

Relevance and multi-channel strategy in direct marketing

DM can be far more effective if used in conjunction with other targeted media, and focused on 'events', argues **Richard Higginbotham, CDMS**

THE DIRECT MARKETING community is under increasing pressure on a number of fronts to move away from a blanket 'one size fits all' approach. Environmental activists point to the impact of wastage in an industry where 98% failure is often viewed by practitioners as successful. In addition, consumers are placing more and more demand on the industry to respect their privacy and preferences.

Research carried out by YouGov on behalf of the Read Group shows that 72% of consumers want between 50% and 90% of their junk mail stopped, amounting to a staggering 1.8 billion items a year. This equates to about 140,000 tonnes of wasted paper, or 900,000 trees. UK consumers are taking action to opt out of 'blanket' marketing - with registrations for the Mailing Preference Service now standing at over 3.6 million, and the Telephone Preference Service at nearly 15 million.



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Online resistance

Similar attitudes to mass communication exist in the online environment - with consumers increasingly expressing frustration with the quantity of marketing messages arriving in their inbox. When asked their opinion on the concept of adding a 'direct marketing' folder to capture emails on delivery, 72% of consumers expressed support. When asked to distinguish between direct marketing emails and spam, some 21% of consumers thought it was a distinction without a difference.

Consumers are still resistant to mobile marketing: 65% of UK mobile users surveyed by the Mobile Marketing Association are not interested in receiving marketing messages via their handset and only 25% of people would opt in for mobile marketing.

Yet, when it is carried out properly, direct marketing is an extremely profitable and engaging activity: 73% of all UK companies undertake some form of direct marketing and £72 billion of consumer spending per annum is as a result of direct marketing (just over 9% of the total consumer spending in the UK). Importantly, the DMIS estimate that for every £1 spent on Direct Mail £14 is generated.

Real-life examples of successful campaigns centre around the smart use of data and better targeting. Royal Mail cites a direct mail campaign promoting the attractions of Lancashire, which achieved a response rate of 11% against a target of 1-2%. This exceptional figure was the result of a tightly targeted campaign with a keen data-capture mechanism.

McCann-Erickson and HP reference a highly personalised campaign run on behalf of Portland Holidays. Customer data and personalised creative were brought together to exceed Portland's anticipated campaign response rate of 4-5% and achieved response rates of between 12-14%.

Clearly, mass communication can engage and inspire prospects and customers even when carried out on a large scale. The question is how to do this consistently, over multiple channels, without

Industry research 2007

Methodology

- ▶ Research base: Senior marketers from UK top 1000 companies
- ▶ Research period: October 2007
- ▶ Research method: Telephone and email survey
- ▶ Fieldwork: MarketingUK

alienating potential customers and damaging the environment in the process.

Intelligent communication

Effective communication is about more than better targeting - it is a mindset. It involves a cultural change away from single campaigns to long-term engagement with an individual. It is about returning to first principles. As direct marketers we are not here to just make a sale, we are about winning and inspiring loyalty in customers - customers who purchase again and again.

The customer relationship management movement has earned itself a (largely undeserved) bad name, due to a small number of highly publicised costly and ultimately fruitless large-scale software deployments. However, the principles behind it work; and implementing them need not always lead to millions of pounds of software investment and lengthy business-transformation programmes.

Effective communication includes using what we know about an individual to engage in meaningful dialogue, and utilising the learning from each interaction with an individual to better inform future communication.

Dale Carnegie taught us the essentials of building profitable relationships 70 years ago. In *How to Win Friends and Influence People*, he identified 'Six Ways to Make People Like You'. They provide excellent guiding principles for driving a communications strategy:

1. 'Become genuinely interested in other people'

This can only happen when customers and prospects are no longer a name on a list and when the information held on each individual is treated as a valuable asset that is built over time.

2. 'Smile'

Make a positive impression at every interaction - not just at the point of promotion. This is about more than just presenting the brand - it is about being pleased to talk to people, which means understanding who they are.

3. 'Remember that a man's name is to him the sweetest and most important sound in any language'

Know it, get it right and be able to use it.

4. 'Be a good listener. Encourage others to talk about themselves'

Most importantly, capture details of behaviour and study how it changes. The better we know an individual, the better we can identify and meet their needs.

5. 'Talk in the terms of the other man's interest'

Relevance - the essential ingredient of successful direct marketing.

6. 'Make the other person feel important and do it sincerely'

Our communication demonstrates our understanding (and hence our valuation) of an individual. An irrelevant communication shows the individual is just a name on the list. A well-timed promotion that is helpful and delivers a reward shows people that they are valued - building loyalty as well as making a sale.

The benefits of communicating at an individual level have been known for some time. Romano and Broudy's (1) much-quoted research into the impact of colour, personalisation and the use of transactional data in direct mail demonstrated a five-fold increase in response rate before the turn of the millennium.

The impact of extra channels

Nevertheless, there is a vacuum of knowledge when it comes to looking at channel choice and its impact on customer response. New research (see box) among direct marketers, commissioned by CDMS, looked at just that. Survey respondents were asked to gauge uplift against a solus

direct mail piece with a postal response mechanism. Specifically, they were asked: 'Compared to the average direct mail campaign with a postal response mechanism, what percentage uplift in response do you think the following media combinations tend to produce?' (see Figure 1).

In all cases, the addition of extra response media was felt to produce a significant uplift. The additions divided into two main camps: freephone, email and a personalised URL all hovered around the 20% uplift mark; website, standard telephone number and mobile text sat in the 14-16% range. It should be noted that respondents were commenting across the entirety of their campaign experience, and that projected uplift from media combinations has to take into account the precise nature of the target audience.

A further refinement to customer retention and development activity is being implemented by leading marketers and agencies. Rather than simply process regular campaigns to customers in a batch fashion, some organisations have leveraged their database marketing systems to target offers at customers only when they behave in a particular way.

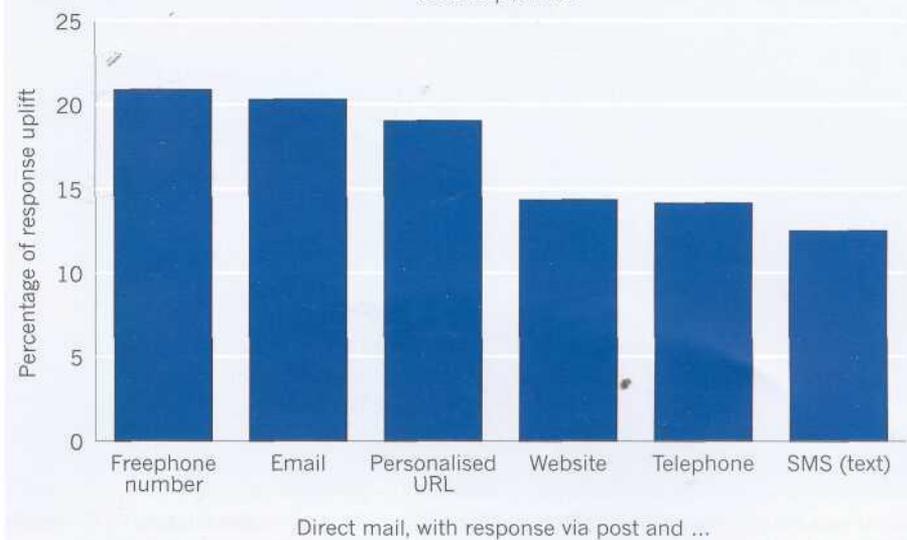
These 'event triggers' - which might be a customer-service call, a type of transaction, going through a spending level in a particular period, customer's birthday, and so on - instruct the database marketing system to send a targeted offer to the customer in question anywhere from the same week to the same day, depending on time sensitivity and marketing medium used. Indeed, the demand for transactional data which provides a proxy where a company does not have triggers in its own data, is an indicator of the growing importance of communicating with customers at the 'right' or appropriate time.

The most effective campaigns therefore will make use of the relationships and recent behaviour or activity to provide highly relevant communications and compelling offers. A prime example would be a customer who informs you of a change of address. If you are a bank, perhaps sending a 'welcome to the area' letter with information about the local branch opening times would be appreciated; if the individual does not have a branch close by, an offer encouraging the customer to sign up to internet or telephone banking would be appropriate.

FIGURE 1

The impact of extra channels

Compared to the average direct mail campaign with postal response mechanism, what percentage uplift in response do you think the following media combinations tend to produce?



A mail-order company may send individuals an email offer for discounted furnishings if they log into their online account to register their new address. There are many possibilities for a simple and yet significant transaction such as this.

Given the findings on trigger-based activity, the choice of response channel should also take into account the ease of creating opportunities for further trigger-based communications. A trigger-based communication to an individual who shows interest in an offer by clicking on a link in an email requires a great deal less physical data capture than a trigger-based communication to someone who responded by telephone but did not ultimately take up an offer. With any telephone-based transaction, it is important to note that it will be up to the individual contact centre agent to remember to detail the outcome of the conversation, particularly if the communication was not fruitful.

The ability to create personalised emails, websites and text messages, and

track their usage, has never been easier. The key to driving these communications, therefore, is having database marketing capabilities that sit behind the message delivery. Ensuring that your data are gathered from all across the business to identify your customers and their transactions, cleanse and enhance them and have rules which then trigger a relevant communication when significant events or non-events (which are also highly significant) occur, is vital to effective event-based marketing.

Industry performance

Our industry research also compared the effectiveness of different industries at combining media to produce substantial response uplift, asking: 'Which of the following sectors do you rate as effective or very effective at combining different marketing media/channels to achieve significantly higher response rates?' (see Table I).

Top rated in this peer-group survey into multi-channel effectiveness were travel and mobile phones, with around

TABLE 1

Industry performance (%)	
Travel	66.8
Mobile phone	64.1
Banks	60.8
Insurance	60.8
Retail	58.0
Credit card	57.3
Automotive	50.9
ISPs	49.7
Mail order	49.1
Building societies	46.0
Leisure	45.6
Utilities	44.6
Hotels	42.2
Restaurants and pubs	38.4
Government (local & central)	31.8
NHS	31.6

65% of respondents rating them effective or very effective. Fierce competition, heavy use of web commerce and high churn rates are all factors likely to have inspired this level of attention and success with multi-channel marketing. In particular, the ease of switching travel operator or mobile phone provider makes it imperative for these sectors to communicate with customers and prospects regularly and through the channel of their choice. Consumers can now effortlessly compare package holiday, airline, hotel and car rental offers at the click of a mouse and, with mobile telephone numbers easily transferable from one network to another and the constant supply of new mobile phone designs, operators are clamouring to reach out to those whose contracts are up for renewal - whether they are existing or prospective customers.

Whether delivering multi-channel communications for effective prospect and customer campaigns or CRM initiatives, there is still significant improvement to be made by UK industry. While the travel, mobile phone, banking and insurance sectors top the table for combining media channels to improve response rates, not one of the industries surveyed scored over 70. Whatever the answer to truly effective multi-channel communications, it is clear that headway needs to be made by UK industry to bridge the gap between those that can and are delivering, and those that are not.



Consumers are still resistant to mobile marketing: 65% of UK mobile users surveyed by the Mobile Marketing Association are not interested in receiving marketing messages via their handset



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Reality and challenge

The technology exists to drive intensive communications across multiple offline and online channels. Yet successful campaigns that exploit detailed understanding of their audience to deliver effective, personalised messaging are newsworthy rather than the norm. The realities of managing large volumes of data and the pressure of achieving the economies of scale required to achieve optimal return on investment mean that mass communication is frequently exactly that - a single message to a large audience.

Organisations are put off by the perceived effort required to source the technology and integrate the data management, customer insight and channel infrastructure needed to move from their current 'one-to-many' approach to an intelligent communications framework.

The reality is that the transformation need not require massive upfront investment in resource and technology, leading to an uncertain payback period. The journey from 'one-to-many' to 'one-to-few' and ultimately 'one-to-one', can be made in small steps by making minor changes to existing activity, achieving incremental returns at every stage.

Accomplishing the transformation is a journey based on applied intelligence - using what is known to inform the next action. It involves gradually putting in place the systems, processes and infrastructure that enable interaction with the right individual, understanding of the individual's needs and preferences, and delivery of the right message via the individual's preferred channel.

The existence of marketing service providers allows for access to expertise and technology on demand, and provides

flexible and expert support along the journey. Working with a managed-service partner limits the need for upfront investment in software and additional resource. A partner who has experience in the integration of channels and infrastructure vastly reduces the business transformation and implementation effort required.

The right channel, at the right time, with the right message may seem like a tall order for the marketer to fulfil, but the expertise and technology is now available to make true one-to-one marketing a reality.

1. D Romano and F Broudy: The Power of Personalization, Digital Printing Council, 1999.