of a creative strategy.

'AIDA in the case of direct marketing should be directed towards known prospects, not at the population as a whole.'

DMEP 4.2.17

Discussion:

Is creativity in direct marketing different from creativity in other forms of marketing? If so why? Discuss.

Cross-references:

For more about consumer behaviour, see M7

References and further reading:

Bird, Drayton. *Commonsense Direct Marketing*

Direct Marketing Education Programme 4

Jones, Susan K. *Creative Strategy In Direct Marketing*

Burstiner, Irving. *Mail Order Selling: How to Sell Almost Anything By Mail*

The importance of the offer

It is the offer, rather than the creativity, which is significant in direct marketing.

What is effective creative?

Effective creative must:

- attract and hold attention
- communicate clearly
- appeal to a need
- be relevant to the target audience
- encourage a long-term relationship

Mistakes in the creative

Effective creativity does not:

- bury or disguise the offer and benefits with graphics or copy
- generate suspicion or disbelief
- fail to answer questions and dispel fears
- offend the prospect
- give a confusing message
- make the response too much effort for the prospect
- bore the prospect

The discipline of creative strategy

Susan K. Jones suggests creative strategy in direct marketing involves four key requirements:

- knowledge of proven direct marketing techniques
- specific research
- patience for time-consuming tasks
- courage to test ideas

Consumers and creative strategy: AIDCA

Attention

Interest

Desire

Conviction

Action

Consumers and creative strategy: The four P's

right product

right price

right place

right promotion

An elaboration of the four P's:

Product – *its composition and selection*

Targeting – *selection of target market*

Offer – *what the customer is asked to accept*

Media – *the format of ads, mailings, etc.*

Creative – *the role of words and illustrations*

Timing – *the best time to communicate*

Four questions to assess creativity

*Will it stop
the reader?*

*Will it reward
the reader?*

*Is it relevant to
the product?*

*Does it meet
overall advertising
objectives?*



The direct marketing proposition

‘A direct marketing proposition is a **single-minded appeal** to an emotional need supported by a **rational argument** that **convinces people to act.**’

DMEP 4.2.17

Creative criteria for direct marketing

The direct marketer needs to:

- research and address the prospects' needs
- make an unambiguous appeal
- justify the argument; persuade and reassure the prospect
- incite action; encourage the prospect to find out more or buy

Support the offer



Address the consumer ego



*How does it
benefit ME?*

*Is it interesting
to ME?*

*Is it easy for
ME to respond?*

Target and creative strategy

The **Target Audience** should determine the direction of a **Creative Strategy**.

17.0 Outline

This module discusses the importance of relevant creativity, media options, design and production.

17.1 The power of relevant creativity and appropriate production values

slide S17-1: Relevant creativity: summary

Creativity may enhance the offer and incite a response, but to do so it must be relevant to the prospect, and appropriate for the product or offer.

17.1.1 The effect of the product/service

The offer or product is the most important factor; without it, a creative strategy cannot win.

slide S17-2: Focus on the benefits: summary

Focus on the features of the product:

- be relevant, before clever and entertaining
- how is the offer/product relevant to your customers and prospects?
- what are the benefits of your product to that individual?
- what are you offering especially to that individual?

17.2 The effect of the medium

slide S17-3: The effect of the medium: summary

Depending on your offer and the way you want to present it, some mediums may be more appropriate than others.

- what are the best ways of promoting your product?
- which medium is likely to be most effective?
- do you need to use a medium which allows people time to read and think carefully, or do you want a medium for example, where an audible catch phrase is repeated (e.g. radio)?
- do you want to back up one communication, for example direct mail, with another medium such as telemarketing, TV or radio?
- what are your budget constraints?

17.3 Media options and basic presentation considerations

A brief look at the different media options can give you an idea of how the requirements of a campaign can be matched up with an effective form of communication.

slide S17-4: Press advertising:
summary

17.3.1 Press advertising:

- used to generate a sale or enquiry
- space for complex message, diagrams etc.
- image and position are significant
- reaches a large market
- high response rate
- not too expensive

slide S17-5: Direct mail:
summary

17.3.2 Direct mail:

- irresistible, unambiguous offer
- relevance to target prospects
- answer questions, pre-empt concerns, fears
- hold attention throughout, incite curiosity
- can give details about guarantees, order options
- instructions for clear, easy response
- some prospects dislike advertising mail and ask for their names to be removed from the mailing list

slide S17-6: Magazine inserts:
summary

17.3.3 Inserts in magazines:

- needs to grab attention so that it is not overlooked
- small space
- different formats, sizes and shapes produce different results
- easy response options

slide S17-7: Catalogues:
summary

17.3.4 Catalogues:

- each entry is an advertisement
- size and cover leave an impression
- pictures are more important than words, but words must count
- RADER: relevance, authority, distinctiveness, entertainment, retention
(recommended by Smith Bundy, UK catalogue consultancy, referred to in DMEP 4.4.14)

slide S17-8: Direct response
television: summary

17.3.5 Direct response television:

- needs to emphasise the features and benefits of the offer
- must have repeated calls to action with an easy-to-remember phone number
- needs to be longer than general TV ads so there is time to get the viewer's attention, provide sufficient information and incite a response
- instructions about ordering and responding must be clear
- get professionals to produce it
- where applicable, consider supporting benefits with a demonstration

slide S17-9: Direct response
radio: summary

17.3.6 Radio:

- lack of visuals means that the script must be engaging and clear
- telephone numbers need to be memorable
- presentation must be long enough to provide sufficient information and clear instructions
- the ad should repeat calls to action

slide S17-10: Outdoors/transit:
summary

17.3.7 Outdoors/transit:

- a one sentence ad giving the reason why a reader should respond quickly
- need a noticeable and easy-to-remember telephone number

slide S17-11: Directories:
summary

17.3.8 Directories:

- the hottest prospects use directories
- directories are used by all ages, no prior segmentation
- you need to have an appealing offer and visuals, to distinguish your ad from the competition and other distractions in a directory

slide S17-12: Telemarketing:
summary

17.3.9 Telemarketing:

- AIDCA theory applies
- time-consuming: prospects have to feel free to register questions, problems and personal views
- provides opportunity for follow-up
- need a script and staff who are trained to use it well, so that the right message is given
- staff also need to be able to handle enquiries and concerns
- some prospects dislike phone calls and ask for their names to be removed from the list

above summaries of media drawn from Bird, Burstiner, DMEP, Dooley, Jones, McEwan

slide S17-13: Internet banner
advertising: summary

17.3.10 Internet banner advertising

- similar to outdoors/transit advertising
- single-sentence hook, inviting a 'click here' response

slide S17-14: Direct e-mail:
summary

17.3.11 Direct e-mail

- should *never* be sent to people at random
- subject line should clearly include company name and attractive offer
- description of main offer near the top of the e-mail
- always remove people from your list on request

slide S17-15: Website:
summary

17.3.12 Websites

- should be well-designed - as little scrolling and searching as possible
- give off-line response options as well as on-line ones
- personalise if possible

17.4 Design and production

At its simplest level, a production plan needs to consider where the production will take place, how much it will cost, and when it will be completed.

slide S17-16: Design and production considerations: summary

Production facilities:

If producing material inhouse, you may need to expand your facilities and staff during the production period.

If you prefer to use an outside production team, you need to find one which is appropriate for your needs, budget and deadline.

Handling responses and fulfilment:

You need to train staff, maybe even acquire additional staff, to handle telephone enquiries and other responses generated through your direct marketing campaign.

You also need to consider fulfilment, which can be outsourced or handled inhouse. You may require extra staff and facilities. Late or unsatisfactory fulfilment can seriously tarnish your company's image and impair the development of customer loyalty.

Budget:

The budget needs to consider the costs of a campaign, which may include:

- research
- creative strategy
- mailing lists
- package production
- materials
- packaging
- staff – training, additional people
- additional facilities
- consultation
- mail-out
- responses
- fulfilment
- analysis

Timetable:

The direct marketer needs to determine the time of year which is most likely to provide the best results for a campaign, and plan accordingly. Production and execution of the campaign need to be co-ordinated within a realistic and appropriate time-frame.

17.4.1 Designing direct mail

Remember:

- people can't see you in person; the letter has to act as a salesperson
- people get suspicious about salespeople, and therefore sales mail
- you are not present to defend your product, or adjust your claims
- the purpose is to solicit an immediate response and to promote a long-term relationship
- they can read for as long as they want – as opposed to TV or radio

slide S17-17: Designing direct mail: reading path: summary

Design the reading path you want your prospect to follow using:

- 'multiple entry points' (*DMEP, 4.2.16*)
- effective copy
- a convincing, credible letter
- an easy to use response device/coupon with clear instructions

slide S17-18: Designing direct mail: multiple entry points

'Multiple entry points' refer to:

- additional headlines – subheads, cross-heads, P.S.
- panels
- illustrations – pictures, diagrams, tables, charts
- captions
- bullet points
- graphic devices – reverse-outs, ticks, arrows etc.
- underlining
- grammatical devices – paragraphs, capital letters, indents, quotation marks
- colour – colour changes, highlights
- coupons – research shows ads with coupons equals more interest

quoted from DMEP 4.2.16

slide S17-19: Why use multiple entry points?

Multiple entry points

- attract initial interest
- highlight major appeals so they are not overlooked
- gain the attention of impatient or lazy readers
- break up the whole into easily readable parts
- encourage re-reading
- create a lively impression

quoted from DMEP 4.2.16

slide S17-20: Copy: summary

Copy

Copy needs to state the 'unambiguous appeal', give instructions, reason with the customer and attract attention. It also needs to satisfy the following four questions:

- is it relevant?
- is it effective – does it get the message across?
- is it plausible?
- is it personal?

slide S17-21: Format: summary

Format

Direct mail lends itself to a creative format of multiple components:

- envelope
- letter
- response device
- brochure
- response enhancing devices
- sample
- while some people maintain that more components create interest and contribute to a higher response rate, others argue that fewer components give a less confusing or irritating message
- it is generally accepted that a simple response device encourages reply

slide S17-22: Graphic style

Graphic style

- use a readable font which is pleasant to the eye
- don't hide the features and benefits amidst overpowering graphics
- keep the graphics style consistent between components and other forms of communication

slide S17-23: Example of successful direct mail

17.4.2 Put yourself in the reader's shoes –

Why read direct mail?

slide S17-24: Why read direct mail: summary

- is it interesting or different?
- why should I bother to read on?
- what is expected of me?
- how much will it cost me? Is it worth it?
- what is the feel of this organisation and the product? Are they credible?
- am I wasting my time?

slide S17-25: How people scan
direct mail: diagram

How is direct mail read?

Numerous studies have been done on how people scan direct mail. Most people start a little above centre (66% from the base) to the right; they then read down the left edge to the base, looking for the advertiser's name or offer. Interested readers will browse back up through the copy, pausing at dominant points. Finally, they may read the copy from the beginning.

DMEP 4.7.05

slide S17-26: The personal
touch

How is direct mail received?

A news or editorial style often has more credibility for the reader than flash graphics.

A signature in blue has more credibility for the reader. The signature on a letter can have enormous impact. Michael Kiely, in **Marketing** (Nov. 1994) cites the example of Kresta Curtains and Blinds which sent out letters that were handsigned by 'Kate'. Not only is such an approach 'refreshing'; it maximises the personal touch, made possible in a letter.

'Mail is the personal medium. That is its strength. It allows you to extend your personal presence into the homes and offices of your prospects. Yet some marketers contrive to depersonalise it.'

Michael Kiely, Marketing, p22

17.4.3 Catalogue creativity

slide S17-27: Catalogue
creativity: summary

Drayton Bird makes the following recommendations and comments regarding catalogue design:

- make it different, give it character and individuality
- take a personal approach (address the prospect as 'you')
- position and image must be appealing and appropriate
- the cover is significant and a hot selling spot
- remember a number of items can fit on one page
- don't waste space
- create a mood throughout the whole catalogue, rather than taking up space with large 'mood shots'
- alter the visual pace and points of interest
- treat each entry as an ad
- maintain a consistent style with other communications
- use an attractive and readable typeface
- pictures are more important than words, but words must count
- photographs are usually more effective than illustrations
- plan a clear, attractive order form which is easy to use

Bird, p230-1

Discussion:

1. Design a direct mail pack, keeping in mind the complaints about direct mail: confusing copy, unclear benefits and a complicated response.
2. Discuss possible errors in direct mail creativity. Which do you think are the most common? Is professionally created direct mail always appropriate? Why?

Cross-references:

For media methods in direct marketing, see M18

References and further reading:

Bird, Drayton. *Commonsense Direct Marketing*

Burstiner, Irving. *Mail Order Marketing*

Direct Marketing Education Programme 4

Dooley, Cheryl. *Telemarketing*

Jones, Susan K. *Creative Strategy In Direct Marketing*

Kiely, Michael in *Marketing*, November 1994

The Australian Direct Mail Production Handbook

McEwan, Don. *Growing Your Business with Database Marketing*

Relevant creativity

CREATIVE

*relevant to customer
&
appropriate to product*

enhance offer

elicit response

Focus on the benefits



The effects of the medium

Is it suited to a quick response or a considered decision?

Is it the best way to promote your product?

MEDIA

Is it suitable for use with another medium?

Is it likely to be the most effective?

Does it fit your budget constraints?

Press advertising

- generates sales or enquiries
- can convey complex messages
- image and position are significant
- reaches a large market
- high response rate
- a choice of costs

Direct mail

- unambiguous offer
- relevance to target prospects
- answer questions, pre-empt concerns, fears
- hold attention throughout, incite curiosity
- can give details about guarantees, order options
- instructions for clear, easy response

Magazine inserts

- needs to grab attention so that it is not overlooked
- small space
- different formats, sizes and shapes produce different results
- easy response options

Catalogues

- each entry is an advertisement
- size and cover leave an impression
- pictures are more important than words, but words must count
- **RADER**: relevance, authority, distinctiveness, entertainment, retention

Direct response television

- needs to emphasise and show the features and benefits of the offer
- must have repeated calls to action with an easy-to-remember phone number
- must usually be at least 90 secs
- instructions about ordering and responding must be clear

Direct response radio

- lack of visuals means that the script must be engaging and clear
- telephone numbers need to be memorable
- presentation must be long enough to provide sufficient information and clear instructions
- the ad should repeat calls to action

Outdoor/transit

- a one sentence ad giving the reason why a reader should respond quickly
- need a noticeable and easy-to-remember telephone number

Directories

- the hottest prospects use directories
- directories are used by all ages, no prior segmentation
- need to have an appealing offer and visuals

Telemarketing

- 'AIDCA' theory applies
- time-consuming: prospects have to feel free to register questions, problems and personal views
- opportunity for follow-up
- need a script and trained staff
- staff also need to be able to handle enquiries and concerns
- some prospects dislike phone calls and ask for their names to be removed from the list

Internet banner advertising

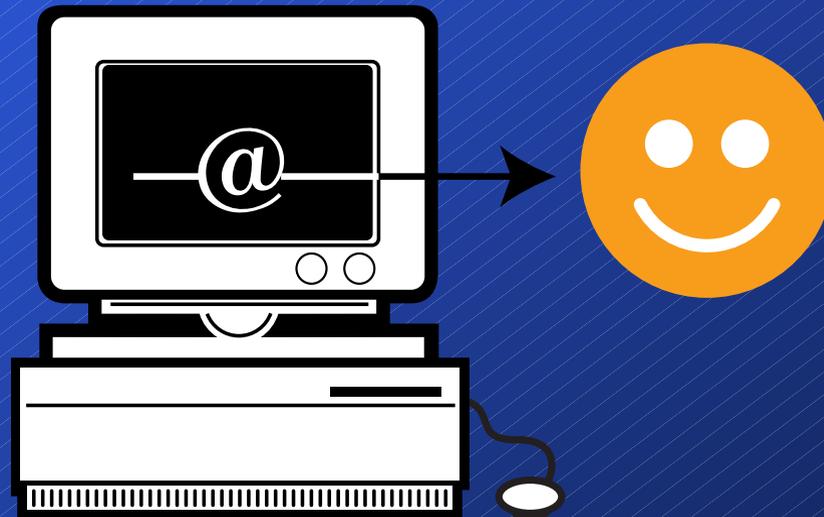
- similar to billboards
- single-sentence hook



Direct e-mail

Should be:

- targeted
- enticing
- non-intrusive



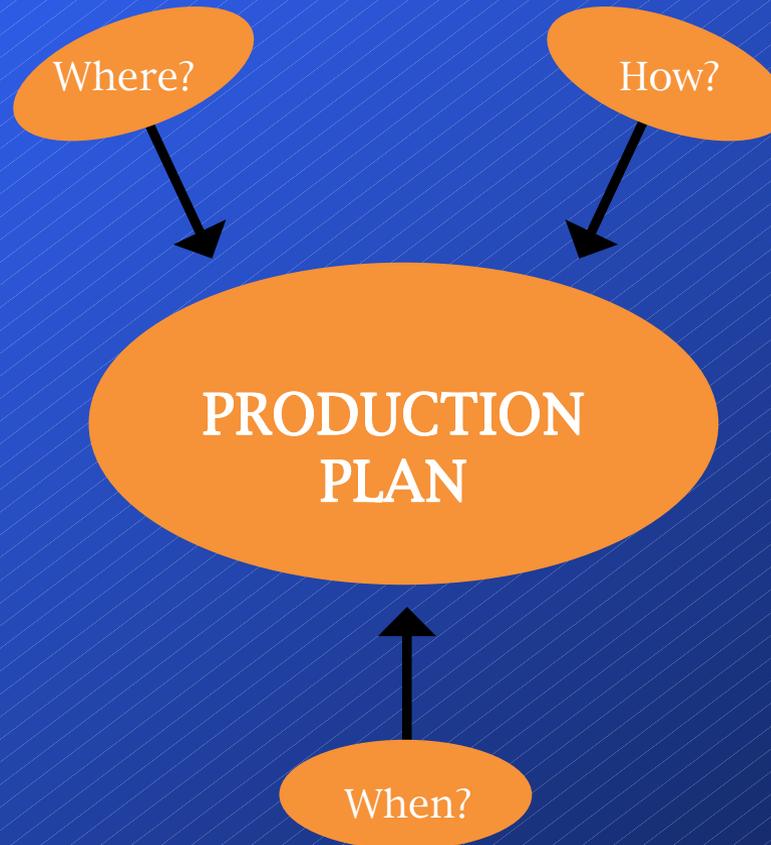
Websites

Should be:

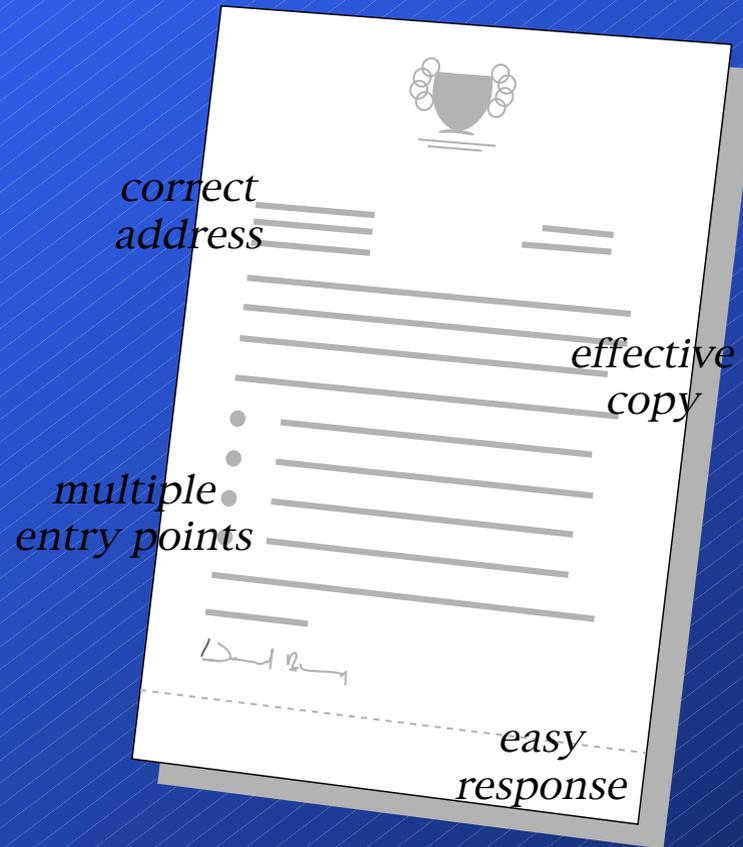
- well-designed
- integrated with off-line
- customised



Design and production



Designing direct mail



Designing direct mail: multiple entry points

- additional headlines – *subheads, cross-heads, P.S.*
- panels
- illustrations – *pictures, diagrams, tables, charts*
- captions
- bullet points
- graphic devices – *reverse-outs, ticks, arrows etc*
- underlining
- grammatical devices – *paragraphs, capital letters, indents, quotation marks*
- colour – *colour changes, highlights*
- coupons

Why use multiple entry points?

- attract initial interest
- highlight major appeals so they are not overlooked
- gain the attention of impatient or lazy readers
- break up the whole into easily readable parts
- encourage re-reading
- create a lively impression

Copy Checklist

1. is it relevant?
2. does it communicate?
3. is it plausible?
4. is it personal?

Direct Mail Format

Direct mail lends itself to a creative format of multiple components:

- envelope
- letter
- response device
- brochure
- response enhancing devices
- sample

Research has shown that:

- more components = more interest
- a simple response device encourages reply

Graphic style

- use a readable font which is pleasant to the eye
- don't hide the features and benefits amidst overpowering graphics
- keep the graphics style consistent between components and other forms of communication

Example of successful direct mail



courtesy of Bristow and Prentice

Why read direct mail?

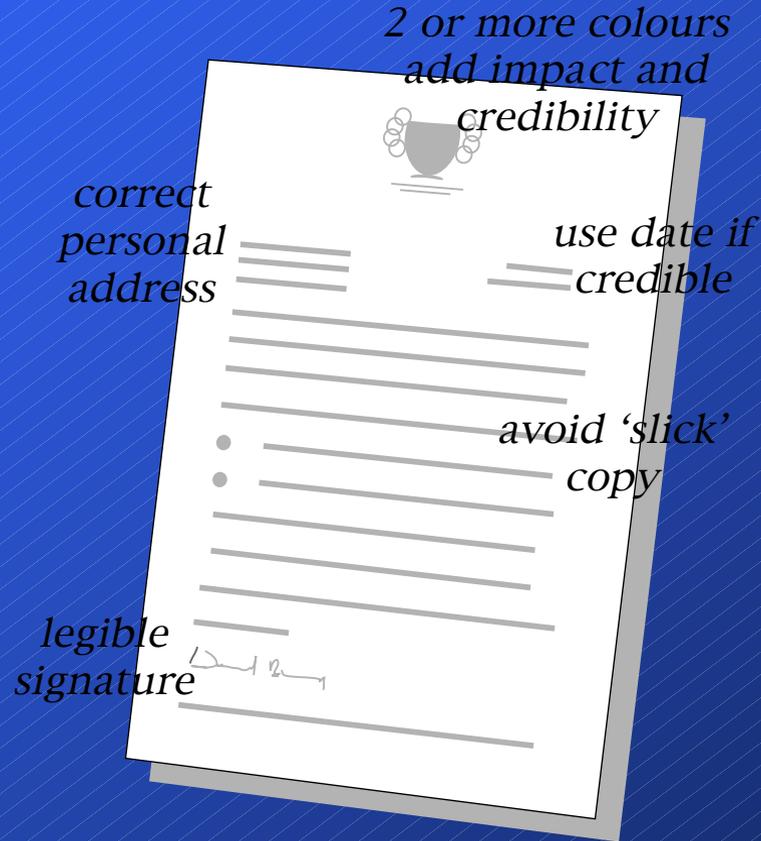
- is it interesting or different?
- why should I read on?
- what is expected of me?
- is it value for money?
- are this organisation and product credible?
- am I wasting my time?

How people scan direct mail

A common scanning path



The personal touch



Catalogue creativity

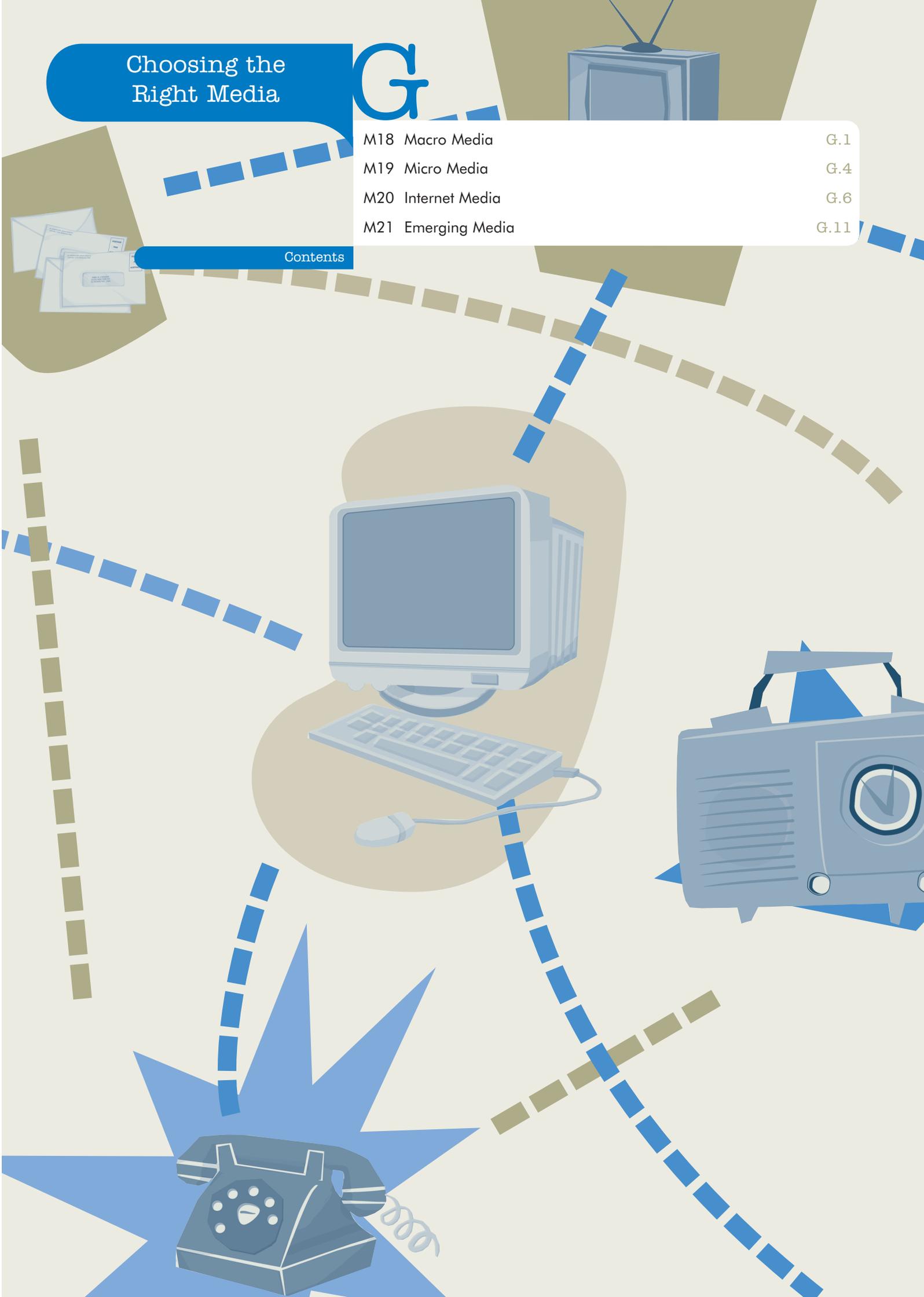
- character and individuality
- a personal approach
- appealing position & image
- hard working cover
- a number of items on one page
- don't waste space
- create a mood throughout the whole catalogue
- alter the visual pace and points of interest
- treat each entry as an ad
- maintain a consistent style with other communications
- use an attractive and readable typeface
- pictures are more important than words
- photographs are usually more effective than illustrations
- plan a clear, attractive order form

Choosing the Right Media

G

M18 Macro Media	G.1
M19 Micro Media	G.4
M20 Internet Media	G.6
M21 Emerging Media	G.11

Contents



18.0 Outline

This module looks at different forms of 'impersonal' direct marketing, such as newspapers, magazines, posters, TV and radio.

18.1 What is macro media?

[slide S18-1: Macro media: summary](#)

Macro media refers to mass or 'impersonal' direct marketing which uses 'indirect' media to facilitate a response. The main avenues of 'impersonal' direct marketing are:

- press and print
- broadcast

18.2 Press and print

[slide S18-2: Newspapers: summary](#)

18.2.1 Newspapers:

- can be relatively inexpensive – compared to magazines and TV
- quick testing and evaluation
- have wasted circulation
- short ad life
- surrounding distractions/clutter
- need to consider the edition, issue and frequency of circulation
- the positioning of the ad on the page is important
- timing: when to run campaign: be aware of month, season, climate, holiday issues which may have a positive or negative effect
- rates: negotiating deals with newspapers, space, position, discounts

Burstiner, p159

18.2.2 Magazines:

[slide S18-3: Magazines: summary](#)

- better reproduction: watch for print quality
- long response period: responses keep coming months, even years later
- good test medium: many magazines have regional editions and frequent circulation, enabling the test to cover different geographic areas
- the copy has to be prepared so far in advance that the test results may not be comparable
- long production time means that the ad might be irrelevant or not as good as other recent offers

slide S18-4: Magazine inserts:
summary

18.2.3 Magazine inserts for tests:

- a combination of an ad and a mailing
- generate a high response rate
- you control the quality and content: no one else can ruin it
- different formats, sizes and shapes produce different results
- effective way to create interest and overcome inertia
- there is often a long wait period for responses
- costly to produce

slide S18-5: Outdoor/transit:
summary

18.2.4 Outdoor/transit:

- can be used as a secondary medium
- catches the attention of passing motorists, pedestrians, commuters
- usually glimpsed briefly, therefore information is limited
- attracts enquiries

18.3 Broadcast Media

slide S18-6: Radio: list below

18.3.1 Radio:

- speedy response
- easy to alter message
- particular phrases make a difference
- relatively inexpensive compared to other mediums
- restricted presentation – time limit, lack of visuals
- competing with other distractions – ads and programs
- short-lived messages
- needs to be frequently repeated so that people hear it
- copy must hold the listener's attention and be clear

Burstiner, p187, 192 – 3; Bird, p289

18.3.2 Television:

slide S18-7: Television:
summary

- re-inforces other forms of direct marketing, for example a mail-out campaign
- visual and audio presentation
- broad viewing, but cannot select viewers
- short ad life
- off-peak broadcast can do as well as peak – less competition and distractions
- expense depends on broadcast time and production costs; some television advertisements can be produced quite cheaply

Bird, p154

Discussion:

Think of examples of direct marketing from each media – how easy would it be to use similar executions in different media? Are some products more suited to some media, if so, why?

Cross-references:

For more about media, see 'media options' in M17

References:

Bird, Drayton. **Commonsense Direct Marketing**

Burstiner, Irving. **Mail Order Selling**

Jones, Susan K. **Creative Strategy In Direct Marketing**

MACRO MEDIA

```
graph TD; A[MACRO MEDIA] --> B[Broadcast]; A --> C["Press, Print & Outdoor"]; B --> D[Radio]; B --> E[TV]; C --> F[Magazines]; C --> G[Newspapers];
```

Broadcast

*Press,
Print &
Outdoor*

Radio

TV

Magazines

Newspapers

Newspaper

- relatively inexpensive
- quick testing and evaluation
- have wasted circulation
- short ad life
- surrounding distractions/clutter
- visual alone
- edition, issue, circulation
- positioning on page
- timing
- rates

Magazines

- better reproduction
- long response period
- good test medium
- long copy dates
- long production time

Magazine inserts

- a combination of an ad and a mailing
- can generate a high response rate
- control of quality and content
- different formats, sizes & shapes
- create interest and overcome inertia
- long wait period for responses
- costly to produce

Outdoor/transit

- can be a secondary medium
- targets motorists, pedestrians, commuters
- information is limited
- attracts enquiries

Radio

- speedy response
- easy to alter message
- phrases make a difference
- relatively inexpensive
- time limit, lack of visuals
- competing with other distractions
 - *ads and programs*
- short-lived messages
- needs to be frequently repeated
- copy must be clear and compelling

Television

- can reinforce other media
- visual and audio presentation
- broad viewing, but indiscriminate
- short ad life
- off-peak broadcast can do well
- expense depends on broadcast time and production costs

19.0 Outline

[slide S19-1: Micro media](#)

In this module, we consider more personal methods of direct marketing including direct mail, unaddressed mail such as catalogues and telemarketing.

19.1 Mail

19.1.1 Direct mail:

[slide S19-2: Direct mail: summary](#)

- used as a principal medium
- excellent for testing
- takes a personal approach both in initiating and maintaining contact with prospects and customers
- builds long-term relationships with customers as individuals
- can be designed for a particular target list
- the format and number of contents is flexible
- generates a high response rate

19.1.2 Catalogues:

[slide S19-3: Catalogues: summary](#)

- some people request catalogues and so have an existing interest. Where the catalogue is unaddressed mail, people often still expect exciting offers
- the challenge is to keep the reader's attention
- beware of producing cheap and unimpressive catalogues which reflect badly on your product/service and company image

19.2 Telemarketing

[slide S19-4: Telemarketing: list below](#)

- potent medium, fast-growing, especially with 1800 numbers
- value of immediacy – can answer questions, reassure, offer
- interactive
- generate sales, supplement salesforce selling
- builds loyalty, trust
- gets attention
- opportunity to listen to the customer
- offer advice
- provide better levels of customer service
- facilitate customer care programs, follow-up
- need to train staff and obtain scripts

Bird p156 – 8, 229; Cheryl Dooley, Telemarketing; McEwan, p63 – 75

Discussion:

1. Have you ever been called by a telemarketer? How did you respond and why?
2. Write a telemarketing script.

Cross-references:

For more about media options and direct mail design see M17

References and further reading:

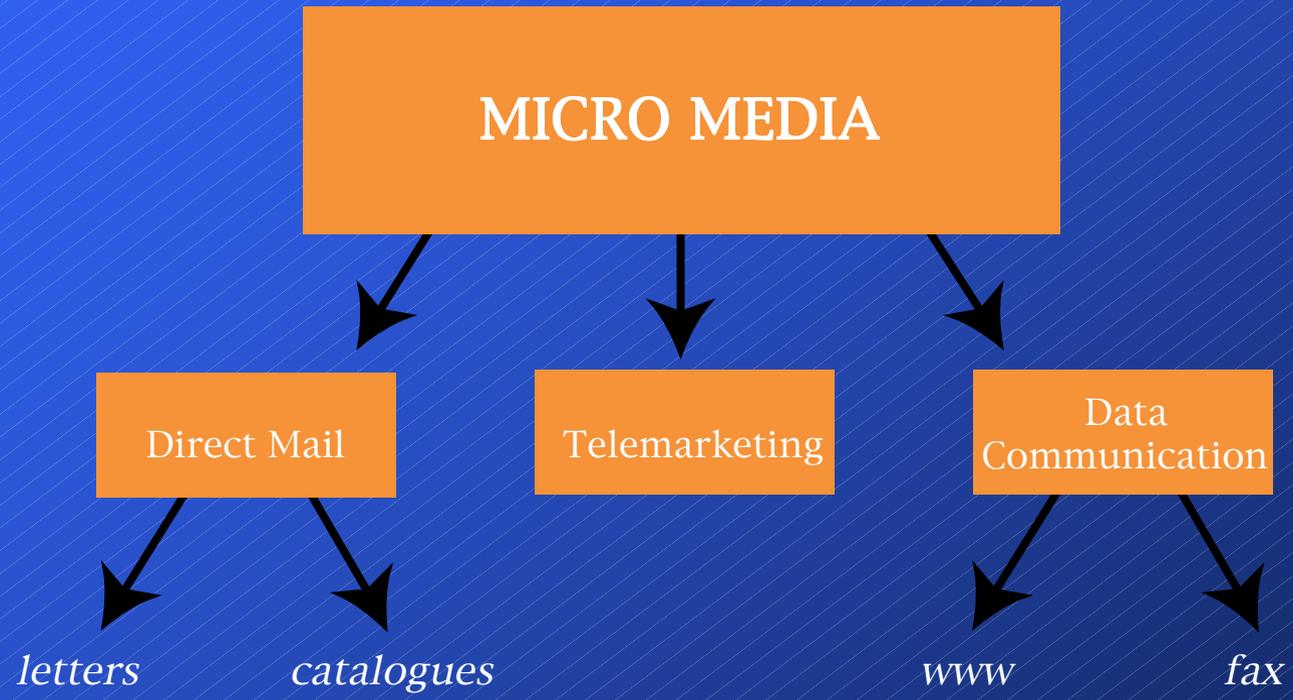
Burstiner, Irving. *Mail Order Selling*

Bird, Drayton. *Commonsense Direct Marketing*

Dooley, Cheryl. *Telemarketing*

Jones, Susan K. *Creative Strategy In Direct Marketing*

McEwan, Don. *Growing Your Business With a Database*



Direct Mail

- used as a principal medium
- excellent for testing
- takes a personal approach
- builds long-term relationships
- can be designed for target list
- the format and contents are flexible
- generates a high response rate

Catalogues

- the reader is often ready to be interested
- the challenge is to keep the reader's attention
- production quality affects perceptions of products and company image

Telemarketing

- fast-growing, especially with 1 800 numbers
- immediacy – *can answer questions, reassure, offer*
- interactive
- generate more sales
- builds loyalty, trust
- gets attention
- opportunity to listen to the customer
- offer advice
- provide better levels of customer service
- facilitate customer care programs, follow-up
- need to train staff & obtain scripts

20.0 Outline

slide S20-1: Internet media

In this module we look at the 'new media' that accompany the 'new economy' - the Internet, direct e-mail and banner advertising.

20.1 The Internet/www

slide S20-2: The www: a pull medium: summary

Unlike most other direct marketing media, the Internet is a 'pull' medium, not a 'push' one. (*Sterne, Using the WWW, p45*)

Messages on the net are waiting for interaction; the user is invited to 'enter' an advertisement space. Once they are there, however, you have their full attention.

Carol Wallace, program manager of communications for Prodigy, said: 'You are never going to get more attention from a customer than when they are online. Both their hands are on the keyboard and both their eyes are on the monitor. You are interacting with them. They have preselected you. They want to see you. This is a very intimate selling situation.' (*Quoted in Janal, pp14-15*)

Developing a web site offers many opportunities for the direct marketer, including:

Cost reduction:

slide S20-3: Web site: cost efficiencies

- communicating via www is cheaper than a mailout or telemarketing (but one-off establishment costs can be very high)
- queries can be answered easily, reducing staff distractions
- prospects are self-motivated: they choose to visit the site
- customer service: information can be displayed on the site, saving e-mail costs, telephone calls, and staff time
- target research
- delivery arrangements can be made on the site, reducing mail and telephone costs

Creative possibilities:

slide S20-4: Creative possibilities

- 3D, animation, sound, graphics, etc.
- interactivity
- virtual viewing
- product demonstration

slide S20-5: [www - a global presence](#)

Increased company visibility:

- improve brand/corporate image
- show that the company is up to date with technology
- establish a global presence
- attract investors; the site can be used for providing information, such as an annual report

slide S20-6: [Expand your market](#)

Market expansion:

- relatively cheap advertising
- customer recruitment

slide S20-7: [Customer service pages: example](#)

Customer service:

- provide in-depth information on request
- have a 'frequently asked questions' page and a special questions service
- allow viewing of colour/size options
- immediate payment options
- distribution choices; stress-free distribution, low-cost processing
- customer feedback

slide S20-8: [Research your market](#)

Market research:

- look for new prospects by visiting other sites and attracting visitors to your site
- keep track of customers and new prospects who come to your site

slide S20-9: [Know your customers](#)

Tracking information about customer details:

- maintain an interest in customers
- encourage customer loyalty
- track customer satisfaction/complaints and needs

slide S20-10: [Experiment and test ideas](#)

Experimenting and testing ideas:

- it can be valuable to trial an idea, such as a graphic style or offer, on the web before testing through other media (although it is important to remember that you may be addressing different market segments)
- allow customers to register an interest in an idea or product
- conduct a questionnaire

slide S20-11: [Intranet](#)

Internal communications:

- use the site for communications within the company
- lock off parts of the site to outsiders, giving employees exclusive access

slide S20-12: Educate your prospects

Educating your prospects:

'The web site has taken on the role of prospect tutor, and the salesperson can concentrate on making more sales' (*Sterne, p51*)

- the web is an 'information vending machine'
- the prospect can seek out information and have questions answered

above points based on Sterne, Using the WWW, p45-57; Dahl and Lesnick, Doing Business on the Web, p9-27; Jill and Matthew Ellsworth, Marketing on the Internet

slide S20-13: www creative content and design - summary

20.1.1 Recommendations for direct marketing sites on the web

- keep ad/info relevant to prospects
- offer real, useful information
- develop your own mailing list - prospects will come to you
- research potential interest, prospects, competition
- recruit talent for your salesforce, research, activities, etc.
- start your own www site (don't use a page on someone else's)
- start your own FTP (file transfer protocol) server so that people can download files and information from your site.

Sterne, pp45-57; Dahl and Lesnick, pp9-27; Ellsworth

slide S20-14: Direct e-mail: pros and cons

20.2 Direct e-mail

Direct e-mail offers several benefits:

- reduced costs
- faster delivery (of marketing material)
- easier tracking of responses
- a more immediate response method for customers

But there are disadvantages to e-mail too:

- it has less chance of being read than regular mail
- many people resent direct e-mail and will 'flame' or badmouth you to others
- internet privacy is a hot topic and many feel that direct e-mail is a violation of their privacy
- the delivery quality (i.e. plain text) is markedly inferior to printed hard copy
- it is not very good for prospecting; your list will probably have to be built in other ways (buying a list can be troublesome; see below)

The best way to surmount these difficulties is to build a list of people who have specifically asked for e-mail from you. This guarantees goodwill and makes it more likely that the e-mail will be read, as all recipients have preselected themselves for interest. Asking visitors to your website to sign up for e-mail is a good starting point.

slide S20-15: Dos and don'ts of sending e-mail

20.2.1 Things to avoid when sending e-mail

- sending it to people who have expressed no interest in the topic
- sending large attachments
- sending anything without being absolutely certain it is virus-free (giving people a virus can turn them off your company for good!)

20.2.2 Things to aim for when sending e-mail

- making the subject interesting (otherwise the mail may not be read)
- clearly identifying yourself, preferably in the subject line
- starting with an exciting headline to generate interest
- putting your URL near the top
- bullet-pointing the benefits (be concise)
- writing the e-mail in a standard format (ASCII) and avoiding attachments where possible. (Try linking to a website for visuals etc.)
- send the message to yourself first, to make sure it looks right.

(Janal, pp208-209)

20.3 Banner advertising

slide S20-16: Banner advertising: summary

Banner advertising is currently the most common form of advertising on the Internet, and is frequently used in conjunction with other media, like websites.

It usually consists of a slogan or visual hook on a small, wide image - the 'banner' - which is seen by visitors to a particular website. Usually visitors will be able to click on the banner to get more information about the product.

Although in some respects banner advertising can be indirect and 'untargeted', recent developments have made it a much more useful direct marketing tool. Nowadays, banners are often displayed in appropriate places.

For example, if you search for 'cars' on a search engine site, the site will select a banner advertisement from a car manufacturing or service company to display. As this kind of technique develops, it may even become possible for banners to be customised down to the individual viewer!

When writing banner ads, make them short and punchy. The response option should be 'click here', although providing a website address in the ad is a good idea in case the viewer would rather go there later. Make sure that if someone clicks on the ad, they are taken to the appropriate page - if the banner mentions a special offer, they should be taken directly to information about that offer.

20.4 The future for direct marketing on the Internet

- people will become less fearful of giving credit card numbers
- retailers will place increased importance on loyalty and customer relations
- personalised catalogues will become commonplace (customisation can result in a 52% rise in revenue - *Jupiter Communications, quoted in Janal, p195*)
- websites will be delivered to PCs, WAP phones, Palm VILs...
- there will be more - and better - integration with direct e-mail and other media.

slide S20-17: The future for on-line marketing

Discussion:

What directions can you see for direct marketing on the www?

Cross-reference:

For more on creating loyalty online, see M27

For more on the future of interactive direct marketing, see M28

References and further reading:

Ellsworth, Jill and Matthew. **Marketing on the Internet**

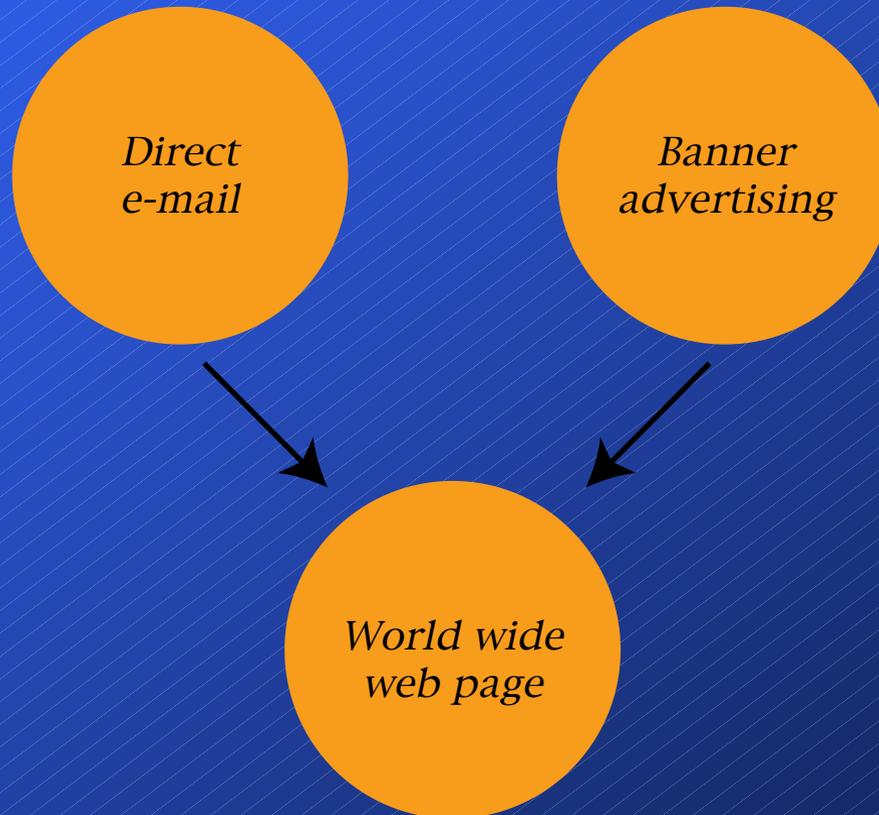
Janal, Dan. **Dan Janal's Guide to Marketing on the Internet**

Molenaar, Cor. **Interactive Marketing**

Sterne, Jim. **WWW Marketing**

Williams, Martin. **Interactive Marketing**

Internet media



The www: a pull medium

- messages on the net are waiting for interaction
- the user is invited to 'enter' an advertisement space

Web site: cost efficiencies

- less cost than a mailout or telemarketing
- queries can be answered easily
- prospects are self-motivated
- customer service: information can be displayed
- target research
- delivery arrangements can be made on the site

www creative possibilities:

- 3D, animation, sound, graphics, etc.
- interactivity
- virtual viewing
- product demonstration

www – A global presence



Expand your market:

WWW

Research



Expand your
market



*Cheap
advertising*



*Customer
recruitments*

Customer service pages

- provide in-depth information on request
- meet customer expectations
- have a 'frequently asked questions' page
- offer a special questions service
- allow view and colour/size options
- immediate payment and delivery options
- allow customer feedback

Research your market:

- look for new prospects on other sites
- keep track of customers and new prospects who come to your site

Know your customers

- maintain an interest in customers
- encourage customer loyalty
- track customer satisfaction/complaints & needs

Experiment and test ideas

- trial ideas on the web before testing through other media
- register interest in an idea or product
- conduct a questionnaire

Internal communications – INTRANET

- use the site for communications within the company
- lock off parts of the site to outsiders, giving employees exclusive access

Educate your prospects

- the web is an ‘information vending machine’
- the prospect can seek out information and have questions answered

www creative content and design

- be relevant to prospects
- offer useful information
- develop own mail list – *prospects come to you*
- research potential interest, prospects, competition
- recruit talent for salesforce, research, activities etc.
- start your own www page, FTP server

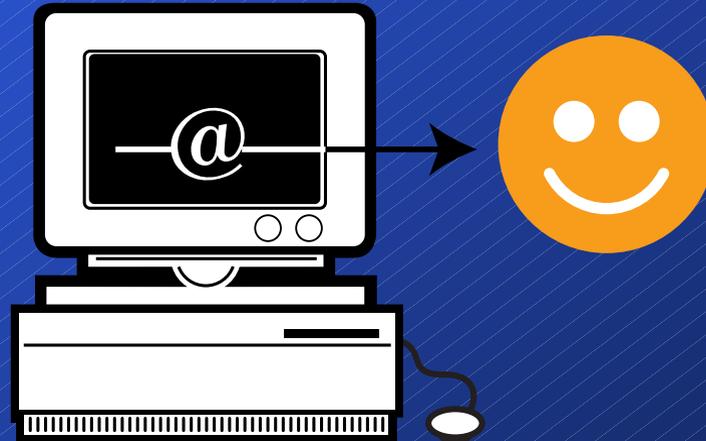
Direct e-mail: pros and cons

Pros:

- cheaper
- faster
- easier

Cons:

- less likely to be read
- bad reputation
- visual quality poor



Dos and don'ts of sending direct e-mail

Do:

- make it interesting
- make it relevant
- make it easy

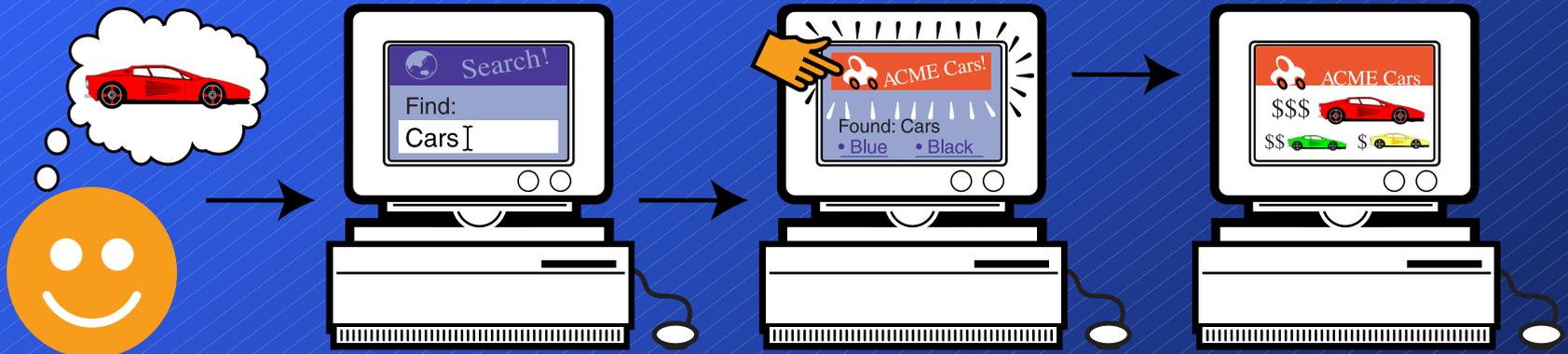


Don't:

- make it difficult
- be intrusive



Banner advertising



Future direct marketing on the WWW

- retail service systems to secure customer trust
- commercial online services expanding globally
- technology allowing more complex presentation
- secure transmission of credit card & bank account numbers

slide S21-1: Emerging media

21.0 Outline

This module looks at some emerging media, including interactive TV and computer games.

slide S21-2: Cable and interactive TV

21.1 Cable and Interactive TV

Before e-commerce, most predicted that cable and interactive TV would enable people to view and order products from home, instead of visiting retail outlets.

Now the Internet appears to be filling that role, but many commentators predict that there will be a “convergence” of TV and the internet, and that the two will become quite similar, varying mainly in access method.

slide S21-3: Computer games

21.2 Computer games

Computer games are already attracting serious real-life sponsorship, especially computer games based on popular sports.

Although at present most computer games are bought ‘off-the-shelf’ and this sponsorship cannot be tailored, many computer games may be bought and played over the Internet in future, creating a range of possibilities for advertising and sponsorship.

For example, if players fill out a geodemographic form while registering for an on-line computer game, direct marketers can use this information to target players (e.g. by displaying advertisements during downloads). If this kind of advertising was not obtrusive and did not detract from the game’s atmosphere, it could be an excellent way of reaching an otherwise elusive market segment.

slide S21-4: Virtual reality

21.3 Virtual reality

Although the Internet has superceded virtual reality as the hot technology topic, VR is becoming more affordable and useful than ever.

‘Object movies’ - VR ‘modules’ that allow users to turn objects around and look at them from different angles - are already becoming popular among retailers, and many real estate agents are finding that virtual ‘tours’ of properties can streamline the sales process and even sell properties ‘sight unseen’. (*Petrin, 1999*)

VR obviously has the potential to revolutionise catalogue selling, and not just on-line - the day when catalogues are delivered to some customers on CD, with object movies for featured items, may not be far away.

Discussion:

What other directions can you see for direct marketing in emerging media?

Cross-reference:

For more on the future of direct marketing, see M28.

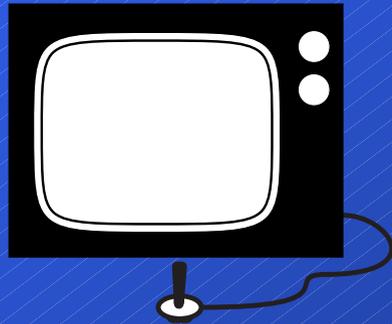
References and further reading:

Houghton, Mike. 'Life is but a game.' In **Marketing**, June 1998

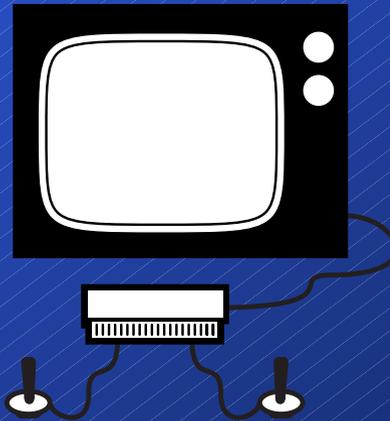
Molenaar, Cor. **Interactive Marketing**

Petrin, Priska. 'Marketing's new dimension.' In **Marketing and eBusiness**, February 1999

EMERGING MEDIA



*Cable/
Interactive
TV*

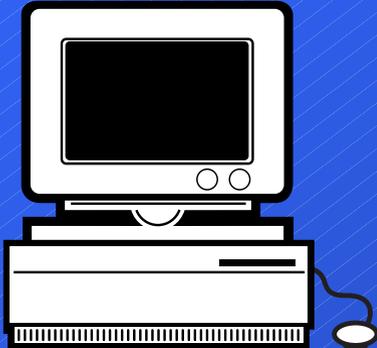


*Computer
games*

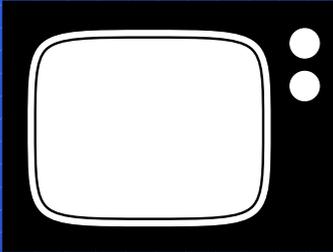


*Virtual
reality*

Internet



Television



CONVERGENCE



Computer games

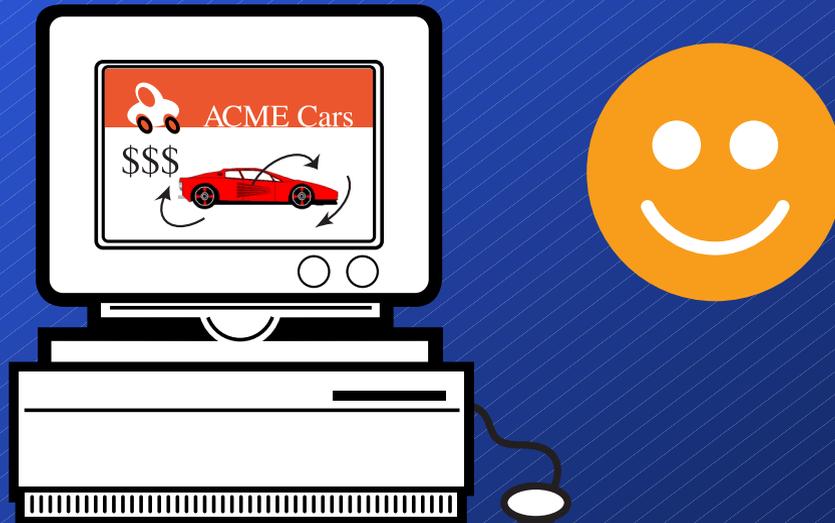
- relevant sponsorship
- unintrusive delivery



*Difficult-to-reach
market segment*

Virtual reality

- substitute for store
- easier product research
- reach distant customers

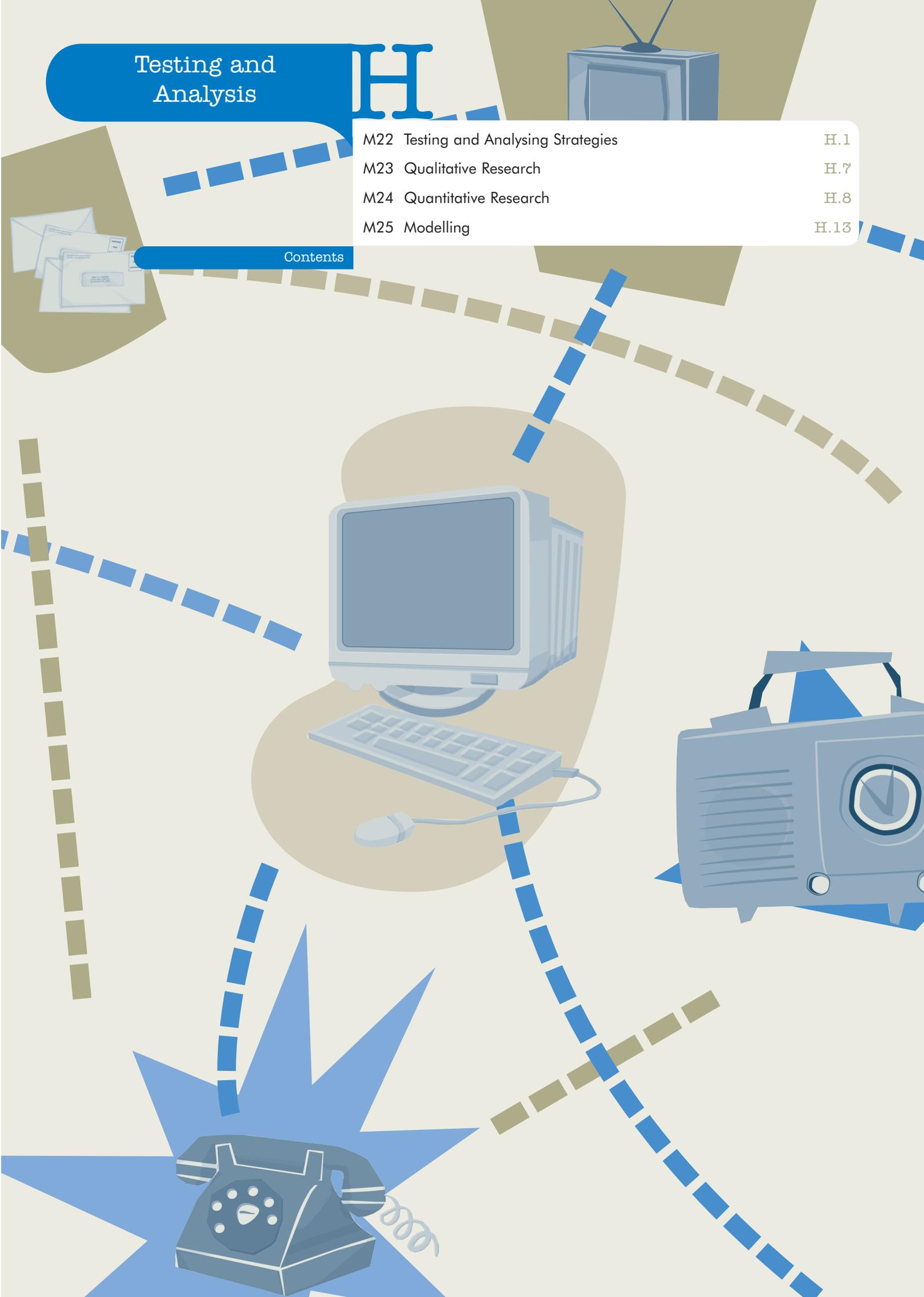


Testing and Analysis

H

M22 Testing and Analysing Strategies	H.1
M23 Qualitative Research	H.7
M24 Quantitative Research	H.8
M25 Modelling	H.13

Contents



22.0 Outline

Testing is fundamental to successful direct marketing, although it is impossible to predict exact outcomes. Some results are close to expectation, some plummet unexpectedly, while others are better than had been hoped.

In the face of such unpredictable outcomes, the direct marketer can only keep on testing and analysing techniques and strategies, in an attempt to follow shifts in marketplace trends.

22.1 Benefits

slide S22-1: The testing cycle

- the key to direct marketing is testing
- its success lies in the ability to detect changes in the market and move with them
- those changes can only be discovered by testing different approaches and markets, recording the responses and analysing the results
- regular testing and analysis provides the basis for market and creative strategy

22.2 Six Rules of testing

slide S22-2: Six rules of testing: summary

- test a significant element
 - There is no point running a test for something which makes little difference, like the alteration of one word in a headline
- test one variable at a time
 - Test one variable in an existing package
- test regularly
 - Successful direct marketing results from careful and regular testing
 - The market is fluid, keep abreast of changes and alter with it
- tests must be statistically valid
 - Record and analyse the results carefully
- test again before a roll out
 - Never outlay huge sums of money on a campaign based on the results of one test alone. The actual campaign is rarely as high in response as the test.
- do not discard the control or currently successful package until thorough testing has proved another one to be more successful.

Bird, p277ff

22.3 Testing plan and action

slide S22-3: Testing requirements

According to Kobs (author of **Profitable Direct Marketing**), the key issues for planning and implementing testing procedures include:

- suitable techniques and assessment
- an overall plan to test within the marketing, budgeting and creative strategies

slide S22-4: Diagram: pyramid testing structure

A pyramid testing structure involves three main stages:

- 1. initial test stage
- 2. confirmation stage
- 3. roll-out stage

Kobs, p113

22.4 What to test

slide S22-5: Eleven key areas for testing: summary

Eleven key areas for testing are:

- market segments
- product and its positioning
- offer
- price
- discounts
- incentives – gifts, prizes
- time and number cut-offs
- medium/media
- formats
- copy
- response enhancing device

Bind, p310ff

22.5 Primary and secondary sources

slide S22-6: Primary and secondary data: summary

Secondary data is gathered from sources which have been collected externally, but are relevant to your investigation, for example:

- local government or organisation statistics
- Australia Post *Prospecta* (a geodemographic analysis tool)
- relevant past research

Primary data is collected specifically for your research, and may include surveys or tests which you conduct. Usually, such research is designed to help you understand consumer behaviour, including:

- intentions
- knowledge
- socioeconomic trends
- attitudes and opinions
- motivations
- psychological traits

In addition to surveys and testing, careful observance and some natural instinct can provide you with raw data which you can analyse.

slide S22-7: Qualitative and quantitative research: summary

22.6 Research and testing

There are two main methods of conducting research:

Qualitative research is essentially attitudinal and not quantified.

An example would be group discussions.

Quantitative research provides a more accurate estimate as to the quantities of people who may have certain attitudes.

An example would be the statistical analysis of a market segment as a result of a questionnaire.

22.7 The steps of marketing research

recommended by William Stanton, author of Fundamentals of Marketing

slide S22-8: The steps of marketing research: summary/quote

- define the objectives of the project; identify and define the problem
- conduct a situation analysis; formulate the problem into a hypothesis for further testing
- conduct an informal investigation; obtain more background from exploration or discussion
- plan and conduct a formal investigation. Is the research to be designed as a survey or an experiment?

William J. Stanton, Fundamentals of Marketing, p41 – 50, quoted in Baier, p55

22.8 Testing different media options

22.8.1 Print media tests

slide S22-9: A/B split testing: summary

A/B split testing:

- used for newspapers and some magazines
- different ads are put on the same page reference in alternate newspapers

- no geographical bias
- even distribution – each newsagency gets a bundle of papers with ad B in every second newspaper and ad A in all the others
- not offered by all newspaper and magazine publishers

Split-run inserts:

slide S22-10: Split-run insert testing: summary

- the direct marketer has the insert pre-printed and added to a magazine
- inserts often pull a higher response level than straight newspaper or magazine advertisements
- several publications can be tested at the same time
- a variety of creative approaches can be tested
- the print costs are high
- there is a waiting period for the magazine to be published and for the first results to arrive
- results dribble in for months, even years afterwards

Geographical splits:

slide S22-11: Geographical splits: summary

- use different geographical editions
- you can test many ads in different areas
- you must rotate copies so that each area has experienced each ad

'Telescope' testing:

slide S22-12: Telescope testing: summary

- test one publication using both a geographical split and an A/B split simultaneously.
e.g. test X and Y on A/B basis in one region's editions split X and Z in another regional edition (Bird, p286)
- repeat the process and rotate the ads
- take the winning ad as a control
- you must have one ad in both geographical areas as a control

22.8.2 Direct mail

slide S22-13: Direct mail split-run tests: summary

Split-run mailings:

- used to test new lists, approaches, segments
- flexible format
- production and mailing can be costly
- personal approach encourages responses

slide S22-14: Testing two offers simultaneously: summary

Testing two direct mail offers:

- you can test two offers simultaneously
- keep the design and copy the same for both lists
- test the best segment of your list first
- use selection methods that have worked previously
- test other segments of a successful list (e.g. inquiries)
- test the offer as an insert in a merchandise parcel sent to your existing customers: thereby testing your hottest prospects at no extra cost

slide S22-15: Radio tests

22.8.3 Radio tests

- speedy responses
- not always appropriate for translation to print formats
- can't split-run like print media

slide S22-16: TV tests: summary

22.8.4 TV tests

- speedy responses
- can alternate ads
- can run geographical splits
- translating to print media can be difficult
- can't split-run like print media

slide S22-17: Internet tests: summary

22.8.5 Internet tests

- very speedy responses
- easy to track and analyse responses
- very easy to segment - test the same ad on two websites with different demographics, test two different banner ads on the same site, etc.
- can split-run like print media

slide S22-18: Designing test cells: summary

22.9 Designing test cells

Test cells must be designed so that the results are measurable. The direct marketer needs to carefully record all segments of the test including:

- an adequate description of the test
- a separate sheet for each test segment and control
- results

The quantity for any one test is called a test cell. Each cell must have a key code which corresponds to the code on the response device/or particular telephone number etc. so that future identification is easy.

slide S22-19: Testing one variable: summary

22.9.1 Testing one variable

- each test cell should contain the minimum quantity for a valid test
- each cell represents one variable

22.9.2 Testing more than one variable at once:

'Matrix' tests

[slide S22-20: Test cell matrix](#)

For example, using three variables and three cells. This becomes expensive because you end up with so many offers and tests.

'Unbalanced matrix'

[slide S22-21: Unbalanced matrix: summary](#)

Tests require the direct marketer to make informed assumptions based on results. This method requires fewer offers and tests because some test cells are 'missed out'.

For example, in a test involving four list segments and four offers, you may only test ten cells. Instead of sending every offer to each list, you send the offer which you think will be most successful to the best group.

From the results, you can take an intelligent guess at which offer will be most successful.

For example, If group 1 is the best list segment and offer C is the most successful offer for group 3, you can assume that if you did send offer C to group 1, you'd get a good response.

22.9.3 Designing and analysing cells

[slide S22-22: Designing and analysing cells: summary](#)

The results from different test cells can be compared and analysed to help the direct marketer pinpoint the most likely prospects and adjust marketing strategies to the perceived trends of the target market.

Testing and the statistical analysis of results is a highly complex undertaking which requires the assistance of experts in the area of statistics and direct marketing testing techniques.

Discussion:

1. Is testing and analysis important? If so, why?
2. Is testing and analysis necessary to achieve good results?

Cross-references:

For more on testing and analysis, see M23-25

References and further reading:

Baier, Martin. *Elements in Direct Marketing*

Bird, Drayton. *Commonsense Direct Marketing*

Holbert, Neil B. and Mark W. Speece *Practical Marketing Research*

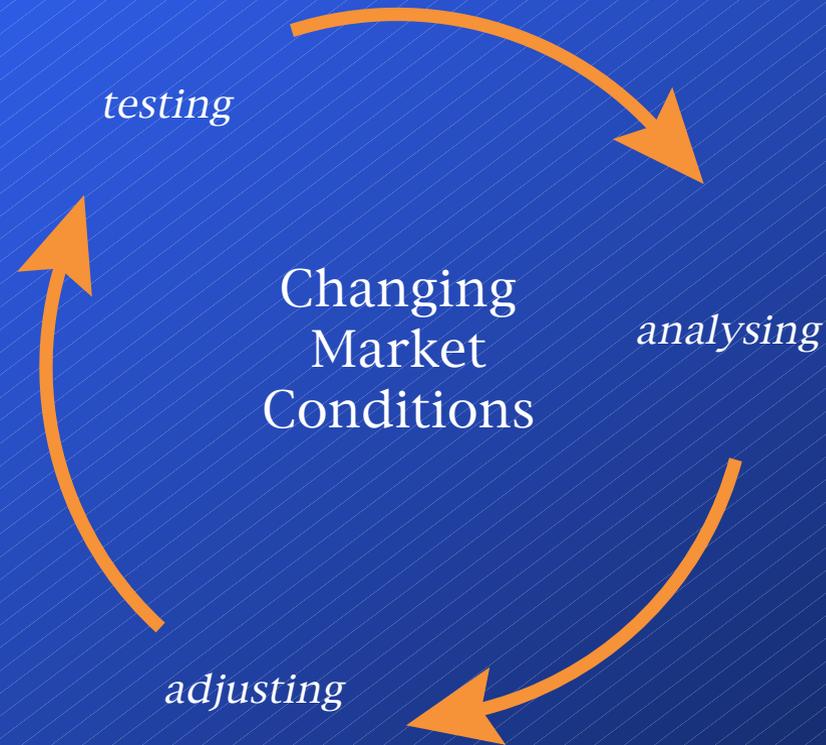
Kobs, J. *Profitable Direct Marketing*

Nash, Edward L. *Direct Marketing: Strategy, Planning, Execution*

Roman, Ernan. *Integrated Direct Marketing*

Stanton, William. *Fundamentals of Marketing*

The testing cycle



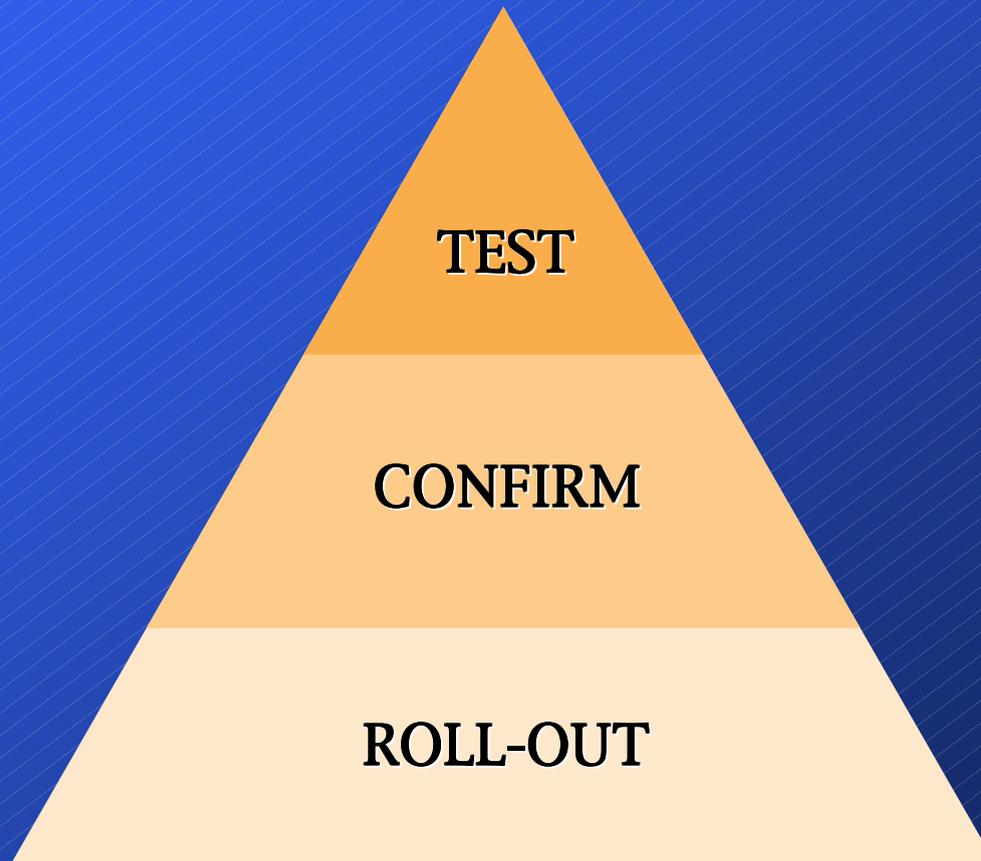
Six rules of testing

- test a significant element
- test one variable at a time
- test regularly
- tests must be statistically valid
- test again before a roll out
- do not discard the control or currently successful package until another has proved successful

Testing requirements

- suitable techniques and assessment
- an overall plan to test within the marketing, budgeting and creative strategies

Pyramid testing structure



Eleven key areas for testing

1. market segments
2. the product and its positioning
3. offer
4. price
5. discounts
6. incentives – *gifts, prizes*
7. time and number cut-offs
8. medium/media
9. formats
10. copy
11. response enhancing device

Primary and secondary data

Secondary data – *existing data*

Primary data – *commissioned data*

Qualitative and quantitative research

- qualitative research is essentially attitudinal and not quantified
- quantitative research provides a more accurate estimate as to the quantities of people who may have certain attitudes

The steps of marketing research

1. define the objectives of the project
2. conduct a situation analysis
3. conduct an informal investigation
4. plan and conduct a formal investigation

A/B split testing

- used for newspapers and some magazines
- different ads are put on the same page reference in alternate newspapers
- no geographical bias
- even distribution – *each newsagency gets a bundle of papers with ad B in every second newspaper and ad A in all the others*

Split-run insert testing

- insert pre-printed and added to a magazine
- inserts often pull a higher response than advertisements
- several publications can be tested at the same time
- a variety of creative approaches can be tested
- the print costs are high
- there is a waiting period for the magazine to be published and for the first results to arrive
- results dribble in for months, even years afterwards

Geographical splits

- use different geographical editions
- you can test many ads in different areas
- you must rotate copies so that each area has experienced each ad

Telescope testing

- test one publication using both a geographical split and an A/B split simultaneously
- repeat the process and rotate the ads
- take the winning ad as a control
- one ad must run in both geographical areas as a control

Direct mail split-run tests

- used to test new lists, approaches, segments
- flexible format
- production & mailing can be costly
- personal approach

Testing two offers simultaneously

- you can test two offers simultaneously
- keep the design and copy the same for both lists
- test the best segment of your list first
- use selection methods that have worked previously
- test other segments of a successful list
- test the offer as an insert in orders sent to your existing customers

Radio tests

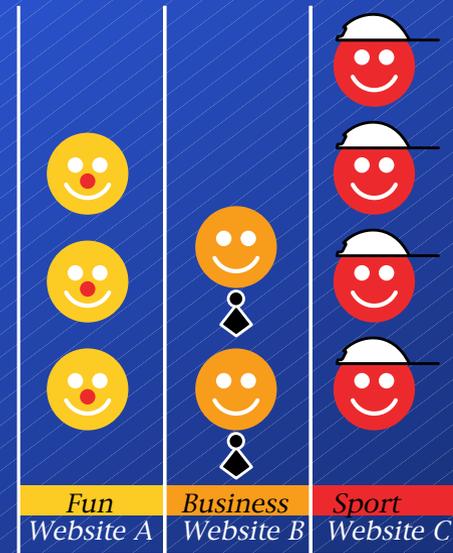
- speedy responses
- not always appropriate for translation to print formats
- can't split-run like print media

TV tests

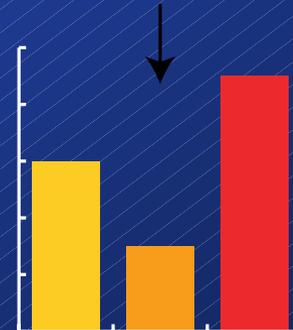
- speedy response
- can alternate ads
- can run geographical splits
- translating to print media can be difficult
- can't split-run like print media

Internet tests

- fast
- easy to segment
- can split-run



*Response
rate*



Designing test cells

Test cells must be designed so that the results are measurable.

The direct marketer needs to carefully record:

- an adequate description of the test
- each test segment and control on a separate sheet
- results

Testing one variable

- each test cell should contain the minimum quantity for a valid test
- each cell represents one variable

Test Cell Matrix

Offers

	1	A1	B1	C1
<i>Offers</i>	2	A2	B2	C2
	3	A3	B3	C3
		A	B	C

Group

Unbalanced matrix

Unbalanced matrix tests use informed assumptions based on results. This method requires fewer offers and tests.

Designing and analysing cells

- helps pinpoint prospects
- fine-tune marketing strategies
- usually requires expert assistance

23.0 Outline

This module covers some of the main methods of qualitative research, such as surveys and depth research.

23.1 Surveys:

slide S23-1: Surveys: summary

Surveys assess the current situation. A direct marketer may choose from a range of survey types:

- focus group interviews
- in-depth interviews (one-to-one)
- telephone interview
- mail questionnaire
- internet forms
- observation

slide S23-2: Integrated Direct Marketing 'depth research': summary

'Depth Research' is a term used by Roman (**Integrated Direct Marketing**) to describe a 'depth' rather than 'breadth' approach to research. This method advocates interviewing a small, careful selection of people, using a 'well-planned, relevant questionnaire'.

Roman argues that this method helps the direct marketer to 'validate and determine':

- the decision making process
- roles and responsibilities of key contacts
- positioning of the creative
- appeal of the offer
- media preference
- media mix

quoted from Roman, p5

The Internet has made depth research easier. A well-designed on-line questionnaire with a range of geodemographic and more open questions can enable your customers to help you understand them in an efficient and cost-effective manner.

Keep in mind, though, that people often feel freer to bend the truth in on-line surveys and questionnaires. Making as much of the form as possible optional rather than mandatory will ensure that the only responses you get will be from people who are genuinely interested in providing you with information.

References and further reading:

Malhorta, Naresh K, and John Hall, Mike Shaw, Mike Crisp. **Marketing Research: An Applied Orientation**

Roman, Ernan. **Integrated Direct Marketing**

Surveys

Surveys assess the current situation.

Survey types include:

- focus group interviews
- in-depth interviews (one-to-one)
- telephone interview
- mail questionnaire
- observation

Integrated Direct Marketing 'depth research'

'Depth Research' is a term used by Roman (Integrated Direct Marketing) to describe a 'depth' rather than 'breadth' approach to research. This method advocates interviewing a small, careful selection of people, using a 'well-planned, relevant questionnaire'.

24.0 Outline

In this module, we look at quantitative methods of research which use statistical analysis.

24.1 Statistics

slide S24-1: When to use statistics

Some thoughts on statistical analysis:

- statistics are used before a test to help determine what sample size should be used, and to predict a response. This helps with planning and budgeting a test
- statistics are used after the test to analyse any significant differences between the control and experiment groups. This helps with future marketing, planning, budgeting and creative strategies
- The unpredictable, changing market environment means that statistics do not always give an accurate prediction or representation
Consequently, the testing and analysis process must be an ongoing part of the direct marketer's activities.

24.2 The elements of an effective test

Testing measures the effect of change, by analysing the difference between the results of testing both a control group and a test group.

slide S24-2: Four essential elements of a test: summary

A test must take into consideration:

- validity
- control
- variables
- sample size

24.2.1 Validity

slide S24-3: Validity: summary

A valid test requires:

- the random assignment of subjects to groups so that differences between groups occur by chance alone. Choosing the 'nth' name of a list is usually the method for selecting a random group
- the presence of a control group

24.2.2 Control

slide S24-4: Control group: summary

A control group is necessary for comparison with the test group. The experiment is not conducted on the control group, but it is otherwise identical or as similar as possible to the group which is being tested.

24.2.3 Variables

slide S24-5: Variables

There are two kinds of variable:

- an independent variable is an element of change being tested on the test group
- the dependent variable comprises the results of the change (i.e. the responses)

24.2.4 Samples

slide S24-6: Sample

- a valid sample must be of reasonable size
- the experimental and control groups must be as alike as possible

24.3 Predicting responses – using probability tables

slide S24-7: Probability tables:
summary

Probability tables are based on standard statistical formulas. They are used by direct marketers to predict future outcomes, based on sample results.

24.3.1 Reading a probability table

slide S24-8: Using a
probability table: summary

Probability tables are calculated using:

- confidence level
- error margin
- sample size
- response rate figures

24.3.2 Confidence level:

slide S24-9: Confidence level:
summary

- number of times in 100 attempts that the predicted results are correct
- measured in terms of number of standard deviations (area covered under a normal curve)

24.3.3 Limit of error or error margin:

slide S24-10: Error margin:
summary

- number of percentage points by which the researcher is allowed to miscalculate the actual percent of response

24.3.4 Sample size:

slide S24-11: Sample size:
summary

- number of observations in the experiment
- need adequate information to make an efficient decision i.e.: having enough responses to a test to be able to predict future response within a comfortable limit of certainty
- must consider the cost involved in reaching the sample

slide S24-12: Formula for
sample size

24.3.5 Formula for determining sample size:

$$N = \frac{(k)^2 (r) (100 - r)}{L^2}$$

N = sample size, no. of pieces to be mailed

k = constant representing the confidence level

r = anticipated response rate (% expressed as a decimal)

L = limit of sampling error

24.4 Statistical formulas

slide S24-13: Statistical
analysis: summary

There are various formulas for conducting statistical tests which include different ways of approaching data, variables, samples and control groups.

Complex statistical analyses need to be done by experienced analysts.

24.4.1 Four main methods of statistical analysis:

slide S24-14: Methods of
statistical analysis

1. Discriminant analysis examines the relative importance of variables. These variables show which respondents fall within the one group. The dependent variable is categorical (represents a group). The independent variables are scaled intervals. For example, the dependent variable might be computer A, B, C, or D (categories). The independent variable might be an attribute scale from 1 – 10.

Naresh K Malhotra et al., Marketing Research: An applied orientation, p 506 – 7

2. Factor analysis has neither a dependent nor an independent variable. It looks at the relationships within a set of variables. A variable is a measure of an 'underlying concept'. There is often more than one measure for a concept. Factor analysis determines 'how variables depend on each other (interdependence)' and therefore shows 'which variables measure the same thing and which ones measure something different'. This way, data can be simplified by grouping variables according to common, underlying factors or concepts.

Neil B Holbert and Mark W Speece, Practical Marketing Research, p 279; Malhotra et al., p 532 – 3

3. Regression analysis looks at variables expressed as ratios. It usually measures the influence of an independent variable upon a dependent variable. The model of this relationship may then be used for predicting future outcomes, for example which age group or target market is most likely to spend money on an item.

Holbert and Speece, p 267 ff; Malhotra et al., p 469

4. Cluster analysis groups observations rather than variables. The observations are clustered according to their similarity 'across some set of criterion variables'. Cluster analysis is sometimes used to determine segments. It does not use dependent and independent variables. Instead, it specifies a set of criteria or variables for the basis of grouping the observations. The difference between factor and cluster analysis is that factor analysis groups variables, whereas cluster analysis groups observations.

Holbert and Speece, p284

24.5 Analysing results

Direct marketers need to be careful not to begin analysing too early.

The recording of responses can be plotted as a response curve graph which peaks and then tapers off. It is important to wait until the peak before analysing results.

24.5.1 The 'doubling' or 'half-life' point of responses

[slide S24-15: Half-life point: response curve graph](#)

Response curves can be used to predict future replies by working out the half-way point for responses.

The 'doubling' or 'half-life' point refers to the point where half the responses may be expected to have arrived.

Doubling the responses at that point gives you an approximate figure of the total responses you may expect.

Different test methods have different doubling points:

- direct mail:
 - after first week
- radio, TV and telephone:
 - few hours after airing
- magazines:
 - can continue for months
- newspapers:
 - approximately one week

The following module will look at ways of using statistical analysis to create model profiles of prospects.

24.6 Dry-testing:

slide S24-16: Dry testing

- dry testing – promotion for a product not yet in existence. If the product doesn't eventuate, respondents must be informed.

Discussion

1. What are possible risks in quantitative research?

Cross-references

For more on testing, see M24

References and further reading:

Baier, Martin. *Elements of Direct Marketing*

Bird, Drayton. *Commonsense Direct Marketing*

Direct Marketing Education Programme 3

Kobs, J. *Profitable Direct Marketing*

Malhotra, Naresh et al. *Marketing Research: An Applied Orientation*

Nash, E.L. *The Direct Marketing Handbook*

Holbert, Neil B. and Speece, Mark W. *Practical Marketing Research:*

An Integrated Global Perspective

When to use statistics

- before a test to help determine sample size and to predict a response
- after the test to analyse differences between the control and experiment groups
- as an ongoing part of market monitoring

Four essential elements of a test

- validity
- control
- variables
- sample size

Validity requirements

- the random assignment (*'nth'* name) of subjects to groups so that differences between groups occur by chance alone
- a control group

Control group

- provides comparison with the test group
- is as similar as possible to the test group

Two kinds of variables

1. independent variables are elements of change being tested on the test group
2. the dependent variable comprises the results of the change (i.e. the responses)

Sample characteristics

- a valid sample must be of reasonable size
- the experimental and control groups must be as alike as possible

Probability tables

Probability tables are based on standard statistical formulas. They are used to extrapolate outcomes and determine the validity of sample results.

Using a probability table

Probability tables are calculated using:

- confidence level
- error margin
- sample size
- response rate figures

Confidence level

- number of times in 100 attempts that the predicted results are correct
- measured in terms of number of standard deviations (area covered under a normal curve)

Error margin

- the number of percentage points by which the researcher is allowed to miscalculate the actual percent of response

Sample size

- number of observations in the experiment
- need adequate information to make an efficient decision
- must consider the cost involved in reaching the sample

Formula for sample size

$$N = \frac{(k)^2 (r) (100 - r)}{L^2}$$

N = sample size, no. of pieces to be mailed

k = constant representing the confidence level

r = anticipated response rate (% expressed as a decimal)

L = limit of sampling error

Statistical analysis

Statistical tests include different ways of approaching data, variables, samples and control groups.

Complex statistical analyses need to be done by specialists.

Methods of statistical analysis

Discriminant analysis – examines the relative importance of variables, using categorical dependent variables and scaled interval independent variables, to group respondents.

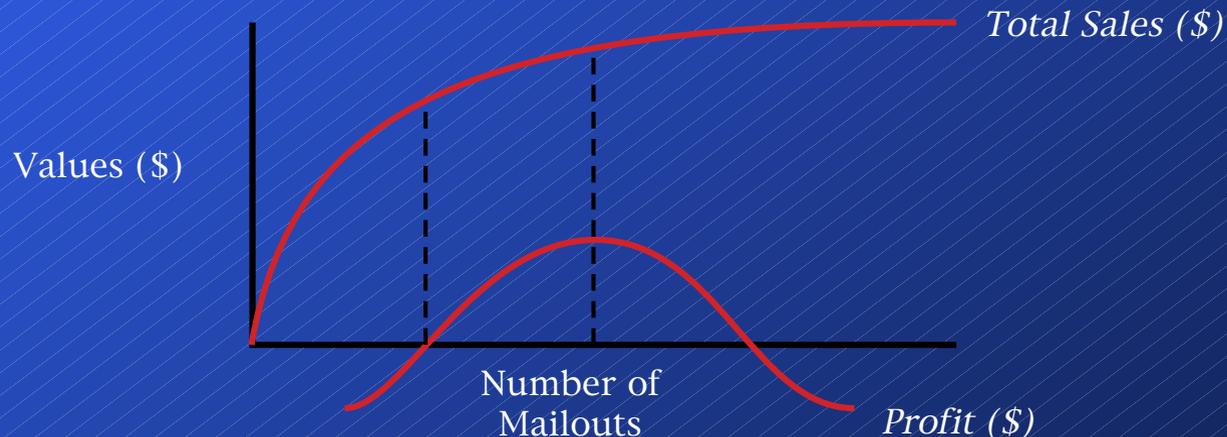
Factor analysis – has neither dependent nor independent variables, but examines relationships within a set of variables. This allows data to be simplified by grouping variables according to common, underlying factors.

Regression analysis – looks at variables expressed as ratios. It usually measures the influence of an independent variable upon a dependent variable. The model of this relationship may then be used for predicting future results.

Cluster analysis – groups observations rather than variables. The observations are clustered according to their similarity across some set of criterion variables. Factor analysis groups variables, cluster analysis groups observations.

Half-life point

- the point where half the responses have arrived
- doubling the responses at that point gives the total responses
- different test methods have different doubling points



Convex Sales Response Curve

Dry testing

- promotion for a product not yet in existence
- if the product doesn't eventuate, respondents must be informed

25.0 Outline

This module looks at how statistical analysis is used to model consumer profiles and predict consumer behaviour.

25.1 Modelling

slide S25-1: Modelling:
summary

Modelling is used in direct marketing to help pinpoint the most likely future customers. It involves:

- using test results and past campaigns and analysis to identify the most likely prospects
- using statistical techniques to identify the best customers
- combining the above information to build a model "profile"

slide S25-2: The purpose of
models: summary

"Our task with database marketing is to operate models which provide a good understanding of our customers' activity with our business. We also need to predict, with a reasonable degree of accuracy, the likely future behaviour of customers. It is important therefore, to use the right database modelling techniques in the right circumstances."

Jenkins, p78

slide S25-3: The benefits of
market prediction

A direct marketer needs to predict the future behaviour of customers and prospects so that:

- money is spent in the directions which will give profitable gain
- money is not wasted on false leads or disinterested parties

25.2 Examples of modelling

25.2.1 RFM Formula:

slide S25-4: RFM formula:
summary and example

RFM stands for:

- Recency
- Frequency
- Monetary

A matrix of recency of transactions and frequency of transactions will show you which customers 'deserve' the most attention. Give each customer a score, for example between 1 and 10.

Jenkins, p79

slide S25-5: Regression analysis: summary and example

25.2.2 Regression Analysis:

- looks at numerous variables
- ranks each one according to value
- combines them to arrive at a 'score' for the customer

slide S25-6: Financial and business modelling: summary

25.2.3 Financial and business modelling

- relation between different analyses
- life-time value of customers
- effects of customers and behaviour on business

DMEP 3

slide S25-7: ABC analysis: summary

25.2.4 Activity-based costing analysis

- assigns an exact dollar amount to each activity, excluding fixed business costs
- used to determine the marginal cost of the product, offer or mail-out

ABC analysis is combined with life-time value analysis of customers, to select the best customers for marginal revenue and marginal cost concerns.

Jenkins, p80

slide S25-8: Modelling and cut-off points

25.3 Modelling and cut-off points

Modelling is important for planning budget and promotion because it:

- gives you a profile of your most loyal customers and likely prospects
- enables you to decide a 'cut-off' point for a promotion i.e. helps you decide which customers or prospects you will select e.g.: determining a cut-off point above 'break-even'
- helps you assess marginal cost of promotion
- guides you to select names with an expected marginal revenue greater than the marginal cost of the promotion

slide S25-9: Tests and roll-outs: summary

25.4 Tests and roll-outs: summary

A roll-out should promptly follow a test, to minimise the risk of situations altering, so rendering the test out-of-date. However, a roll-out will almost certainly give slightly different results (about 5%) to a test. Sometimes, the differences are quite marked. Two frequent causes of unexpected results are:

- duplicated names, which throw off results
- conditions such as the economic market, season, or competitors

Discussion:

What kind of direct marketers would be most likely to use modelling and why?

References:

Baier, Martin. *Elements of Direct Marketing*

Bird, Drayton. *Commonsense Direct Marketing*

Direct Marketing Education Programme 3

Jenkins, Vin. *An Introduction to Direct Marketing*

Kobs, J. *Profitable Direct Marketing*

Nash, E.L. *The Direct Marketing Handbook*

Modelling

- using test results and analysis to identify the most likely prospects
- using statistical techniques to identify the best customers
- combining the above to build a model 'profile'

The purpose of models

“Our task with database marketing is to operate models which provide a good understanding of our customers’ activity with our business. We also need to predict, with a reasonable degree of accuracy, the likely future behaviour of customers.

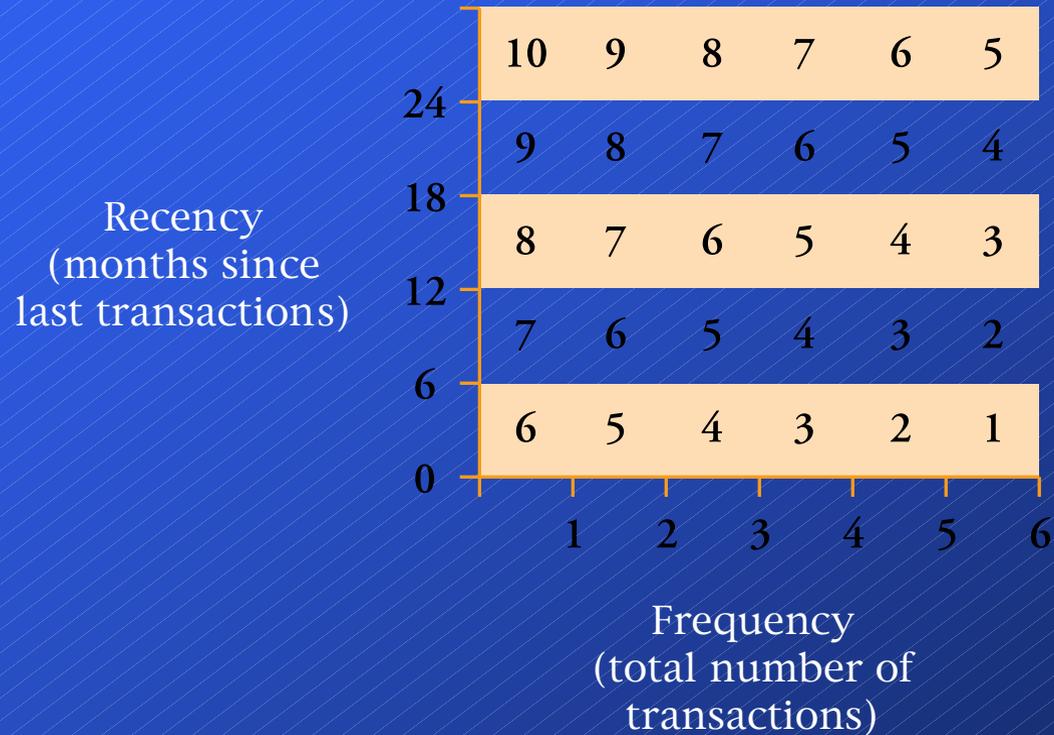
It is important therefore, to use the right database modelling techniques in the right circumstances.”

*Jenkins, Vin. **An Introduction of Direct Marketing.**
Melbourne: Longman, 1994*

The benefits of market prediction

- money is spent in the directions which will give profitable gain
- money is not wasted on false leads or disinterested parties

RFM (after Jenkins)



Regression analysis

- looks at numerous variables
- ranks each one according to value
- combines them to arrive at a 'score' for the customer

Financial and business modelling

- relation between different analyses
- life-time value of customers
- effects of customers and behaviour on business

Activity based costing analysis

- assigns an exact dollar amount to each activity, excluding fixed business costs
- is used to determine the marginal cost of the product, offer or mail-out

Modelling and cut-off points

- it profiles your most loyal customers and likely prospects
- it enables you to decide a 'cut-off' point for a promotion
- it assesses marginal cost of promotion
- it enables you to select names with an expected marginal revenue greater than the marginal cost of the promotion

Tests and roll-outs – common causes of error

1. duplicated names
2. conditions such as the economic market, season, or competitors

Loyalty

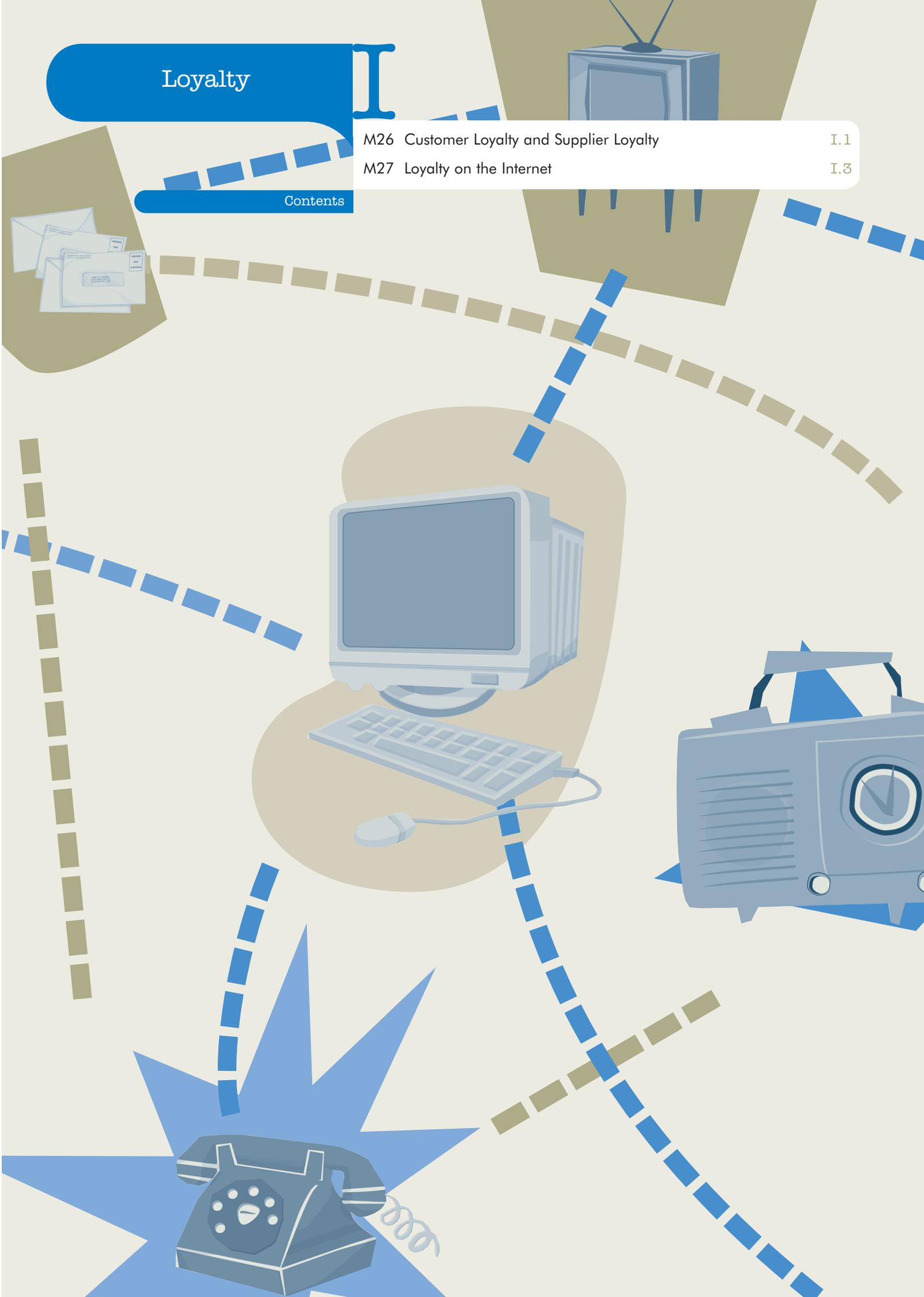
M26 Customer Loyalty and Supplier Loyalty

I.1

M27 Loyalty on the Internet

I.3

Contents



26.0 Outline

In this module, we look at one of the most important aspects of direct marketing: customer loyalty.

26.1 The loyalty ladder

slide S26-1: Loyalty ladder:
diagram

The aim of direct marketing is to make suspects into prospects, then convert them into regular customers, finally inspiring them to become an advocate for your company:

- suspect
- prospect
- regular customer
- advocate

McEwan, p24

26.1.1 Customer loyalty

slide S26-2: From prospect to
friend: quote

"I believe the object of business is to locate a prospect, make that prospect a customer and then turn that customer into a friend."

Bird, p43

slide S26-3: Cultivating
customer loyalty: diagram

Ways to cultivate such a customer relationship:

- keep in contact: friendly service not intrusive
- be aware of the customer's needs and desires
- rapid fulfilment of orders
- be aware of dissatisfaction, listen to complaints
- be aware of fears or hesitations
- be aware of 'positioning': how is your business presented? What is the product image?

Loyalty programmes

slide S26-4: Loyalty
programmes

Customer loyalty programmes such as frequent buyer programmes, clubs and newsletters have become a popular method of rewarding and encouraging customers.

26.2 Supplier loyalty

The organisation of the company needs to be such that a positive customer-supplier relationship can be developed. Roman advises the company to:

- cultivate a customer-friendly attitude
- have the products in stock
- ensure rapid delivery
- have friendly payment facilities

Roman, Integrated Direct Marketing

Discussion:

1. "Your customers don't care how much you know ... until they know how much you care." (*Kennedy and Boas*). Discuss.
2. What do you see as 'interest' in the customer?
3. In what ways could a company structure itself around customer loyalty?
4. In the future "the winners will be the customers". Discuss.

Cross-references:

For more on the customer relationship, see M6 and M27

References and further reading:

Griffin, Jill. *Customer Loyalty*

McEwan, Don. *Growing Your Business with Database Marketing*

Kennedy, Ian and Boas, Eddy. "The Power of One-to-One: A Hands-On, Practical One Day Seminar."

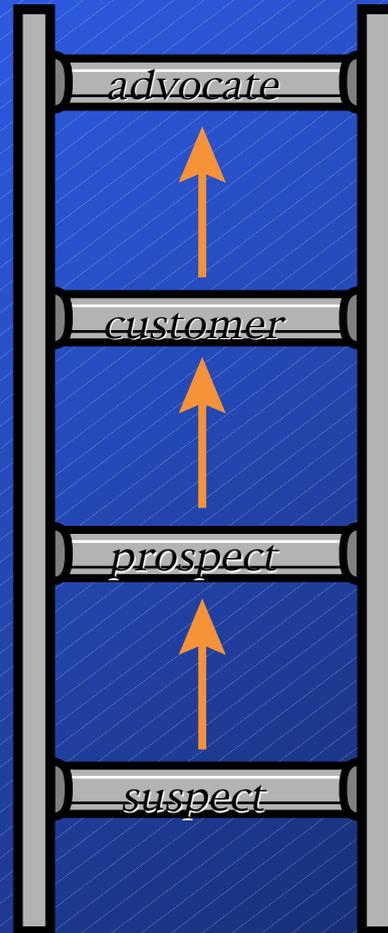
Molenaar, Cor. *Interactive Direct Marketing*

McEwan, Don. *Growing Your Business With Database Marketing*

Direct Marketing Education Programme 3

Roman, Ernan. *Integrated Direct Marketing*

Loyalty ladder



From prospect to friend

“I believe the object of business is to locate a prospect, make that prospect a customer and then turn that customer into a friend.”

*Bird, Drayton. **Commonsense Direct Marketing.***

3rd Ed. London: Kogan Page, 1993



Cultivating customer loyalty



Loyalty programmes

- frequent buyer programmes
- customer clubs
- newsletters

slide S27-1: Loyalty on the Internet

27.0 Outline

This module looks at on-line communities and other ways of encouraging loyalty on the Internet.

27.1 The fickle on-line marketplace

The Internet has been good and bad for marketers. It has made some types of shopping much easier, and made response options quicker than ever ('click here').

On the other hand, it has also made it much easier for consumers to investigate competing products - and purchase them. Two or three clicks of the mouse can see a customer on a site in direct competition with your own. For this reason, customer loyalty has become absolutely crucial for businesses who hope to get anywhere on-line.

In general, achieving on-line loyalty is a similar process to achieving loyalty in the traditional marketplace. However, there are three key areas that successful internet-based companies tend to focus on: customisation, communities, and real-life follow-up.

slide S27-2: Customisation: summary

27.2 Customisation

One advantage of on-line catalogues is that they can be customised on the fly. The best e-commerce sites do exactly this, tailoring the webpage each customer views according to that customer's profile (which might include past purchases, geodemographic information, etc.)

This saves customers time, because what they are looking for is often directly in front of them, and it enables you to directly offer each customer the items they are most likely to buy.

A recent survey by Jupiter Communications found that sites that customise report a rise in revenue of over 50% and rapid growth of new customers. What's more, people are growing to expect some sort of personalisation when they visit a site: if you don't provide that, they may find a competitor who does.

[slide S27-3: On-line communities: summary](#)

27.3 Communities

What do Chaos Music, Deja.com and CosmoGirl! all have in common? They all base their websites substantially upon community input - ordinary users submitting reviews, comments, and answering each other's questions.

Customers like community activity of this nature, partly because comments from other users are more relevant and credible to them than comments from you. They expect you to speak highly of your own products and services, but it will really impress them if others also do.

Communities also serve the valuable function of bringing users back to the site over and over, making it possible to alert them to new promotions and offers.

[slide S27-4: Real-life follow-up: summary](#)

27.4 Real-life follow-up

When you order a book through Amazon.com, you also receive bookmarks, special catalogues, and even post-it notes. Some companies periodically send real mail to their customers, to tell them about special offers or just to keep the lines of communication open.

This sort of real-life follow-up serves three purposes: it reminds your customers about your company and any special offers it may be making; it helps reinforce your company's image as a solid, reliable organisation; and it also makes your customers feel as though you value them. These days, everyone sends e-mail, but hardly anyone sends birthday cards, making real mail an excellent way to differentiate your company.

Discussion:

How else could loyalty be encouraged on the Internet?

Cross-reference:

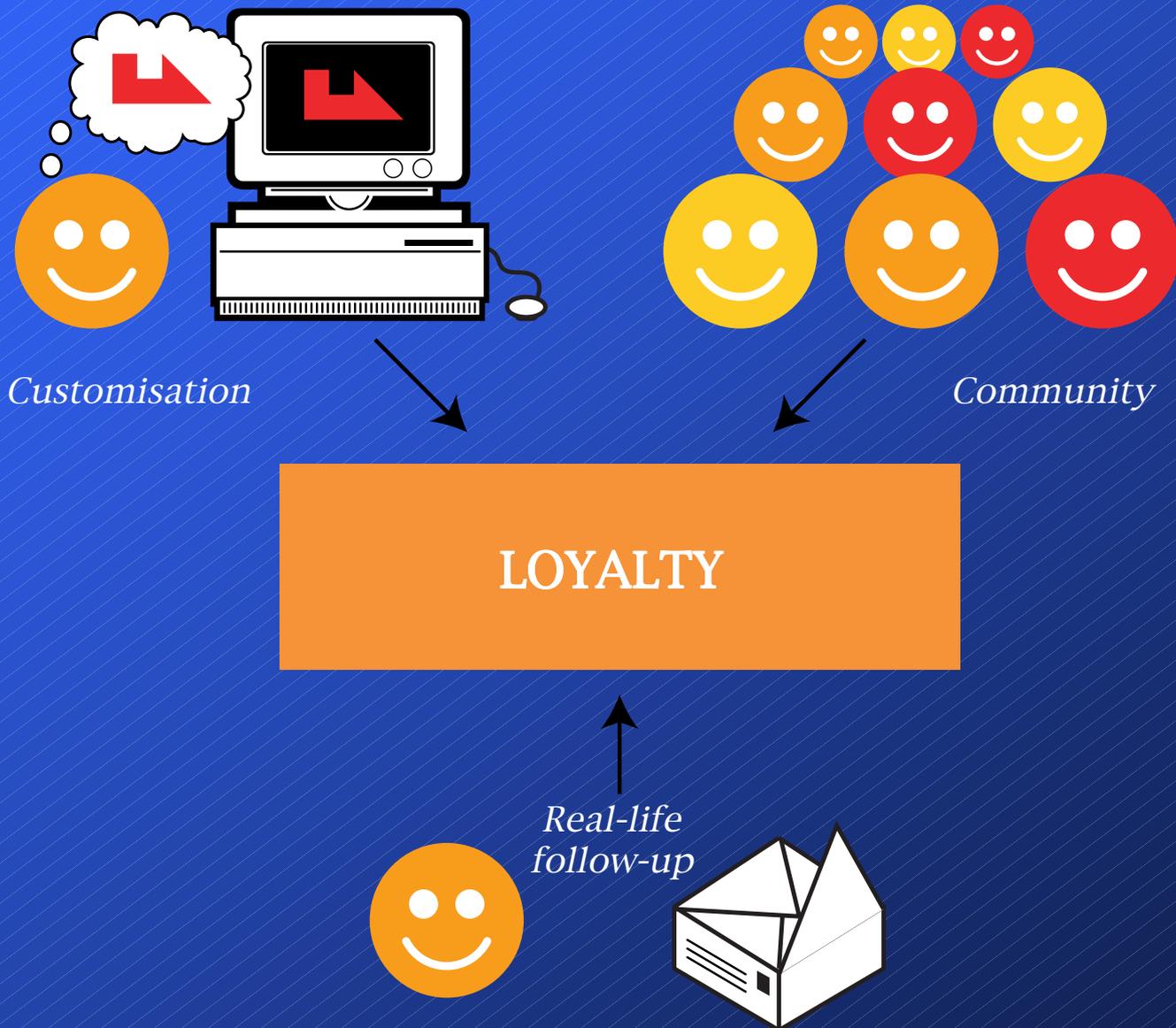
For more on loyalty, see M26.

References and further reading:

Janal, Dan. *Dan Janal's Guide to Marketing on the Internet*.

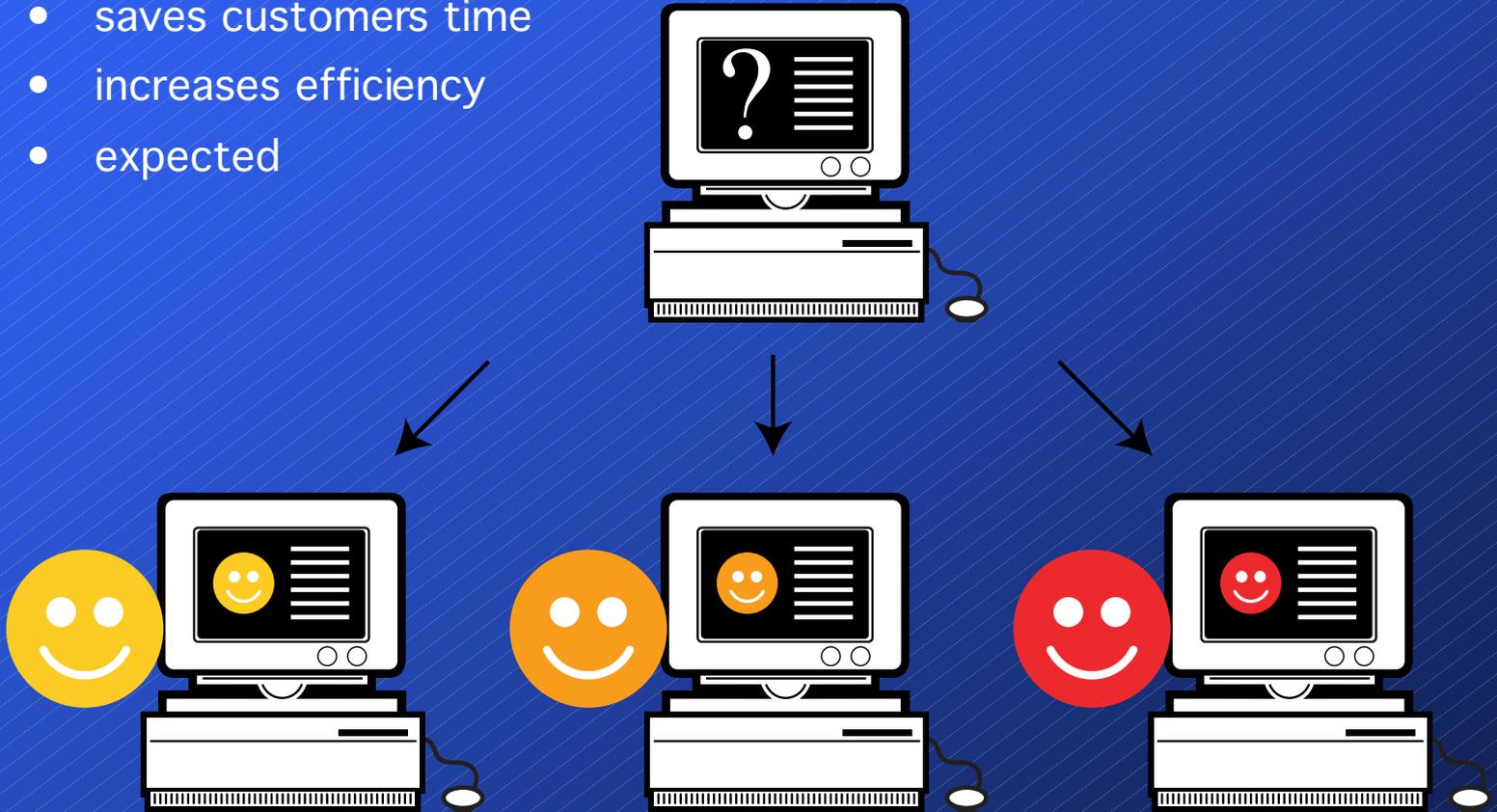
Griffin, Jill. *Customer Loyalty*.

Loyalty on the internet



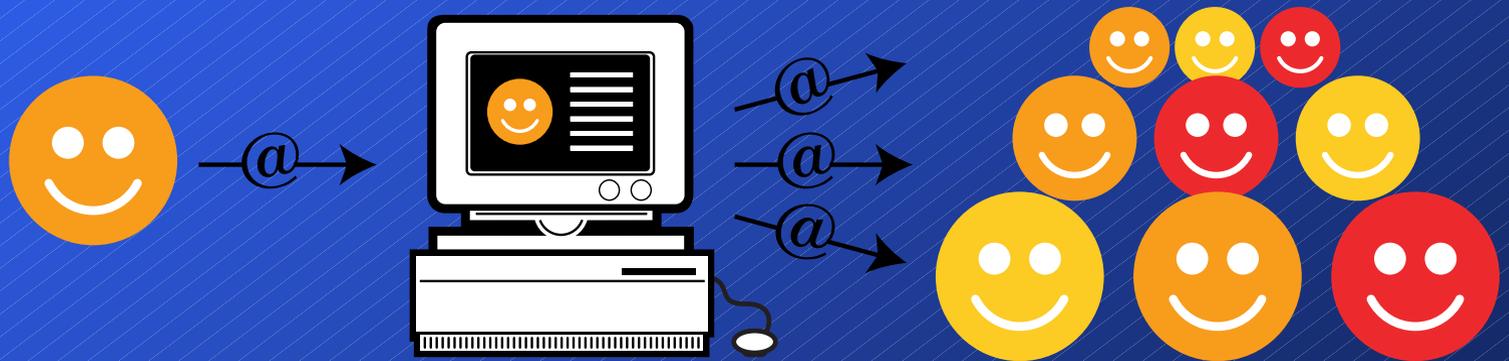
Customisation

- saves customers time
- increases efficiency
- expected



Communities

- credibility
- return visits



Real-life follow-up

Customer:

- feels valued
- takes company seriously
- greater loyalty



Card



Bookmark



Free Gift



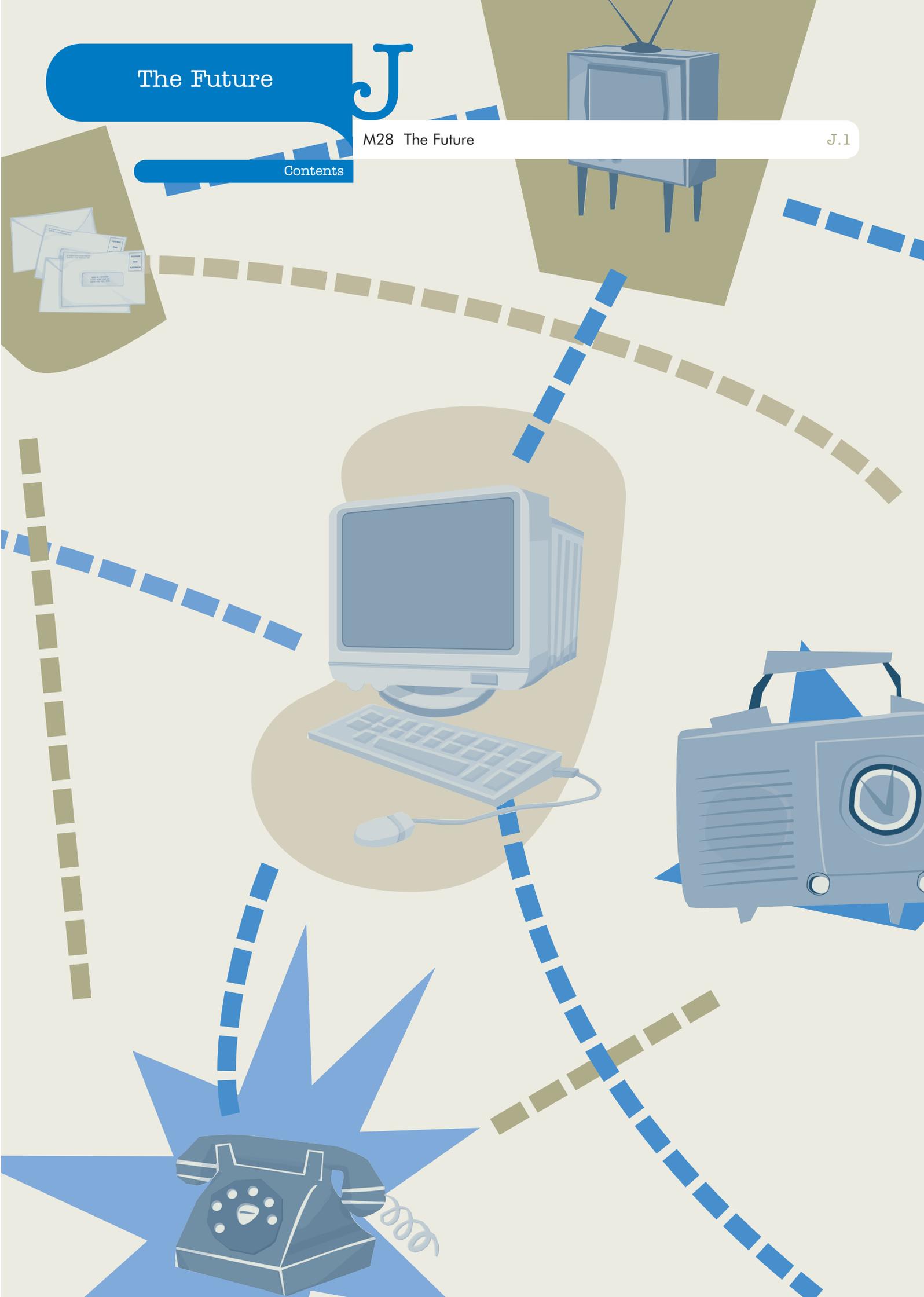
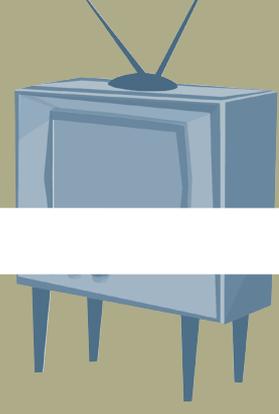
The Future

J

M28 The Future

J.1

Contents



28.0 Where to now?

This module looks at some of the possibilities for direct marketing in the future.

slide S28-1: The continuing market evolution

28.1 The continuing market evolution

Roman foresees a market evolution or revolution, in which long-term relationships with customers, rather than short-term sales will be encouraged. The customer will be regarded as a 'partner', not a target. Corporate structures will likewise shift in focus to concentrate on the customer.

Roman, p2

slide S28-2: Inverse customer relationships: summary and diagram

28.2 Inverse customer relationships

This shift is a move from:

making and obtaining the product, researching the population, segmenting, analysing, and pinpointing a target audience

to:

asking the customer what she or he wants, making the product and completing the direct marketing cycle with prompt and efficient fulfilment

slide S28-3: Customer focus: quote

"What will separate the winners from the losers over the next critical years is the ability to make the changes needed to get closer to the customers."

Roman, p8

slide S28-4: Embracing vision and change: summary/quote

Don Schultz (Northwestern University) advises direct marketers to:

- "quit looking at product" and focus on customer worth
- "stop communicating to the masses"
- offer staff rewards for good customer service

It's a shift which, he claims, has to come from the leaders who are willing to embrace vision and change.

Schultz quoted in Roman, p8

28.3 Integrated and interactive marketing

slide S28-5: IDM: quote

28.3.1 Integrated direct marketing

Roman sees integrated direct marketing as the approach for future direct marketing. He defines integrated direct marketing as an:

"Integrated communications approach that is strategic, research-based and targeted to the ever-changing customer needs and preferences."

Roman, p4

slide S28-6: Integrated direct marketing: five principles

The five principles of integrated direct marketing (also mentioned earlier, in Module 6)

- Start with the customer
- Listen to the field sales force
- Synchronise media with laser precision
- Develop creative that provides value to the customer
- Continue the process throughout the sales cycle and beyond

Roman, p5

According to Roman, integrated direct marketing will become essential as technology advances and customer expectations become increasingly complex.

Customer expectations and advancing technology

slide S28-7: Changing customer experience

With rapid developments in the technology available to people, customers will become accustomed to the idea of:

- production and marketing systems which can tailor products, communications and services to meet their expectations
- increased choices for delivery and payment
- contacting the marketer easily and under their own initiative

28.3.2 Interactive direct marketing

According to Molenaar (**Interactive Direct Marketing**) this kind of interactive marketing, in which the customer initiates and controls contact with the marketer or retailer, signals 'the end of the mass-marketing era.'

slide S28-8: Interactive direct marketing – the end of the mass-marketing era: quote

"Interactive marketing uses interactive media ... for the purpose of direct communication with customers. As a result, the marketing and sales processes are changing drastically and the future of many companies will be in danger unless they slim down and respond attentively to the customer in close relationship." (*Molenaar, p1*)

In a turning of the tables, the 'channel' will dominate the manufacturer. Customers will dictate to suppliers and the pressures of buying behaviour will change marketing operation. (*Molenaar p2*) The "small-scale and personal" will return to marketing, demanding direct dialogue between customer and manufacturer. "Companies will have to look not for markets but products to suit their customers." (*Molenaar, p 23*)

slide S28-9: The sales diablo:
diagram

Don Schultz (Northwest University) predicts a move away from field sales forces to distributors. The manufacturer or distributor will be in constant dialogue with the consumer. Marketers will have to learn to listen to the customer. Mass advertising will not be affordable, the focus will be on relating to individuals.

slide S28-10: Customer
control: summary and diagram

Marketing thus becomes a two-way experience which customers may control, from ordering products to choosing interaction, to installing privacy filters on their computers to prevent unwanted contact from marketers. (*Schultz pp20–23; Molenaar 1ff*)

28.4 Globalisation

Schultz maintains that there will be an alteration in the idea of target segments.

slide S28-11: Global bands:
diagram

With the ability to use credit cards internationally and transmit information around the world, 'global brands' will develop, which express interest in products that span the world e.g. MTV, Hard Rock Cafe, Coca-cola.

Some other products, however, will be more appropriate for certain countries and less relevant to others.

Developing an international direct marketing campaign involves a complex adaptation process of creative, content, fulfilment and analysis. It also requires an understanding of the markets, cultures and laws particular to different countries. Considerations include:

slide S28-12: International
considerations

- multilingual copy, including knowledge of appropriate phrases, approaches, salutations, address format and fonts
- creative and content which is appropriate for the culture being addressed
- international lists – these may be obtained from an international list broker, or from local brokers within the countries to be targeted. Different countries have different laws about list usage
- an awareness of legalities concerning postage, international sales, privacy laws etc.
- data-processing software which is capable of processing addresses from different countries (i.e. is able to recognise different fonts, address systems etc.)
- data-processing software which can analyse responses for international targeting

It is essential to have an 'adaptation' team which is able to translate copy and understand the target culture. There should be an adaptation team in each target country which liaises with the originating direct marketing team.

International direct marketing campaigns are rapidly growing and proving to be beneficial to many companies, particularly those that have exhausted their local opportunities.

Adam Baines, ed., The Handbook of International Direct Marketing, ch1

It seems that, as the 21st century approaches, direct marketing will experience another major progression in its history, proving yet again its remarkable adaptability in the face of change.

[slide S28-13: Back to the future: diagram](#)

Discussion:

"The www is all very well, but it will only enhance direct marketing if the traditional techniques of direct marketing are adapted to the new technology." Discuss.

Cross-references:

For more on the www see M20

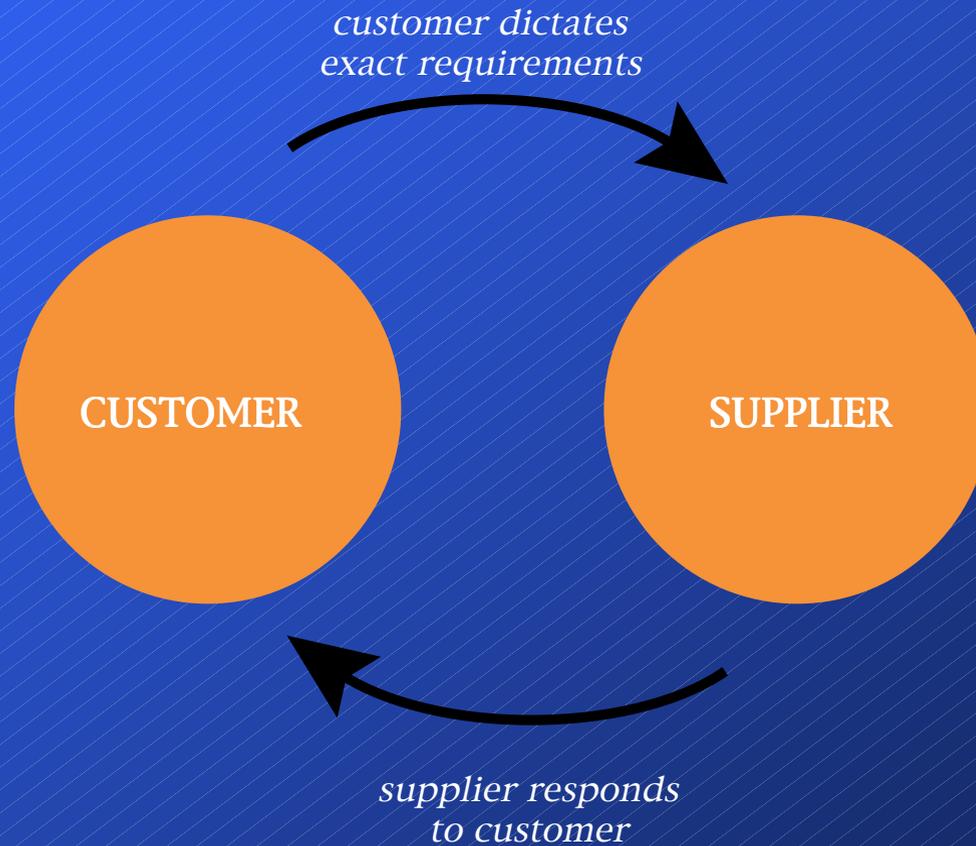
References and further reading:

Don Schultz **Database Marketing: The Future of Marketing**, No 16, Oct 1995, pp20–23

Roman, Ernan. **Integrated Direct Marketing**

Molenaar, Cor. **Interactive Marketing**

The continuing market evolution

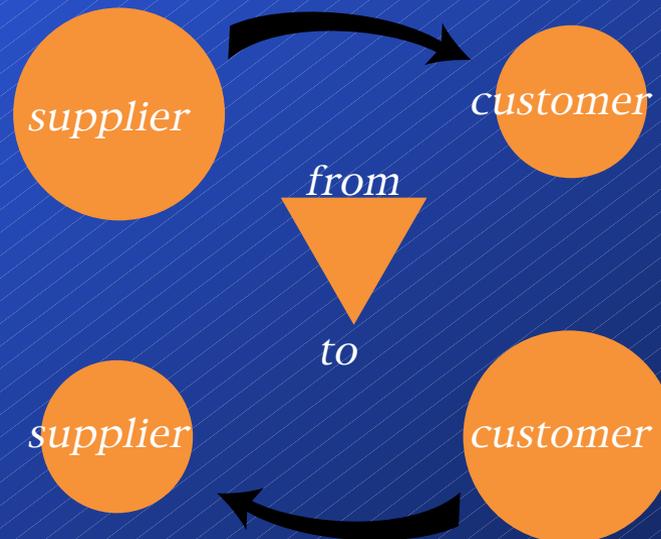


The move to inverse customer relationships

Moving from making and obtaining the product, researching the population, segmenting, analysing, and pinpointing target audience

to:

asking the customer what they want and making the product



Customer focus:

“What will separate the winners from the losers over the next critical years is the ability to make the changes needed to get closer to the customers.”

Roman, p8

Embracing vision and change

- ‘quit looking at product’ and focus on customer worth
- ‘stop communicating to the masses’
- ‘offer staff rewards for good customer service’

Don Schultz quoted in Roman, Ernan.

***Integrated Direct Marketing.** Lincolnwood, Illinois,
USA: NTC Business Books, 1995 p8*

Integrated Direct Marketing is an:

“Integrated communications approach that is strategic, research-based and targeted to the ever-changing customer needs and preferences.”

*Don Schultz quoted in Roman, Ernan,
Integrated Direct Marketing. Lincolnwood, Illinois,
USA: NTC Business Books, 1995 p8*

Integrated Direct Marketing – key principles

1. Start with the customer
2. Listen to the field sales force
3. Synchronise media with laser precision
4. Develop creative that provides value to the customer
5. Continue the process throughout the sales cycle and beyond

Changing customer experience

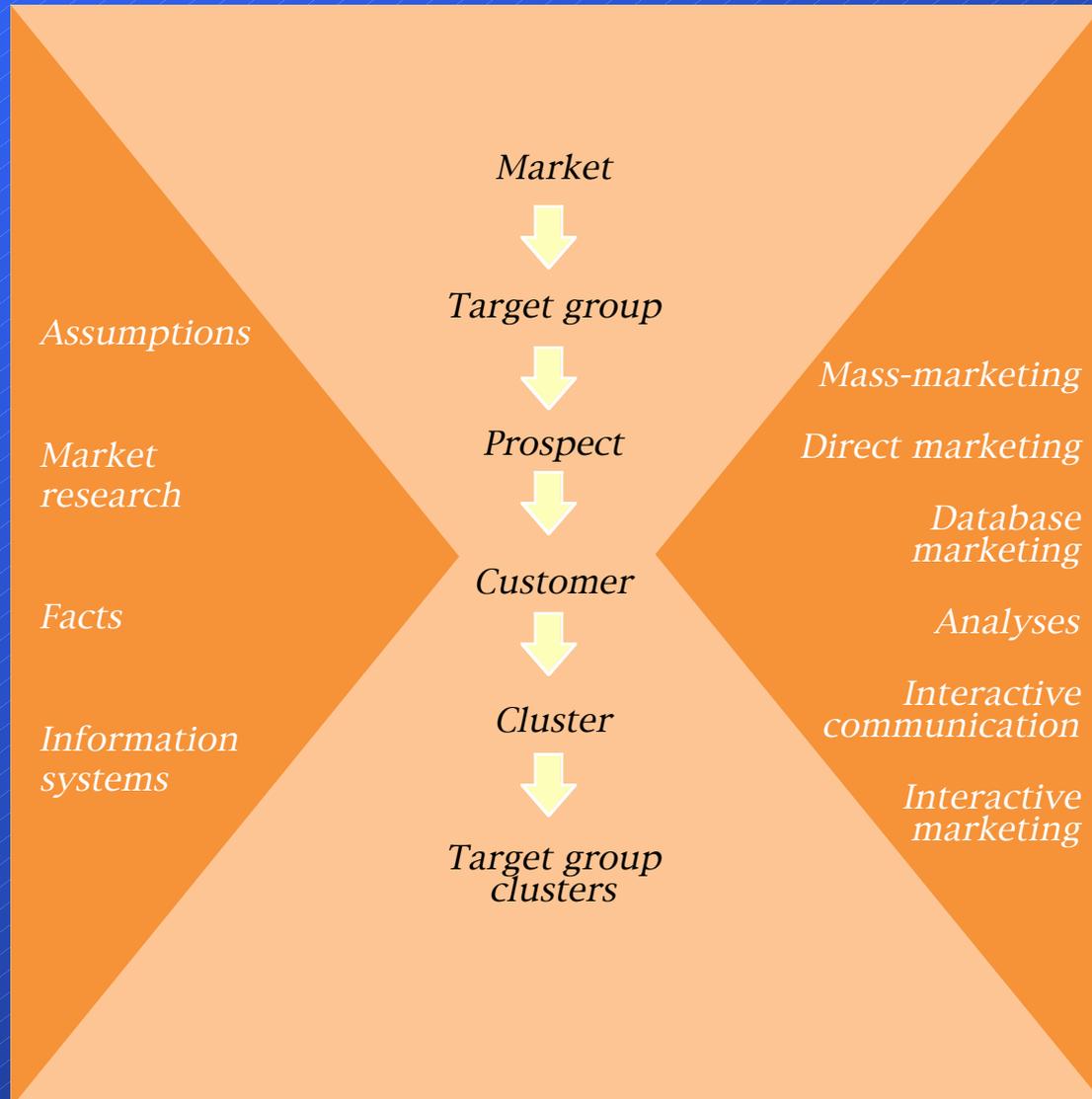
- production and marketing systems which can tailor products, communications and services to meet customer expectations
- increased choices for delivery and payment
- contacting the marketer easily and under customer initiatives

The end of the mass-marketing era?

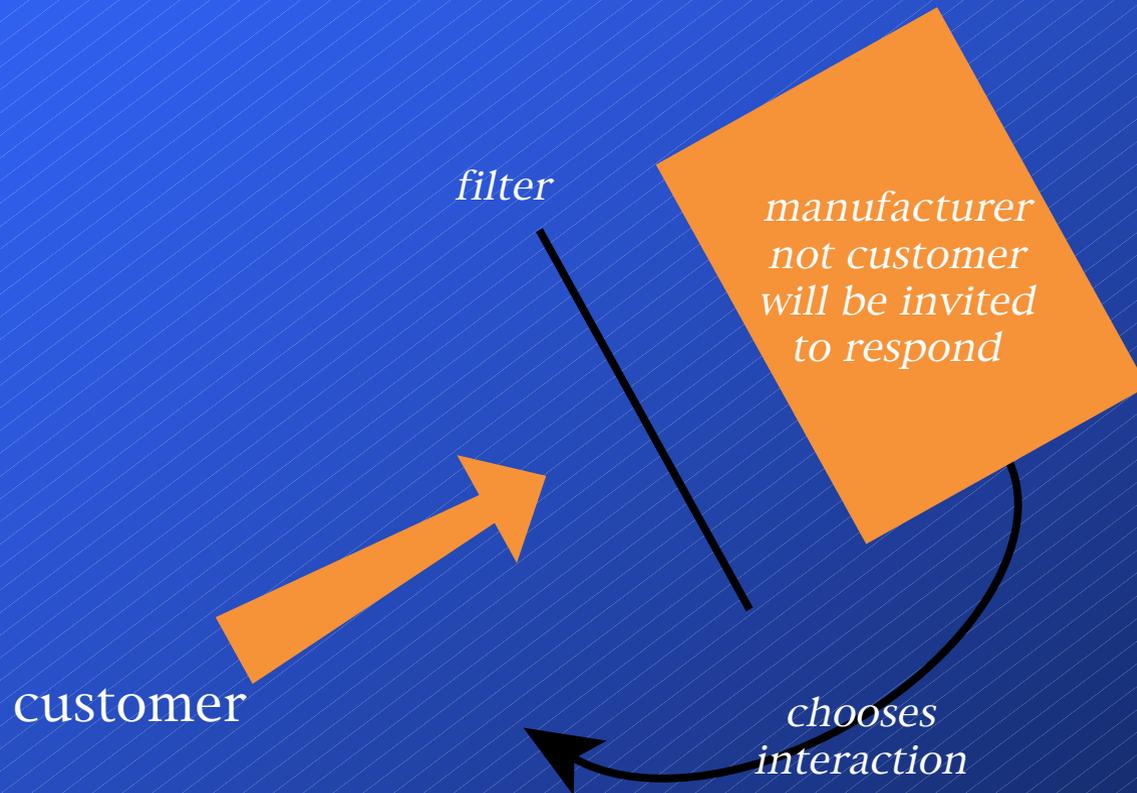
“Interactive marketing uses interactive media ... for the purpose of direct communication with customers. As a result, the marketing and sales processes are changing drastically and the future of many companies will be in danger unless they slim down and respond attentively to the customer in close relationship.”

Molenaar, p1

The sales diablo



Customer control



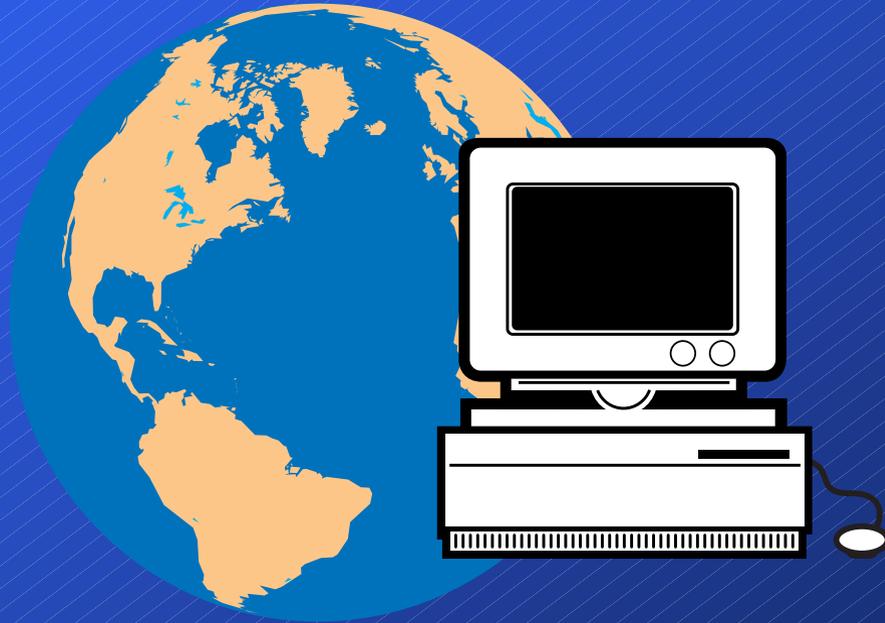
Global bands



International considerations

- language
- culture
- local lists
- legalities
- software capabilities

Back to the future



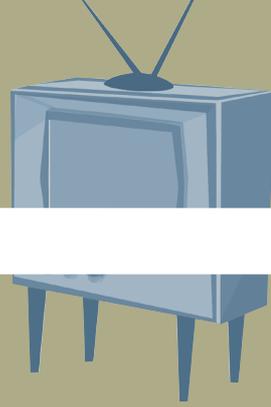
- individual orders
- service to remote places
- immediate payment

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K

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