



Chapter 21

Direct marketing

Direct marketing is a strategy used to create a personal and intermediary-free dialogue with customers. This should be a measurable activity and it is very often media-based, with a view to creating and sustaining a mutually rewarding relationship. The development and use of direct marketing principles by a variety of organisations are testimony to the power of this personal form of communication.

Aims and learning objectives

The aims of this chapter are to explore the characteristics of direct marketing and to develop an understanding of interactive marketing communications.

The learning objectives of this chapter are to:

1. consider the role and characteristics of direct marketing;
2. examine the types of direct brands and their relationship with direct response media and their role within the marketing communications mix;
3. consider the reasons behind the growth and development of this new marketing communications tool;
4. appreciate the significance of the database in direct marketing;
5. explore issues associated with permission-based marketing;
6. identify and consider different direct response media;
7. consider the value of integrating the activities of direct marketing with other elements of the mix.

For an applied interpretation see the MiniCase entitled *Recovering cars with direct marketing* at the end of this chapter.

Introduction

From previous discussions about relational and marketing exchanges (Chapters 1 and 7), it should be apparent that the long-term goal of most organisations is to build a long-term relationship with each of their customers. Most of the marketing communications disciplines

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use mass media to address huge audiences, in what is essentially one-way communication – not an ideal way of developing relationships. Advertising communicates with large audiences and primarily seeks to provide certain information, affect emotions and frame intentions when the next purchase opportunity arises. Advertising is not capable of talking personally to individual customers, nor is it used to generate personal responses. Furthermore, those who

choose to use advertising are constrained by the page sizes, paper types, fonts and style or the available spots, the skill of the media planner and the programmes that are available.

Sales promotions are designed to generate an immediate sale, but the information is not stored or used in such a way that a relationship is deliberately created and sustained and the perceived value of a brand can be diluted. Public relations seeks to develop favourable interest and goodwill by piggy-backing on other media. Personal selling is certainly founded upon the need to establish long-term, personal relationships. However, the range of tasks that the sales force is expected to complete means that only a small percentage of its time can be focused on generating an immediate response. Personal selling is expensive and there is variable control over the messages that are transmitted by individual members of the sales force.

In addition to these promotional tool deficiencies, the distribution element of the marketing mix was the last to receive attention. Faced with an increasing lack of product/service differentiation and margins being eroded through price competition, the marketing channel was ripe for investigation and review. It became clear that many cost advantages could be achieved through a more direct approach to the market. This meant side-lining or avoiding expensive intermediaries (channel members) and providing opportunities to improve quality and service provision. For these main reasons, direct marketing has developed and flourished.

The role of direct marketing

Direct marketing is a term used to refer to all media activities that generate a series of communications and responses with an existing or potential customer. Early on there was considerable debate about the term ‘direct marketing’ itself. It was

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often referred to as direct mail or as ‘curriculum marketing, dialogue marketing, personal marketing and database marketing’ (Bird, 1989). This proliferation of terms reflects the range of activities that are undertaken in an attempt to prompt a response from a customer. Terminology has settled in favour of direct marketing, and this broad approach will be adopted

here. However, readers are advised that this chapter on direct marketing should not be read in isolation, as issues concerning direct communications are embedded throughout this text. Particular reference should be made to Chapters 1, 7, 9, 24 and 26.

Primarily, direct marketing is concerned with the management of customer behaviour

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and is used to complement the strengths and weaknesses of the other communication disciplines. To put this another way, advertising and public relations provide information and develop brand values but sales promotion and direct marketing drive response, most notably behaviour.



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Exhibit 21.1

This Thomas Anderson print ad appeals directly to customers offering a telephone number and a web site address to drive action
Courtesy of Thomas Sanderson.

For a long time direct mail was the main tool of direct marketing but the development of information technology and, in particular, the database, have enabled the introduction of a range of other media. These are used to communicate directly with individual customers and often carry a behavioural (call-to-action) message. Typically, direct marketing agencies work across a variety of media including the telephone, Internet, direct mail, email, press and posters. No single media channel dominates their work. In an era where the talk is about integration and media neutrality (Chapter 9) the direct marketing industry is in a strong position to provide a wide range of client communication services. All the elements of the communication mix can be used with direct marketing to support and build meaningful relationships with consumers and members of the various stakeholder networks.

ViewPoint 21.1

A&L value the direct approach

A&L is the seventh largest UK bank and like many other banks was hit by the credit crunch that emerged in 2007. The banking industry also suffers from a negative customer perception, with many customers cynical about over-promise and under-delivery.

It is said that A&L had failed to invest in their brand in recent years although traditionally A&L was perceived to be a strong brand. To help differentiate itself now it follows a low-cost business strategy, based around four core brand values: attracting new customers by offering better value products and services; being simple and straightforward; offering a friendly and approachable service; and 'recognising' existing customers.

To deliver the business objectives, A&L use direct marketing to reach their target audience. They simply refuse to spend huge amounts on brand advertising just so they can compete with the bigger banks. If they did it would undermine their value proposition. In addition to the branch network, A&L use direct channels, such as the Internet and telephone banking.

Source: Turner (2008).

Question

If A&L do not want to compete using advertising or direct marketing, what other methods could they use?

Task

Make a list of the various forms of direct communications A&L could use to reach their markets.

Direct marketing is a strategy used to create and sustain a personal and intermediary-free dialogue with customers, potential customers and other significant stakeholders. In most cases this is a media-based activity and offers great scope for the collection and utilisation of pertinent and measurable data. There are a number of important issues associated with this definition. The first is that the activity should be measurable. That is, any response(s) must be associated with a particular individual, a particular media activity and a particular outcome, such as a sale or inquiry for further information. The second issue concerns the rewards that each party perceives through participation in the relationship. The customer receives a variety of tangible and intangible satisfactions. These include shopping convenience, time utility and the satisfaction and trust that can develop between customers and a provider of quality products and services when the customers realise and appreciate the personal attention they appear to be receiving.

Underpinning the direct marketing approach are the principles of trust and commitment.

Underpinning the direct marketing approach are the principles of trust and commitment, just as they support the validity of the other promotional tools. If a meaningful relationship is to be developed over the long term and direct marketing is an instrumental part of the dialogue, then the pledges that the parties make to develop commitment and stability are of immense importance (Ganesan, 1994).

Indeed, the concept of establishing trust is vital if relational exchanges are to be developed. Trust is a multidimensional construct (Morgan and Hunt, 1994) and the need to ensure that it is recognised and accepted by parties where direct marketing is used is highly important (Fletcher and Peters, 1997).

The direct marketer derives benefits associated with precision target marketing such as minimised waste, increased profits and the opportunities to provide established customers with other related products, without the huge costs of continually having to find new customers. In addition, direct marketing represents a strategic approach to the market. It actively seeks to remove channel intermediaries, reduce costs and improve the quality and speed of service for customers. Through this bundle of attributes, direct marketing can itself present a new offering for the market, one that may provide competitive advantage. For example, First Direct, Virgin Direct and the pioneer, Direct Line, all provide these advantages, which have enabled them to secure strong positions in the market.



Exhibit 21.2

Direct Line telephone

The red telephone identifies Direct Line, one of the first to establish direct marketing as its principal form of marketing communications.

Picture reproduced with the kind permission of Direct Line Insurance.

Types of direct brand

Direct marketing is assumed to refer to direct promotional activity, but this is only part of the marketing picture. Using direct response media in this way is an increasingly common activity used to augment the communication activities surrounding a brand and to provide a new dimension to the context in which brands are perceived.

In addition to these promotional advantages there are two main types of direct brands: *pedigree direct* brands and *hybrid direct* brands (Foster, 1996). These reflect the origins of a brand in the sense that the pedigree direct brand is developed to exploit a market-positioning opportunity. Hybrid direct brands are essentially the same except that the brand heritage is rooted in traditional distribution channels, which may well continue to be a route to market, used in parallel to the direct route. Therefore, as Foster points out, the main difficulty facing the hybrid direct brand is the organisational culture: its context and heritage. With these brands there is a generally accepted approach to the market and commonality as to the way things should be done. Even the systems and processes associated with the intermediary-based approach are established and need to be altered to meet the needs of a new type of customer.

However, there is further difficulty, which lies with the image that the customer base and other stakeholders have of the hybrid direct brand. It represents a change from the frame in which stakeholders expect to see the brand. Care therefore, needs to be taken with the marketing communications to ensure that the transition is carried out in such a way that the credibility of the brand is maintained.

From this review it is possible to see direct marketing as part of one of the types shown in Figure 21.1. These are not hierarchical in the sense that there has to be progression from one type to another. They are reflections of the way different organisations use direct marketing and the degree to which the tool is used strategically.

Type 1: complementary tool

At this level, direct response media are used to complement the other promotional activities used to support a brand. Their main use is to generate leads and to some extent provide awareness, information

Direct response media are used to complement the other promotional activities.

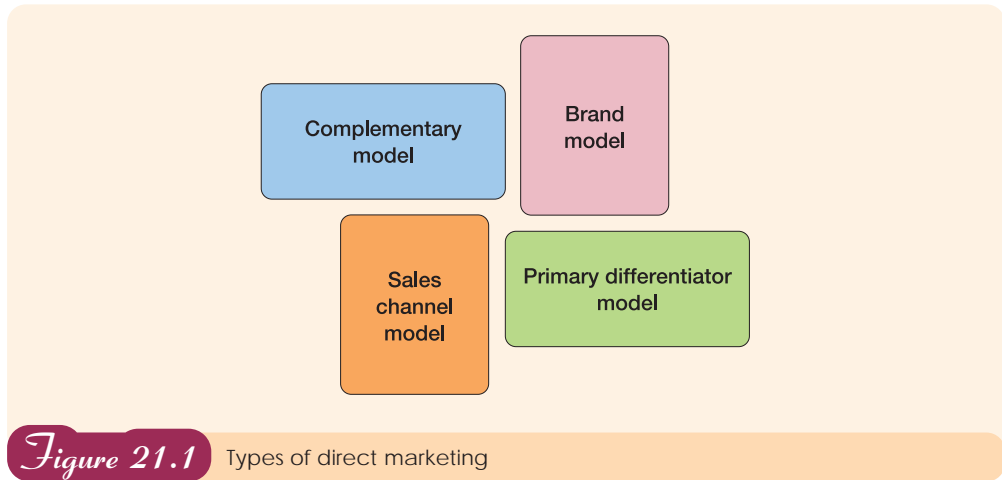


Figure 21.1 Types of direct marketing

and reinforcement. For example, financial services companies, tour operators and travel agents use direct response television (DRTV) to stimulate enquiries, loans and bookings, respectively.

Type 2: primary differentiator

Rather than be one of a number of promotional tools, at this level direct response media are the primary form of communication. They are used to provide a distinct point of differentiation from competitor offerings. They are the principal form of communication. In addition to the Type 1 advantages they are used to cut costs, avoid the use of intermediaries and reach precisely targeted audiences, for example book, music and wine clubs.

Type 3: sales channel

A third use for direct marketing and telemarketing in particular concerns its use as a means of developing greater efficiency and as a means of augmenting current services. By utilising direct marketing as a sales tool, multiple sales channels can be used to meet the needs of different customer segments and so release resources to be deployed elsewhere and more effectively. This idea is developed further later in this chapter.

Type 4: brand vehicle

Organisational brands are developed to exploit market space opportunities.

At this final level, organisational brands are developed to exploit market space opportunities. These may be the pedigree or hybrid brands identified earlier (for example, Direct Line, Virgin Direct and Eagle Star Direct). The strategic element is most clearly evident at this level. Indeed, the entire organisation and its culture are oriented to the development of customer relationships through direct marketing activities.

ViewPoint 21.2 ING Direct . . . literally

In just under three years, ING Direct took on the UK savings market and became the UK's fastest growing bank with over 1 million customers and £25 billion funds under management.

One of the goals at launch was to become a direct banking brand but not an ordinary one. ING Direct had to be perceived as highly differentiated from the current offerings. This required the brand to be positioned clearly and the platform for this was to be a straightforward, fair 'no catches' financial player. However, this would not be enough to grow quickly so there was a need to drive high levels of response.

Once a gap had been spotted in the market, a communications strategy was developed, built on a multi-channel approach, yet targeted at mainstream savers. The creative was based on the premise that the brand was 'for everyone' and that ING Direct offered simple products and that ING were no clutter and simple messages.

To grow rapidly, ING Direct needed to establish brand awareness across their target market and then drive high levels of response. First, a communications plan was established that included television, press, outdoor and direct mail. In addition, an online presence was imperative so a web site was developed, which was used in conjunction with telemarketing in order to create the accounts for new customers.

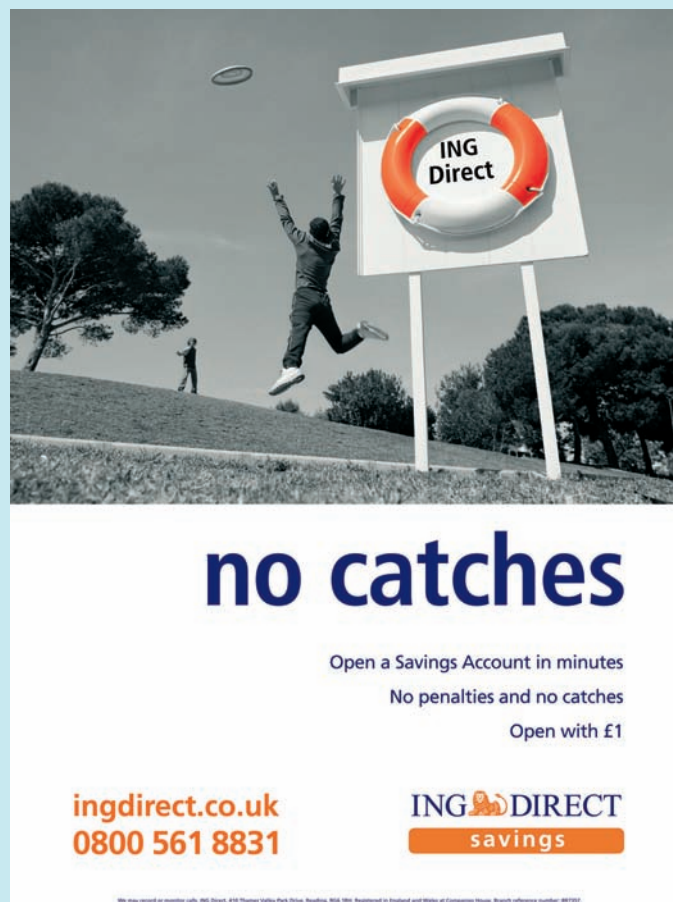
Sources: VCCP (2008), Gall *et al.* (2006).

Question

What might be the role of the web site in ING Direct's direct marketing other than to help create accounts?

Task

Go to the ING Direct web site and then to each of three of their competitors. What colours have each of the brands adopted?



no catches

Open a Savings Account in minutes
No penalties and no catches
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Exhibit 21.3

ING Direct print ad
ING Direct.

The growth of direct marketing

There can be little doubt that, of all the tools in the marketing communications mix, direct marketing has experienced the most growth in the last 15 years. The reasons for this growth are many and varied, but there have been three essential drivers behind the surge in direct marketing: technological advances; changing buyer lifestyles and expectations; and organisational expectations (see Figure 21.2). These forces for change demonstrate quite dramatically how a change in the context can impact on marketing communications.

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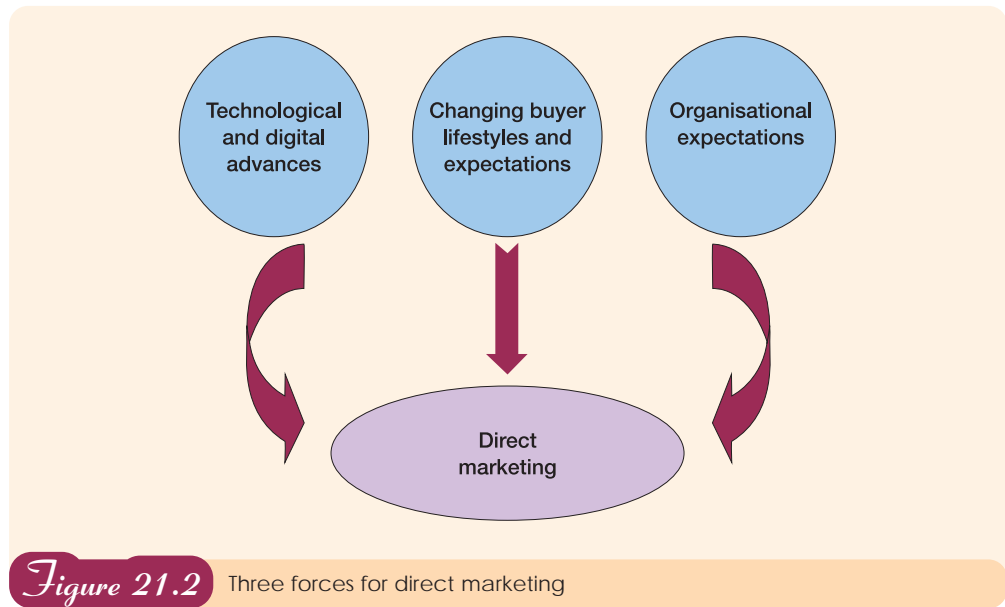


Figure 21.2

Three forces for direct marketing

Growth driver 1: technology

Rapid advances in technology have heralded the arrival of new sources and forms of information. Technology has enabled the collection, storage and analysis of customer data to become relatively simple, cost-effective and straightforward. Furthermore, the management of this information is increasingly available to small businesses as well as the major blue chip multinational organisations. Computing costs have plummeted, while there has been a correspondingly enormous increase in the power that technology can deliver.

The technological surge has in turn stimulated three major developments: first, the ability to capture information; second, the capacity to process and analyse it; and third, the capability to represent part or all of the information as a form of communication to stimulate dialogue and interaction to collect further information (see Table 21.1).

Organisations have been able to make increasing use of technological developments within marketing communications. Indeed, all areas of the mix have benefitted as new and more effective and efficient processes and methods of communication evolve. Advances in technology are responsible for the demise of some traditional forms of communication. For example, the impact of mass communications and advertising in particular as a single device has diminished in favour of a more personalised and

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Table 21.1 Advances in technology**Data capture and collection**

Web site registration data, scanners, smart cards, loyalty schemes, marketing research

Information processing

Database marketing, warehousing, mining

Communication and interaction

Greater precision in segmentation and targeting effectiveness, direct mail, telemarketing, SMS and mobile marketing plus a simultaneous decline in traditional media consumption/effectiveness.

Table 21.2 Changing market context**Lifestyles and expectations**

Inner directedness, pluralism, individualism

Fragmentation

Audience, media

Market expectations

Increased competition, faster speed of response, shorter lifecycles, move to premium products.

integrated approach to communications, enabled by technology. This gives the ability to target potential customers much more precisely, at any location and at lower cost.

Growth driver 2: changing market context

The lifestyles of people in industrialised economies in particular, have evolved and will continue to do so. Generally, the brash phase of *selfishness* in the 1980s gave way to a more caring, society-oriented *selflessness* in the 1990s. The first decade of the twenty-first century suggests that a *self-oriented* lifestyle was prominent, reflected in short-term brand purchase behaviour and self-centred brand values and society behaviour. Perhaps the second decade will see further change as the global economy and forces for environmental adaptation bring about change to the way societies interact and individuals perceive their role within any one society. However, it seems as if there will be continued fragmentation of the media and finely tuned segmentation and communication devices will be necessary to communicate with discrete audiences.

Growth driver 3: changing organisational expectations

Organisations can expect to continue experiencing performance pressures. These vary from the expectations of shareholders as they demand short-term returns on their investments to the impact this can have on managers. They are having to cope with an increasing cost base caused by demands on fuel and other resources by developing economies and a downward pressure on prices due to intense competition. This pressure on margins requires new routes to markets to reduce costs. Direct marketing addresses some of these changing management

There are no intermediary costs, there is fast access to markets (and withdrawal) plus opportunities to respond quickly to market developments.

Table 21.3 Changing organisational context

Shareholder requirements

Faster returns on investment, increased performance, increased propensity to switch funding

Management expectations

More accountability, increased costs, intense pressure on prices, shortening performance windows.

needs as there are no intermediary costs, there is fast access to markets (and withdrawal) plus opportunities to respond quickly to market developments and also justify their use and allocation of resources (see Table 21.3).

The impact of these three drivers can be seen within the emergence of ideas about integrated marketing communications and an overall emphasis on relationship marketing principles. The enhanced ability of organisations to collect, store and manage customer lifestyle and transactional data, to generate personalised communications and their general enthusiasm for retention and loyalty schemes have combined to provide a huge movement towards an increased use of direct and interactive marketing initiatives.

The role of the database

A database is a collection of files held on a computer that contain data that can be related to one another.

At the hub of successful direct marketing and customer relationship management (CRM) activities is the database. A database is a collection of files held on a computer that contain data that can be related to one another and that can reproduce information in a variety of formats. Normally the data consist of

information collected about prospects and customers that are used to determine appropriate segments and target markets and to record responses to communications conveyed by the organisation. A database therefore plays a role as a storage, sorting and administrative device to assist direct and personalised communications.

Age and lifestyle data are important signals of product usage. However, there will be attitudinal variances between people in similar groups demanding further analysis. This can, according to Reed (2000), uncover clues concerning what the direct mail piece should look like. So, older customers do not like soft colours and small type and sentences should not begin with 'and' or 'but'.

The information stored in databases is gathered from transactions undertaken with customers, and this is known as the recency/frequency/monetary (RFM) model. On its own this information is not enough and further layering of data is required (Fletcher, 1997). Lifestyle data, often bought in from a list agency, can be used to further refine the information held. Response analysis requires the identification of an organisation's best customers, and then another layer of data can be introduced which points to those that are particularly responsive to direct mail, mail order, telephone or online communications. It is the increasing sophistication of the information held in databases that is enabling more effective targeting and com-

The information stored in databases is gathered from transactions undertaken with customers.

munications. The database consists of several layers of information whereby traditional segmentation data, which set out customer profiles, could be fused with transactional data so that biographics (Evans, 1998) emerged as a radically new approach to developing interaction and dialogue with individual customers.

ViewPoint 21.3

Tesco watches Your Trolleys

Tesco announced in the Spring of 2008 that they were going to monitor and record the shopping habits of over 60 million people in nine of the countries in which it operates.

Tesco Clubcard has 13.5 million current users in the United Kingdom, and versions of the card are available in South Korea, China and Malaysia. Each day an analysis is undertaken of their purchases. This data are then used to target discount coupons and promotions based on an individual's purchase patterns. The Clubcard is to be made available in Thailand, Hungary, Turkey, Slovakia, the Czech Republic and Poland.

Dunnhumby, who operate the database, have identified different types of shoppers:

- Price sensitive shoppers – uses reward vouchers, few fresh foods, value lager
- Traditional shoppers – oldest group, buys small number of items from a list
- Mainstream shoppers – prefers easy-to-prepare family meals, saves Clubcard points for deals
- Healthy shoppers – any age but buys wholesome food, counts calories and fat
- Convenience shoppers – buys quick meals, often ready meals, prepared salads
- Finer foods shopper – affluent, older adults who prefer to cook with organic foods, exotic fruits and ovenware.

Source: Hawkes (2008).

Question

To what extent does database information of this type provide Tesco with a competitive advantage?

Task

Visit dunnhumby.com and find out what they call relevance marketing.

However, the merging of data generated through transactions with attitudinal and lifestyle data poses a further problem. In essence, this paints a picture of what has been achieved, it describes behaviour. What it does not do is explain why the behaviour occurred. It may be possible to track back through a campaign to examine the inputs, isolate variables and make a judgement, but the problem remains that the data itself, what has been collected, does not provide insight into what underpins the behaviour. Pearson (2003) suggests that direct marketing and market research data sets should be brought together into what has been referred to as 'consilience' (Wilson, 1998) or a unity of knowledge. This data-rich information should then be capable of providing organisations with data intelligence and an opportunity to predict behaviour and offer a new form of data value.

Databases provide the means by which a huge range of organisations, large and small, can monitor changes in customer lifestyles and attitudes. In the business-to-business sector, the changing form of the interorganisational relationships and their impact on other members in the network, as well as the market structure and level of competitive activity, requires better management. It is through the use of the database that relationships with participants can be tracked, analysed and developed. Very importantly, database systems can be used not only to identify strategically important customers and segments but also to ascertain opportunities to cross-sell products (Kamakura *et al.*, 2003).

Databases provide the means by which a huge range of organisations can monitor changes in customer lifestyles and attitudes.

Permission marketing

However, there are a number of tensions associated with the use of the database. These tensions can be related to concerns about privacy and the need to communicate sensitively

with audiences who experience varying needs for privacy (Dolnicar and Jordaan, 2007). For example, customers have varying tolerances regarding the level of privacy that a database can exploit. These tolerances or thresholds (Goodwin, 1991) vary according to the nature of the information itself, how it was collected and even who collected it. The information on a database very often exists simply because a customer entered into a transaction. The business entity that received the information as part of a transaction has a duty to acknowledge the confidential nature of the information and the context in which it was collected before selling the details to a third party or exploiting the information to the detriment of the individual who provided it in the first place. Breaking privacy codes and making unauthorised disclosures of personal details lays open the tenuous relationship an organisation thinks it has with its 'loyal' customers. These tensions have given rise to regulations requiring customers to provide organisations with their formal, express permission to use their personal data in particular ways.

It is commonly agreed that Godin (1999) is the pioneer of permission marketing (PM) (Krishnamurthy, 2001; Gomez and Hlavinka, 2007) and that the aim of PM is to 'initiate, sustain and develop a dialogue with customers, building trust and over time lifting the levels of permission, making it a more valuable asset' (Kent and Brandal, 2003: 491). To put it another way, PM is about 'getting the okay from individuals to market to them' (Smith, 2004: 52).

PM occurs when consumers give their explicit permission for marketers to send them various types of promotional messages (Krishnamurthy, 2001). Essentially customers authorise a marketer to transmit promotional messages in certain 'interest' categories. This is usually obtained when a customer registers to enter a web site or completes a survey indicating

Customers authorise a marketer to transmit promotional messages in certain 'interest' categories.

their interests when registering for a service. Marketers are then able to target advertising messages more closely with the interests and needs of their registered customers. Definitions of PM vary according to the focus of the researchers, but they range from education, trust and share of wallet, to enticement and clutter.

Tezinde *et al.* (2002) examine PM in relation to the Internet and more specifically, email. They suggest the 'permission relationship' commences when customers give their 'explicit' and 'active' consent to receive commercial messages. Moustakas *et al.* (2006) agrees that a firm must obtain permission from a customer before contact through a direct marketing medium and concur that with every 'communication sent, the firm must provide consumers with an opportunity to rescind permission' (Dreze, 2005: 444).

Customers benefit from using PM through:

- a reduction in search costs and clutter (Lehman, 2004);
- better organisation of the information search processes (Dufrene *et al.*, 2005);
- improved message relevance through personalisation, customisation and recognition (Milne and Gordon, 1993, Reynolds *et al.*, 1995, Grunert, 1996 and Soars, 2001).

For organisations the benefits of using PM are related to:

- improved segmentation and targeting precision (Tezinde *et al.*, 2002 and Thomas, 2007);
- the acquisition of new customers, an increase of sales and the development of long-term, loyal customers (Kavassalis *et al.*, 2003);
- flexibility, resulting in: improved interactivity, lower sales costs, enhanced direct communication with customers and increased profitability (Dreze, 2005).

Levels of permission marketing

Godin (2002) identifies five distinct levels or types of permission marketing. These are set out in Table 21.4.

Godin's levels appear to be more of a hierarchical progression than a series of informed levels. Kent and Brandal (2003) suggest there are two levels of permission; 'basic permission' and 'extended permission'. Basic permission refers to individuals that have consented to receive information via email. Extended permission, involves 'asking the members in an email

Table 21.4 Levels of permission marketing

Level of PM	Explanation
Intravenous	A marketer makes buying decisions on behalf of consumers. Often granted by consumers to save time, save money, avoid making a choice and avoid stock-outs.
Points	Once a pre-determined number of points (or coupons) are accumulated consumers are entitled to a free gift and further patronage.
Personal relationships	The value of personal relationships is used to grant permission and is used to refocus consumers attention and modify their behaviour. It is used to move people to higher levels.
Brand trust	The next level of PM is termed the 'brand trust' level (Godin, 2002). It is depicted as 'the tried-and-true branding that is the mantra of most interruption marketers' (p. 123). Godin believes that it is largely overrated, as it is expensive to establish, time-consuming to progress, difficult to measure and even harder to influence. Godin believes that it leads to brand extensions, and can potentially hold a high degree of significance.
Situation	The final level of PM is the 'situational' level. Godin maintains that it occurs when 'the consumer and the salesperson/marketer have very high physical and social proximity' (p. 105). The process is usually initiated by the consumer, typically because there is money involved.

Source: Adapted with the permission of The Free Press, a division of Simon & Schuster, Inc., from *Permissions Marketing: Turning Strangers into Friends and Friends into Customers* by Seth Godin. Copyright © 1999 by Seth Godin. All rights reserved.

survey whether they would give information on their personal interests and preferences' (p. 493).

Direct response media

The choice of media for direct marketing can be very different from those selected for general advertising purposes. The main reason for using direct response media is that direct contact is made with prospects and customers in order that a direct response can be generated, interaction stimulated and hopefully a dialogue established. In reality, a wide variety of media can be used, simply by attaching a telephone number, web site address or response card. However, if broadcast media such as television and radio are the champions of the general advertiser, their adoption by direct marketers in the United Kingdom has been relatively slow. Direct mail, telemarketing and door-to-door activities are the main direct response media, as they allow more personal, direct and evaluative means of reaching precisely targeted customers.

Direct mail, telemarketing and door-to-door activities are the main direct response media.

Direct mail

The largest direct response media expenditure is direct mail, which has grown steadily year on year. However, the industry has since struggled to maintain momentum and fell back to £2.32 billion in 2006 (Advertising Association, 2008). Direct mail refers to personally addressed advertising that is delivered through the postal system. It can be personalised and targeted with great accuracy, and its results are capable of precise measurement.

The generation of inquiries and leads, together with the intention of building a personal relationship with customers, are the most important factors contributing to the growth of

direct mail. However, the intention to build loyalty is not always that clear as many mailings appear to be focused on customer acquisition, not retention. Other factors include the increased market and media fragmentation, which have combined to reduce the overall effectiveness of general advertising. Direct mail can be expensive, at anything between £250 and £500 per 1,000 items dispatched. It should, therefore, be used selectively and for purposes other than creating awareness.

In 2000 the volume of direct mail equated to nearly half of the overall letterbox (DMIS, 2000) and 15 per cent of total promotional expenditure (Ridgeway, 2000). Volumes however, reached a peak in 2003 and since then have been falling, reaching 5,028 million pieces in 2006. This is due to increased use of email and digital communications and the associated falling levels of opening and reading of direct mail items. This apparent behavioural response to technological development, the move from offline to online behaviours and media preferences, suggests that direct mail activity may never be as high again.

Organisations are the main users of direct mail.

Organisations in the financial services sectors are the main users of this medium and the financial health of the sector is dependent to a large extent on some of the major financial services companies maintaining their spend on direct mail. However, an increasing number of other organisations are experimenting with this approach, as they try to improve the effectiveness of their promotional expenditure and reduce television advertising costs.

Telemarketing

The prime qualities of the telephone are that it provides for interaction, is flexible and permits immediate feedback. In addition, it offers users the opportunity to overcome objections raised by others within the same communication event. Other dimensions of telemarketing include the development and maintenance of customer goodwill, allied to which is the increasing need to provide high levels of customer service. Telemarketing also allows organisations to undertake marketing research that is both highly measurable and accountable in that the effectiveness can be verified continuously and call rates, contacts reached and the number and quality of positive and negative responses are easily recorded and monitored.

Telemarketing allows organisations to undertake marketing research.

Originally customer contact centres (CCC) were designed for in-house use to handle a large volume of telephone calls. They became a largely outsourced facility and managed high volumes of incoming calls through automatic call distribution (ACD) technology. ACDs distribute incoming calls to predetermined groups of agents. An ACD can hold calls in queues if necessary and play music and make announcements. Now CCCs are Internet-enabled communication solutions, designed to process and integrate a variety of media using voice messaging, interactive voice response, outbound calling and fax.

CCCs do not need to be tied to a particular physical location and agents work either from home or in various offices around the globe, each connected through a voice-over-IP network. CRM software can be integrated with computer–telephone integration (CTI), which means that each interaction is immediately reported (to the database) so updated information is available to agents right away.

Growth in telemarketing activity in the business-to-business sector has been largely at the expense of personal selling. The objectives have been to reduce costs and to utilise the expensive sales force and their skills to build on the openings and leads created by telemarketing and other lead generation activities. These operations are often conducted through outsourcing as mentioned above, however, the emergence of contract sales organisations (CSOs) is interesting. Although the use of CSOs is commonplace in the pharmaceutical business, little is documented about their operations or development. CSOs are not contact centres, they represent a core part of their partners organisation and strategic activities. As a result, CSOs represent

a strategic development, one in which partnerships are established and whose goal is to create of value for both parties. CSOs enable change, are flexible and can be quickly implemented (Rogers, 2008).

Some of the advantages of using the telephone as part of the media mix are that it allows for interaction between participants, it enables immediate feedback and sets up opportunities to overcome objections, all within the same communication event when both the sender and the receiver are geographically distant.

The advantages of using the telephone as part of the media mix are that it allows for interaction between participants.

All of these activities can be executed by personal selling, but the speed, cost, accuracy and consistency of the information solicited through personal visits can often be improved upon by telemarketing. The complexity of the product will influence the degree to which this medium can be used successfully. However, if properly trained professional telemarketers are used, the sales results, if measured on a call basis, can outperform those produced by personal selling.

Contact centres use a variety of IST with the prime goals of reducing costs, improving efficiency and improving the client's reputation through quality of customer interaction. The following are just a few of the ways in which technology is used in these environments:

- Automatic call distribution systems enable inbound calls to be distributed efficiently among contact centre operators. Interactive voice response (IVR) systems allow callers to perform self-help functions without speaking with an individual. Using simple phone keypad selections these systems have the capability to connect calls to employees who may be working at home or in remote geographic offices.
- Call recording systems, which consist of voice recording, logging, monitoring and call management that can be vital in a CRM environment.



Exhibit 21.4

A typical call centre layout and design
Stan Gamester/Photofusion.

- Computer–telephone integration (CTI) allows telephone applications and services to be merged with computer applications. CTI enables the simultaneous arrival of a call and associated caller data to be displayed on an agent’s desktop.
- Customer interaction management (CIM) systems are used to support the contact centre’s operations. Technologies such as predictive dialling, live chat applications as well as email response systems are often used together with conventional communications technology.
- Predictive diallers (PDs) are used in outbound telemarketing to increase the number of successful calls and optimise the operators time speaking to customers. PDs enable engaged lines, no response and answering machines to be avoided (ignored), thus allowing operators to spend an increased proportion of their time talking to potential customers rather than wasting time dialling and listening to telephones ringing. Estimates vary, but now operators can talk for 45 minutes in every hour, compared with 25 minutes before the development of predictive dialling facilities.

Operator contact with customers can be also be supported by technology. Computer-assisted telephone interviewing (CATI) can provide varying degrees of technical support. The degree to which this is used depends on the task, the product and the nature of the target audience. Calls might be driven through a prepared script, often regardless of the interjections of the receiver. This rather crude approach can be quite sophisticated, as software prepares scripts that ‘branch’, as in a decision tree, to respond to a prospect’s different answers.

Another approach is to use a semi-structured interview, where the caller has a number of topics that need to be covered but the order and the style in which the issues are dealt with are immaterial. A third method is based on a personal sales presentation. Undertaken by professionally trained callers, the conversation is tuned to the needs of the receiver, not those of the caller. When the call is completed, regardless of whether an order has been placed, it is intended that recipients finish the call feeling satisfied that they have used their time appropriately and in full expectation that they will receive further calls.

The behaviour of call centre employees is a function of service quality.

The behaviour of call centre employees, however much they are regulated or controlled by various software applications, is a function of service quality, as perceived by callers. Referred to as customer orientation behaviours, Rafaeli *et al.* (2008) identify five COBs that are related to service quality. These are:

- anticipating customer requests;
- offering explanations and justifications;
- educating customers;
- providing emotional support;
- offering personalised information.

When these five COBs are used by call centre employees, customers perceive a high level of service quality. The implication of this, as pointed out by the researchers, is that as call centre managers invariably seek to minimise call length in order to reduce costs and increase the number of transactions, their actions appear to endanger service quality.

The costs of telemarketing are high. It is estimated for example, that it costs £15–£20 to reach a decision-maker in an organisation. When this is compared with £5 for a piece of direct mail or £150+ for a personal sales call to the same individual, it is the effectiveness of the call and the return on the investment that determines whether the costs are really high.

Carelines

Another reason to use telemarketing concerns the role carelines can play within the consumer brand relationships. Manufacturers use contact centres to enable customers to:

- complain about a product performance and related experience;
- seek product-related advice;

- make suggestions regarding product or packaging development;
- comment about an action or development concerning the brand as a whole.

What binds these together is the potential all of these people have for repurchasing the brand, even those who complain bitterly about product performance and experience. If these people have their complaints dealt with properly then there is a reasonable probability that they will repurchase.

The previous letter-based mechanism did not encourage customer response, especially when research by Sitel (McLuhan, 2000) found that 98 per cent of customers switched brands rather than complain. Telephone and email encourage greater contact and the chance to talk to customers because it is easier and quicker to implement. The majority of the careline calls are not about complaints but seek advice or help about products. Food manufacturers can provide cooking and recipe advice, cosmetic and toiletries companies can provide healthcare advice and application guidelines while white goods and service-based organisations can provide technical and operational support.

The majority of the careline calls are not about complaints but seek advice or help about products.

Carelines are essentially a post-purchase support mechanism that facilitates market feedback and intelligence gathering. They can warn of imminent problems (product defects), provide ideas for new products or variants and provide a valuable method to reassure customers and improve customer retention levels. Call operators, or agents as many of them are now being called, have to handle calls from a variety of new sources – web, email, interactive television and mobile devices – and it is appreciated that many are more effective if they have direct product experience. Instant messaging channels enable online shoppers to ask questions that are routed to a call centre for response. Sales conversion ratios can be up by 40–50 per cent and costs are about £1 to answer an inbound question, compared with £3.50 by phone (Murphy, 2000). Kellogg's report that its careline makes a 13:1 return on investment (Bashford, 2004).

Expenditure on telemarketing increased rapidly in the late 1980s and early 1990s, but this rapid growth then subsided. Some organisations began undertaking their outbound calls themselves rather than using tele-agencies to do the work on their behalf, but as technology improved outsourcing resumed normal growth. In recent years the telemarketing sector has experienced huge growth. There were signs of oversupply in the market and so there is huge pressure on costs and margins.

As the application of digital technologies gathered pace, so telemarketing and call centres became threatened. Rather than persist in a potentially declining business activity, call centres repositioned themselves so that they could provide multimedia support services such as eCRM, Internet and even email management. The name has changed to (customer) contact centres and the accent is now on strategic partnerships to assist clients develop customer relationships. Bashford (2004) explains that L'Oréal runs a careline staffed by former hair-dressers and skincare consultants. This first-hand product knowledge reflects the attention given to understanding the brand and being able to relate to customer questions. In order that staff can communicate effectively they must believe in the brand values themselves. Davenge refers to the current terminology that expresses this level of involvement as 'emotional connectivity' and 'emotional congruence'. This may be a new form of temporary hyper-language, but at least this idea of involvement in the brand or category should be of comfort to customers in need.

While the Internet has provided further growth opportunities, it will also take on a number of the tasks currently the preserve of telemarketing bureau. Web sites enable product information and certain support advice to be accessed without the call centre costs and focus attention on other matters of concern to the customer. Chat room discussions, collaborative browsing and real-time text conversations are options to help care for customers in the future. However, it is probably the one-to-one telephone dialogue between customer and agent that will continue to provide satisfaction and benefits for both parties.

ViewPoint 21.4 Making contact

BAA, who operate several premier airports across Britain have used call centres as a means of driving increased revenue. The majority of calls BAA receives are about car parking, so they decided to use these calls to promote a range of additional services. This was achieved by redirecting calls to a contact centre.

The contact centre handles a range of inquiries delivered through web, phone and email. Travellers have their questions answered but they are also informed about travel insurance, hotels and foreign currency.

Approximately 500,000 individual contacts are managed each year and BAA uses the information not only to provide feedback but to inform direct marketing campaigns, targeted at 250,000 active customers. This contact centre activity generates in excess of £10 million revenue per annum.

Nestlé Purina, whose petfood brands include Purina ONE, Felix, Go Cat, Bakers and Winalot, refers to its contact centre as a relationship centre. Using a strapline 'Your pet, our passion™', the careline is used not only to get feedback on campaigns and products, but is used by a variety of people internally who 'listen in' in an attempt to get close to the consumer.

The extent of the company's involvement with consumers is demonstrated by the fact that contact staff have been trained in bereavement counselling, to help people who have recently lost a pet.

Sources: Bashford (2004); McLuhan (2006).

Question

To what extent should contact centres drive an organisation's entire direct marketing programme?

Task

Find out how many contact centres there are in the United Kingdom and what proportion are located outside the United Kingdom?

Inserts

Inserts are media materials that are placed in magazines or direct mail letters. These not only provide factual information about the product or service but also enable the recipient to respond to the request of the direct marketer. This request might be to place an order or post back a card for more information, such as a brochure.

Inserts have become more popular, but their cost is substantially higher than a four-colour advertisement in the magazine in which the insert is carried. Their popularity is based on their effectiveness as a lead generator, and new methods of delivering inserts to the home will become important to direct mailing houses in the future. Other vehicles, such as packages rather than letter mail, will also become important.

The popularity of inserts is based on their effectiveness as a lead generator.

Print

There are two main forms of direct response advertising through the printed media: first, catalogues and, second, magazines and newspapers. Catalogues mailed direct to consumers have been an established method of selling products for a long time. Mail order organisations such as Freeman's, GUS and Littlewoods have successfully exploited this form of direct marketing. Organisations such as Tchibo and Kaleidoscope have successfully used mini-catalogues, but instead of providing account facilities and the appointment of specific freelance agents, their business transactions are on a cash-with-order basis.

Business-to-business marketers have begun to exploit this medium, and organisations such as Dell and IBM now use online and offline catalogues, partly to save costs and partly to free valuable sales personnel so that they can concentrate their time on selling into larger accounts.

Direct response advertising through the press is similar to general press advertising, except that the advertiser provides a mechanism for the reader to take further action. The mechanism may be a telephone number (call free) or a coupon or cut-out reply slip requesting further information. Dell changed to a direct marketing strategy, which was based around direct response advertising promoting its core offer of customised built products. Consumer direct response print ads, such as the one for the Kitchen Restoration Company at Exhibit 21.5 can signal and develop brand value but can also be used to drive readers to either the telephone or their web site so that they can find out more, at no additional cost to the company, and to become more involved with the brand.

Transform
your Kitchen
from old to new

TOP QUALITY ACCESSORIES

- Sinks • Taps
- Door & Drawer Handles, etc

WIDE RANGE OF WORKTOPS

New doors and drawer-fronts made to your units' measurements – designed and fitted by our own expert team with the minimum of fuss and upheaval at DIRECT FROM FACTORY PRICES.

Wide range of top quality accessories to choose from – sinks, taps, door and drawer handles, worktops and top-named appliances to complete the look.

Replace the doors and drawer fronts to give your kitchen a completely NEW LOOK

At a fraction of the cost
of refitting your whole kitchen

**FREE SURVEY
FREE NO OBLIGATION QUOTATION**

Call for a **FREE** colour brochure
Freephone
0800 917 7238
24 Hour, 7 day service

OVER 400 STYLES
TRADITIONAL
CONTEMPORARY
SOLID WOODS
VENEERS
LAMINATES
PAINTED FINISHES
STAINLESS STEEL
GLASS

OVER 200 COLOURWAYS

or post the coupon to:
The New Kitchen Restoration Company
FREEPOST NAT 22741,
Birmingham B2 2BR

To: The New Kitchen Restoration Company
| Please send me your latest FREE COLOUR BROCHURE
| Please phone to arrange a FREE SURVEY and NO OBLIGATION QUOTATION

Name Mr/Mrs/Miss/Ms _____
Address _____

Post Code _____
Tel No _____
Email _____
The New Kitchen Restoration Company, FREEPOST NAT 22741, Birmingham B2 2BR

visit our website:
www.kitchen-restoration.com

Exhibit 21.5

A direct response print ad promoting the benefits (financial and emotional) of a kitchen update at a fraction of the normal cost. Response mechanisms include telephone, web site and coupon (post). Designed and produced by Lavery Rowe Advertising London. www.laveryrowe.com.

Door-to-door

Responses are lower because door-to-door drops cannot be personally addressed.

This delivery method can be much cheaper than direct mail as there are no postage charges to be accounted for. However, if the costs are much lower, so are the response rates. Responses are lower because door-to-door drops cannot be personally addressed, as can direct mail, even though the content and quality can be controlled in the same way.

Avon Cosmetics and Betterware are traditionally recognised as professional practitioners of door-to-door direct marketing. Other organisations, such as the utility companies (gas, electricity and water), are using door-to-door drops to create higher levels of market penetration. For more information on this see Chapter 27.

Radio and television

Of the two main forms discussed earlier, radio and television, the former is used as a support medium for other advertising, often by providing enquiry numbers. Television has greater potential because it can provide the important visual dimension, but its use in the United Kingdom for direct marketing purposes has been limited. One of the main reasons for this has been the television contractors' attitude to pricing. However, the industry has experienced a period of great change and has introduced greater pricing flexibility, and a small but increasing number of direct marketers have used the small screen successfully, mainly by providing freephone numbers for customers. The business model established by Direct Line based on its outstanding use of television has since been copied by many other financial services organisations. For example, Churchill, Privilege and Esure have all made substantial use of television within its direct response strategy.

The Internet and new media

The explosion of activity around new media and the Internet has been quite astonishing in recent years and now represents a major new form of interactive marketing communications. The development of digital television services has generated a new form of interactivity during a period when analogue services are being withdrawn. Home shopping, tourism and banking facilities are attractive to those whose lifestyles complement the benefits offered by the new technology. In the longer term fully interactive services will bring increased leisure and entertainment opportunities to a greater number of people. A much fuller consideration of interactive communications can be found in Chapter 26.

Integration and direct marketing

This brief review of the media used in direct marketing activities has tended to present them as separate, independent resources. Increasingly, successful direct marketing programmes are using these media in combination, as a team of complementary or even integrated tools. Many organisations, regardless of whether their marketing activities are oriented solely to direct marketing or not, are using direct response media to support and supplement their other promotional activities.

Other organisations are using integrated direct marketing, which Eisenhart (1990) originally identified as 'the orchestration of various direct marketing vehicles so that they work together in a synergistic fashion' (p. 27). An example of this orchestration might be the dispatch of a direct mailing using a well-qualified list followed by contacting addresses through a telemarketing programme within 24 hours of the mailing arriving. In some cases response rates have doubled by using telemarketing in this way.

Some doubt whether organisations can justify the cost and the administrative and managerial implications of complex integrated direct campaigns. Advocates of the approach claim that

each contact with a prospect helps to create a wave effect, with response rates increasing at each contact. According to a Royal Mail report, advertisers who combine direct mail with digital advertising can increase customer spending by up to 25 per cent (Frost, 2007). The report holds that consumers who prefer this channel combination spend an average of £105 a month on goods and services. This represents £19 more than those who prefer just online ads, and £34 more than consumers who only prefer direct mail.

Another interesting point to emerge from those surveyed was that direct mail gives a better impression of a company than email but 69 per cent feel that email is best for supporting or clarifying the mail they receive. Consumers appear to recognise how online, email and direct mail work together and the different benefits they bestow.

Advertisers who combine direct mail with digital advertising can increase customer spending by up to 25 per cent.

Consumers appear to recognise how online, email and direct mail work together.

ViewPoint 21.5

Multichannel BUPA Wellness

BUPA Wellness offers an onsite corporate dental service. Rather than use the expensive and time-poor field sales force to generate leads and new business it decided to manage the process of customer acquisition through technology. BUPA outsourced the task to Inbox Media, whose goals were to develop a database as a foundation for the project, create awareness and impact in the market and generate leads for the sales force to convert. Inbox Media used telemarketing to create a list of HRM managers who agreed to receive emails from it in the future. Their details were used in the database and then each was sent personalised video emails informing them about the services of BUPA Wellness and, more particularly, the number of days that their organisation lost each year through dental visits and associated oral health problems.

While the results were entirely satisfactory (52 per cent of emails were opened, 21 per cent clicked through and approximately 50 leads were turned into appointments), one of the interesting elements of the campaign concerned the dynamics associated with the email part of the programme. Inbox Media was able to monitor who opened the emails, how long they spent reading them and who they forwarded them to. It thus built a picture of email opening and behaviour characteristics.

Although the opportunity was declined, it was technically possible to use the sales team to call recipients as they opened their video email or even when or just after it had been played. However, this coordinated approach was considered inappropriate as it would raise strong concerns about privacy, trust, intrusion, reputation and the ethics associated with over-aggressive selling strategies.

Source: Adapted from Anon. (2003).

Question

Do you agree that contacting recipients in the way suggested above would be an invasion of privacy?

Task

What other professions might benefit from this approach?

There are two aspects to direct marketing integration. One is the integration of direct marketing activities themselves and the other concerns the integration of direct marketing within wider marketing communications activities. Acland (2003) suggested there was plenty of evidence to support the view that the distinction between above- and below-the-line communications was blurring and that this was reflected in the structure and the work of agencies operating in the market. This blurring has continued as media continues to fragment and agencies of all disciplines diversify in an attempt to grow and meet their own goals. There

is no doubt that the pattern of communications spend is continuing to move from above- to below-the-line channels and that there is substantial movement from offline to online communications.

There can be little doubt, therefore, that integrated direct response media will be used increasingly in the future as organisations realise its power and continue to build the direct approach. As general media rates continue to increase ahead of inflation, and as managers seek new ways of providing evidence of their astute use of marketing and, in particular, promotional resources, so direct response media will play an increasingly important role in the marketing activities of a large number of organisations. It is highly unlikely that direct marketing agencies have the necessary credentials, in particular the account planning skills necessary, to attract clients completely away from brand-based agencies and the media budgets that are attached to them. However, it is probable that direct marketing will play a more influential role within the marketing communications industry as it seeks to become more integrated and offer a more integrated range of services for its clients.

Integrated direct response media will be used increasingly in the future.

It should not be forgotten, however, that commitment to the direct route or to a combination of general and direct response media means that organisations must ensure that they are transmitting a consistent or complementary message through each medium used.

Supporting the sales force

In an effort to increase the productivity of the sales force and to use their expensive skills more effectively, direct marketing has provided organisations with an opportunity to improve levels of performance and customer satisfaction. In particular, the use of an inside telemarketing department is seen as a compatible sales channel to the field sales force. A telemarketing team can accomplish the following tasks:

- they can search for and qualify new customers, thereby saving the field force from cold calling;
- they can service existing customer accounts and prepare the field force should they be required to attend to the client personally;
- they can seek repeat orders from marginal or geographically remote customers, particularly if they are low-unit-value consumable items;
- they can provide a link between network members that serves to maintain the relationship, especially through periods of difficulty and instability.

Many organisations prefer to place orders through telesales teams, as it does not involve the time costs associated with personal sales calls. The routine of such orders gives greater efficiency for all concerned with the relational exchange and reduces costs.

Direct mail activities are also becoming more important in areas where personal contact is seen as unnecessary or where limited field sales resources are deployed to key accounts. As with telesales, direct mail is often used to supplement the activities of the field force. Catalogue and electronic communications such as fax can be used for accounts, which may be regarded as relatively unattractive.

In addition to this, use of the Internet and mobile-based communications have provided new opportunities to reach customers. The web site itself symbolises the changing orientation of marketing communications. Whereas once the brochure, mass media advertising and perhaps a promotional incentive represented the central channel of communication, now the web site and the database serve to integrate directed, sometimes interactive, one-to-one communications. These are supported in many cases by more call-to-action messages channelled through a variety of coordinated offline and digital media.

All of these activities free the field sales force to increase their productivity and to spend more time with established customers or those with high profit potential.

Multichannel selling

A number of different sales channels have been identified so far and many organisations, in their search to reduce costs, have restructured their operations in an attempt to meet better the 'touchpoints' of their different customers.

Restructuring has often taken the form of introducing multiple sales channels with the simple objective of using less expensive channels to complete selling tasks that do not require personal, face-to-face contact. Technology-enhanced channels, mainly in the form of web-based and email communications, have grown considerably, often at the expense of telephone and mail facilities. Payne and Frow (2004) have developed a categorisation of sales channels, which are depicted in Table 21.5.

Restructuring has often taken the form of introducing multiple sales channels.

In order to meet better the needs of customers, organisations need to evolve their mix of channels. Customers will then be able to interact with their supplying organisations using the mix of channels that they prefer to use. Therefore, marketing communications needs to be used in order to complement best the different audiences, channel facilities and characteristics. Through mixing channels and communications in a complementary way higher levels of customer service can be achieved. The proliferation of channels may, however, lead organisations to believe that the greater the number of channels the greater the chances of commercial success. In addition to the view that multichannel customers are known to spend up to 30 per cent more than single channel customers, the Internet and overseas call centres also offer substantial (short-term) cost savings (Myers *et al.*, 2004). However, there is a word of caution, which is that although cost savings per transaction might be achieved, the use of multiple channels can incur higher overall costs. Myers *et al.* (2004) cite retail offline banks as an example of false economies. The introduction of ATMs helped reduce the average transaction cost by 15 per cent but the number of transactions more than doubled compared with the times when queuing in a bank represented the only operating format. As a result, they argue, the cost of serving customers has actually increased.

Multichannel customers are known to spend up to 30 per cent more than single channel customers

Table 21.5 Comparison of channel characteristics

Channel	Breadth	Dominant form of communication	Cost/contact
Field sales	Key account, service and personal representation	Dialogue	High
Outlets	Retail branches, stores, depots and kiosks	Interactive	Medium
Telephony	Traditional telephone, facsimile, telex and contact centres	One-way and two-way	Low to medium
Direct marketing	Direct mail, radio and traditional television	One-way and two-way	Low
ecommerce	Email, Internet, interactive television	Interactive	Very low
mcommerce	Mobile telephony, SMS, WAP and 3G	Interactive	Very low

		Strength of relationship	
		High	Low
Account potential	High	Section 1 Strategic investment	Section 2 Select and build
	Low	Section 3 Adjust and maintain	Section 4 Reduce all support

Figure 21.3 Account investment matrix

This may or may not be true, but what is not accounted for is the value customers place on the convenience of the services provided, the closer the organisation is able to get to customers increases the opportunities to cross-sell and develop new products. The move from a cost to a customer perspective is readily made, although the banks have some way to go before they are truly customer-oriented.

Categorising customers

One simple approach to managing channels is to categorise accounts (customers) according to their potential attractiveness and the current strength of the relationship between supplier and buyer (see Figure 21.3). A strong relationship, for example, is indicative of two organisations engaged in mutually satisfying relational exchanges. A weak relationship suggests that the two parties have no experience of each other or, if they have, that it is not particularly satisfying. If there have been transactions, it may be that these can be classified as market exchange experiences. Attractiveness refers to the opportunities a buying organisation represents to the vendor: how large or small the potential business is in an organisation.

For reasons of clarity, these scales are presented as either high or low, strong or weak. However, they should be considered as a continuum, and with the use of some relatively simple evaluative criteria accounts can be positioned on the matrix and strategies formulated to move accounts to different positions, which in turn necessitate the use of different sales channel mixes.

ViewPoint 21.6 Getting licensed on campus

To watch television in the United Kingdom each separately occupied household needs a television licence. This licence covers all appliances used to receive and watch television programmes, such as laptops, PCs, mobiles and of course, all television sets. The problem, of course, is that certain sections of society believe they are exempt and fail to buy a licence and end up being fined (up to £1,000 at the time of writing).

One of the principal groups of licence dodgers are students. Living in a hall of residence or a shared flat does not provide immunity. Many reasons are offered by those caught without a licence, two of which are 'I live in a shared house. It's not my TV.' and 'I refuse to pay for a whole year when I'm only here for nine months.' The first is contestable and the second, rebates can be obtained. However, the real issue concerns a lack of awareness among university students that they need to buy a licence if they want to watch television.

A direct campaign was developed to inform students about the need for a television licence, and about how and where to buy one. The campaign combined direct mail material sent through the post, posters,

leaflets and stickers around campus plus digital media to encourage word-of-mouth communications and active participation.

The campaign had to be multichannel in order to make contact with first-time students as they entered academic life. Students were targeted at three key stages: in their parents' homes (prior to university life), when they arrived at university, and later in the first semester or term.

The campaign was based on a message that turned on the joke that 'It's not funny watching TV without a licence' and used word-of-mouth communication to spread the 'joke'. Posters were put up on 250 university sites, each residential bedroom had stickers and post-it notes informing them about the need to get a licence, and a 'good luck' television awareness card awaited each student when they entered their room for the first time. The agency behind the campaign also used digital media such as email, SMS and banner ads on student sites to convey the message. Some students filmed their un-funny jokes and made their own 'It's not funny . . .' programmes and then aired these on televisions all around their campus.

Sales increased 25 per cent and generated an ROI of 12:1. See also Chapter 15 to see how this campaign was evaluated.

Source: Anon. (2007).

Question

How might knowledge of integrated marketing communications have helped this campaign?

Task

Check that you have a TV licence!

Based on the original approach developed by Cravens *et al.* (1991) appropriate sales channels are superimposed on the grid so that optimum efficiency in selling effort and costs can be managed (Figure 21.4). Accounts in Section 1 vary in attractiveness, as some will be assigned key account status. The others will be very important and will require a high level of selling effort (investment), which has to be delivered by the field sales force. Accounts in Section 2 are essentially prospects because of their weak relationship but high attractiveness. Selling effort should be proportional to the value of the prospects: high effort for good prospects and low for the others. Care should be given to allocating a time by which accounts in this section are moved to other parts of the grid, and in doing so save resources and maximise opportunities for growth. All the main sales channels should be used, commencing with direct and email to

		Strength of relationship	
		High	Low
Account potential	High	Key account management Field force selling	Field force selling Telemarketing/call centre Web site Email
	Low	Directed field force selling Telemarketing/call centre Web site Email	Direct mail Telemarketing Email

Figure 21.4

Multichannel mix allocation

If the relationship weakens, then the account may be discontinued and selling redirected to other prospects.

identify prospects, telesales for qualification purposes, field sales force selling directed at the strong prospects and telesales and web site for the others. Web site details provide support and information for those accounts that wish to remain distant. As the relationship becomes stronger, so field selling takes over from telemarketing and the coordinating activities of the contact or call centre. If the relationship weakens, then the account may be discontinued and selling redirected to other prospects.

Accounts in Section 3 do not offer strong potential and, although the relationship is strong, there are opportunities to switch the sales channel mix by reducing, but not eliminating, the level of field force activity and to give consideration to the introduction of telemarketing for particular accounts. Significant cost reductions can be achieved with these types of accounts by simply reviewing the means and reasoning behind the personal selling effort. Accounts in Section 4 should receive no field force calls, the prime sales channels being telesales, email, the web site and perhaps catalogue selling depending on the nature of the web site.

Establishing a multiple sales channel strategy based on the grid suggested above may not be appropriate to all organisations. For example, the current level of performance may be considered as exceeding expectations, in which case there is no point in introducing change. It may be that the costs and revenues associated with redeployment are unfavourable and that the implications for the rest of the organisation of implementing the new sales channel approach are such that the transition should be either postponed or rejected.

Payne and Frow (2004) suggest a range of channel options or strategies can be identified that relate to the channel needs of target segments. These range from a single dominant channel such as those used by Amazon and Egg; a customer segment approach designed for use with different channel types such as intermediaries, b2b end-user customers and consumers; one based on the different activity channels that customers prefer to use, such as a mix of online and offline resources to identify, see, demonstrate, select and pay for a computer; and finally a truly integrated multichannel strategy utilising CRM systems to integrate all customer information at whichever contact point the customer chooses to use. These strategies reflect some of the approaches that can be used and, indeed, various combinations can be used to meet customers' channel needs. However, experience has shown that costs can be reduced through the introduction of a multiple sales channel approach and that levels of customer satisfaction and the strength of the relationship between members of the network can be improved considerably. In addition, it is vital to remember that customers will move into and use new channel mixes over the customer lifecycle and that channel decisions should be regarded as fluid and developmental.

Summary

In order to help consolidate your understanding of direct marketing, here are the key points summarised against each of the learning objectives:

1. Consider the role and characteristics of direct marketing.

Direct marketing is a strategy used to create and sustain a personal and intermediary-free dialogue with customers, potential customers and other significant stakeholders. In most cases this is a media-based activity and offers great scope for the collection and utilisation of pertinent and measurable data.

For a long time direct mail was the main tool of direct marketing, but the development of information technology and, in particular, the database, have enabled the introduction of a

range of other media. These are used to communicate directly with individual customers and often carry a behavioural (call-to-action) message. Typically, direct marketing agencies work across a variety of media including the telephone, Internet, direct mail, email, press and posters.

2. Examine the types of direct brands and their relationship with direct response media and their role within the marketing communications mix.

There are four main types of brand within which direct marketing plays a significant role. These are as a *complementary tool* where direct response media are used to complement the other promotional activities used to support a brand. As a *primary differentiator*, direct response media is the primary form of communication. A third use for direct marketing is its use as a *sales channel* and the final type is as an *organisational brand* developed to exploit market space opportunities.

3. Consider the reasons behind the growth and development of this new marketing communications tool.

The reasons for the growth and development of direct marketing are many and varied, but three essential drivers behind the surge in direct marketing can be identified: technological advances; changing buyer lifestyles and expectations; and organisational expectations.

4. Appreciate the significance of the database in direct marketing.

The database is the hub of contemporary marketing communications. Whereas the database used to contain records of segmentation data, they now consist of several layers of information whereby customer profiles can be fused with transactional and lifestyle data. This information can be used to customise and personalise direct marketing activities, providing for accuracy, minimal wastage and reduced costs.

5. Explore issues associated with permission-based marketing.

The aim of permission marketing is to get individuals to agree that organisations can communicate with them. Permission marketing occurs when consumers give their explicit permission for marketers to send them various types of promotional messages.

6. Identify and consider different direct response media.

A wide variety of direct response media can be used simply by attaching a telephone number, web site address or response card. However, direct mail, telemarketing and door-to-door activities are the main direct response media, as they allow more personal, direct and evaluative means of reaching precisely targeted customers.

7. Consider the value of integrating the activities of direct marketing with other elements of the mix.

Successful direct marketing programmes are using media in combination, as a team of complementary or even integrated tools. Many organisations, regardless of whether their marketing activities are oriented solely to direct marketing or not, are using direct response media to support and supplement their other promotional activities.

There are two aspects to direct marketing integration. One is the integration of direct marketing activities themselves and the other concerns the integration of direct marketing within wider marketing communications activities.

Review questions

1. Set out a definition of direct marketing and consider the key words in the definition.
2. Explain the differences between direct response media and direct marketing.
3. Direct response media have many advantages over general mass advertising. What are they and why is this form of promotional communication increasing so quickly?
4. What are the different levels of direct marketing? What is the fundamental difference between levels?
5. Evaluate the main drivers behind the growth of direct marketing. How might these drivers change in the future?
6. Discuss the role of the database as the hub of marketing communications.
7. Telemarketing has become an integral feature of the promotional mix for reaching consumer and business-to-business markets. Why is this and what particular features of telemarketing attract clients?
8. Identify and then evaluate three different media for delivering direct response communications.
9. Find two examples of organisations using carelines. Comment on their effectiveness.
10. Explain why direct marketing activities should be integrated with other elements of the promotional mix.

MiniCase

Recovering cars with direct marketing

In the UK car recovery and breakdown market the Royal Automobile Club (RAC) is regarded as the challenger brand with the Automobile Association (AA) as the undisputed market leader. In addition, Direct Line Rescue (DLR) has entered the market and taken a 10 per cent market share.

Customers in this market are no longer simply users of the vehicle breakdown services but expect a broad range of products and services, which the motoring organisations aim to satisfy in different ways.

Traditionally, marketing communications messages have been based on advertising and the development of brand values. Messages have been very product-focused, typified by ads for speed of recovery, get you home services, helpfulness of staff and a range of ancillary products such as car finance, legal and advisory services.

The perceived benefits of motor organisation membership have changed. Factors concerning reassurance have become more important while economic factors have become less so. For example, research shows that many motorists are more concerned about getting home, with or without their car, than they are with the relative merits of membership costs and the

variety of ad hoc services most motoring organisations now provide.

One of the main reasons for the change in attitude towards motor organisation membership is the change in profile of the UK motorist. The dominance of middle-aged, male drivers has diminished as the percentage of young and female drivers has increased. Drivers are less willing to perform roadside repairs while, at the same time, cars are becoming more complex. Cars are becoming more reliable but it is becoming increasingly difficult for drivers to repair them by the roadside, partly as a result of sealed accessories and the need for specialised diagnostic equipment.

During the 1990s, the promotional emphasis of the main motoring organisations changed from one that emphasised economic and tangible attributes to ones that gave higher prominence to driver safety and reassurance. In addition to changes in the core messages used by the RAC and AA, greater emphasis has been placed on the other promotional tools, partly in response to the entry and aggression of DLR.

One of the strategies used by both the AA and RAC has been to change the organisational culture, although some commentators feel this has been at the

expense of customer service. A recently published *Which?* magazine survey revealed that the RAC fared badly against the AA. In addition, a BBC consumer affairs programme, *Rogue Traders*, revealed that some RAC patrolmen were selling car batteries to stranded drivers who did not need them.

In the face of competitive pressures, profit margins declining on recovery services and private membership rising only slightly, the RAC has moved into direct response television to support its ancillary services. This required a move to a more emotionally based message to convey the idea that the RAC can help people afford their dream car, regardless of what it is, and secure the finance from a trusted brand to help them buy it. The ads encouraged viewers to call an 0800 number to apply for a loan and get an instant decision. Every successful loan applicant received free RAC breakdown cover. In addition, the RAC has developed its 36-page *RAC Magazine* as a means of communicating with its different markets. In several million copies mailed out three times a year everyone receives the standard 20 pages of content but, in addition, there is also a 16-page insert that takes account of a person's lifestyle and their length of membership.

Direct Line Rescue (DLR) is a very strong brand that lends itself to strong imagery and no-nonsense messaging. DLR wants to develop a much closer relationship with its customers and it too has strategies that are designed to offer more than just vehicle breakdown

services. A recent campaign was designed to target customers of the RAC and AA and to reinforce the Rescue brand, which has nearly 1 million customers. Through its DM agency DLR developed a series of mail packs, each containing a letter, envelope and insert, targeting different messages to existing AA and RAC members. These messages instructed recipients to 'Stop paying too much' by switching to Direct Line. The company's own car insurance customers received a third pack which said that 'First we save u money, then we save u'. This was intended to highlight the breakdown cover offer from £35 and to reassure people about the high level of service while prompting them to respond through bold calls-to-action and guaranteed low prices.

Source: <http://www.warc.com/ArticleCenter/Default.asp?CType=A&AID=WORDSEARCH79886&Tab=A>.

MiniCase questions

1. Explain ways in which use of a database might assist the RAC with its direct marketing programme.
2. Prepare a list of sales channels that the RAC could use to reach its different types of customers. Select the four top channels and explain their advantages in respect of the RAC.
3. Discuss the role of the telephone in the RAC's marketing communications programme.

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