



February 10, 2005

Sections

[Free E-newsletter](#)
[DataCard Network](#)
[Supplier Search](#)
[Article Archive](#)
[Direct Mail Archive](#)
[The Bookstore](#)
[How to Subscribe](#)
[About Us / Contact](#)
[Editorial Calendar](#)
[Advertising Info](#)
[Resources](#)
[TM Group](#)



Find a Direct Mail Vendor

Big Ideas

By Hallie Mummert

Target Marketing talks to industry experts about the trends that are shaping the way direct marketers do business.

If it feels as if the floor is moving beneath your feet these days, it's not just your nervous knees knocking together as you map out your direct marketing program's path. Major changes in culture, technology and process are occurring that will radically alter today's business model, pushing direct marketing in new directions, too.

This business revolution is both information- and customer-driven and, if direct marketers don't catch up with these trends, it could be government-driven. Of the eight industry experts interviewed for this article, more than half expressed concern that direct marketers are not recognizing the impact of change, continuing to run their businesses the same way they have for decades.

So in addition to sharing their interpretations of the current direct marketing climate, these experts also offer some advice on how to adapt to your new environment.

Big Idea: Measure Success by Customer Value

Ten years ago, direct marketing and marketing were very different, recalls Martha Rogers, Ph.D., founding partner of Peppers & Rogers Group, a management consulting firm in Norwalk, Conn.

Direct marketers had the edge on marketers because they had the names and addresses of their customers. Now, Rogers explains, marketers have made big strides to learn who their customers are, while direct marketers have made little progress to advance their customer knowledge and apply it to their practices.

For example, she says, success still is measured by response rate and cost per sale. But what about the 98 percent or 99 percent who don't respond to your campaigns? Is there any cost associated with their non-response? "If [these non-responders] are only 0.5 percent likely to open your next campaign because your last effort was not relevant to them, your successful campaign actually cost you money and value," Rogers points out.

Peppers & Rogers Group calls this measure "return on customer," a metric it says is more beneficial in determining the real cost of a direct marketing investment.

Communities

[B-to-B](#)
[Catalog Marketing](#)
[Catalog Merchandising](#)
[Creative](#)
[CRM](#)
[Customer Contact Centers](#)
[Database Marketing](#)
[Direct Mail](#)
[DRTV](#)
[E-Commerce](#)
[E-mail Marketing](#)
[Fulfillment & Operations](#)
[Insert Media](#)
[International Lists](#)
[Postal](#)
[Printing & Production](#)
[Privacy](#)

It's time, Rogers asserts, for companies to define themselves by their value to their customers, rather than by the products they make. Products easily are copied, but customers who see value in doing business with you are hard to poach.

How can you develop this value? Rogers suggests direct marketers think about the services they can wrap around their current business model.

For example, she explains, "the difference between customer service and relationship is a memory." By remembering what customers tell you about themselves and then building your products, services, communications and more around this dialogue, you can better anticipate and meet their needs.

With a product- or campaign-focused approach, you miss out on big opportunities to build customer equity. Rogers points to her annual holiday shopping experience. She's been buying presents exclusively via catalog and online channels for the past six years. Only one of the businesses she frequents sends her a list of who she bought for last year, complete with addresses. How hard would it be for the others to do the same thing, and perhaps make some gift suggestions based on prior purchases, she asks?

Companies are missing out on big opportunities, she says, because they have not adapted to this new, customer-centric mind-set. The benefit of being a customer--centric organization is saving money because you're not flooding the market with junk and then trying to fix what doesn't work on the back end.

Big Idea:
Disappearance of the Mass Market

Three major demographic trends are contributing to the challenging marketing climate. Presently, direct marketers are faced with the aging of the baby boomers market, growing cultural diversity and a decline in the number of households with married couples, notes J. Walker Smith, president of Yankelovich, a New York-based consumer research and consulting firm.

Baby boomers are redefining the concept of getting old, he explains, which has significant impact on not only the products

and services companies develop, but also on the method and creative approach used to sell them.

In addition, more than 50 percent of households now contain single people, and not necessarily single-parent living situations. While the percentage of married households should remain steady at around 50 percent for some time, Smith points out that direct marketers seem to be struggling with this move away from a more traditional household composition.

Perhaps the most radical influence on direct marketing—actually, on all business—is the fading away of a mainstream culture as defined by one majority race or ethnicity. Instead, says Smith, cultures will blend and create a variety of tastes and preferences that are not based on ethnicity.

The overall effect of these trends is the creation of a "consumer who has a strong sense of self-invention and who claims the right to be different," Smith explains. And when you combine this diversity with technology—media, information, medical, marketing—it not only affects the groups that marketers target, but also people's expectations, he adds.

Consumers now expect marketers to pay attention to their attitudes and provide them with relevant offers. This means demographics are not the catalyst they once were for audience knowledge.

In fact, Smith predicts the advance of more addressable media, such as targeted television and mobile messaging, will fall short of both marketers' and consumers' expectations if companies don't develop addressable attitudes—basically attitudinal research tracked back to specific customers.

Beyond psychographics, attitudes better reflect how people define themselves and thus are motivated to make a purchase, switch service providers, etc.

"Most companies find that the core attitudes that motivate purchase or response in their category are pretty much set," says Smith. The real challenge lies in branching out from this core with original data collection and data analysis, such as scoring, to identify other key attitudes across bigger populations.

For example, the core motivations for losing weight probably are to look more attractive and feel better. But going below the surface of these motivations leads marketers to numerous attitudes, such as the desire to attract a spouse, play more sports, keep up with grandchildren, etc.

These attitudinal observations then can be applied to product development, contact touchpoint strategy, creative messaging and more.

"The old model for mass and direct marketing assumed it was consumers' job to self-select messages that were relevant," Smith asserts. In the new model, consumers are saying they're tired of filtering the advertising overload.

Point in fact: A recent Yankelovich study showed people were giving up some of their nightly sleep to gain back time in their day. It's not likely they're doing this to keep up with their e-mail inbox or direct mail pile.

"Time is consumers' most precious commodity, and they want marketers to help them make the most of it and not waste it," says Smith.

Big Idea: The Rise of Data Analysis

Eric Schmitt, senior analyst at Forrester Research, an independent technology research firm in Cambridge, Mass., sees at the macro level, three forces shaping data technology:

- > media fragmentation, which offers direct marketers many channels to reach audiences, but also adds to the message clutter;
- > proliferation of addressable media, based on mass marketers' continuing budgetary shift to more measurable, targetable contact channels; and
- > interactivity, which allows marketers to learn more about customers, but also presents a huge data management challenge.

These developments have created a bigger landscape for direct marketers to cover, says Schmitt, which drives the need for a company's core skill sets to center around segmentation, modeling, integration, quantifying marketing impact and, most importantly, data hygiene.

Schmitt has coined this new way of thinking Left Brain Marketing, which emphasizes sophisticated audience analysis for marketing direction over

media analysis. According to a technology report he wrote last year, titled "Left Brain Marketing," one of the probable outcomes of this new mind-set will be the pairing of creative professionals and statisticians to produce messaging strategies.

Governance (such as the Sarbanes-Oxley Act) and best practices (such as opt-in marketing) are two other factors influencing direct marketers' desire for channel/data integration and data quality. Schmitt predicts this activity will lead to a centralization of both customer information and different lines of business within organizations.

Technology developments, logically, are being focused on data hygiene tools and solutions that help companies identify customers across channels.

Tools aside, direct marketers have their work cut out for them in developing a centralized customer view. Schmitt sees the biggest short-term opportunity as the integration of a firm's Web site with its primary customer database.

If companies can log online behavior and combine it with knowledge captured from other channels, while the customer still is online, they have the ability to tailor site interaction to motivate a purchase or further dialogue. And that's a more efficient and profitable marketing process for both companies and customers, says Schmitt.

**Big Idea:
Smart Creative Invites People In**

When it comes to creative trends, advertising and marketing is about to enter a new era. To get attention and generate response, successful creative has practically clobbered people over the head, resulting in a consumer who feels beaten up and who is starting to fight back by finding ways to avoid marketing messages.

To get invited back into people's lives, tomorrow's creative approaches need to be more personal and respectful, says Sid Liebenson, executive vice president and director of marketing at Draft, a full-service direct response agency with headquarters in Chicago.

The ability to craft more personal communications is dependent on collecting data that can be translated into attitudes that spark greater consumption and loyalty, he explains. To achieve this, direct marketers are finding ways to link databases and sales promotion tools to identify customers—especially via the Web.

But direct marketers still have much to learn about the online channel and what it takes to generate response. For example, search engine marketing can put brand advertising and other forms of direct marketing into a tailspin. A consumer might see your TV ad or open your direct mail package, key your company or product name into a search engine—instead of using your trackable, personalized URL—and get back a list of all your competitors, says Liebenson.

In a similar vein, comparison shopping sites add another layer of complexity to the kind of positioning marketers and their creative allies must develop to help the product hold its own in the marketplace.

Companies are just beginning to understand how the online space affects their offline efforts. But it's clear that the Web can be used as an effective tool to research how and when people make buying decisions, say Liebenson, and then use such metrics to answer the why and what questions that lead to more targeted creative.

A recent study by the U.S. Postal Service and comScore Networks reported that direct mail, especially catalogs, greatly influences online purchases. Marketers have suspected this to be the case, even if they didn't have the back-end tracking systems to prove it.

Based on this finding and on general advertisers' enhanced interest in addressable media, Liebenson thinks that direct mail will see a revival. With the majority of the population having grown up going to their mailboxes daily in the hopes of finding something special, direct mail has the potential to continue to make strong connections with consumers—if direct marketers focus less on cost-efficiency and more on content and value. And, he adds, direct marketers might get beaten to the punch on this trend by general advertisers who are more willing to integrate direct response and brand tactics.

One last creative thought: Prospecting requires much more thinking outside the traditional media plan. Liebenson notes that Draft has done more billboards, bus shelter ads and other local formats to find new, responsive audiences.

It's a multichannel world, which means you've got to explore new channels to determine where your customers are living.

Big Idea:
Trust = Permission

The proliferation of phishing and spoofing attacks has upped consumers' level of skepticism about what they can trust in the online space. As these attacks grow more sophisticated, they will create more fear and distrust of e-mail and Web sites, says Larry Ponemon, Ph.D., chairman and founder of the Ponemon Institute, an independent research and consulting group in Tucson, Ariz., that focuses on information and privacy management.

Simultaneously, these attacks harm the brands of companies whose names are hijacked by criminal interests. This type of damage can have long-lasting impact on a company's equity, Ponemon asserts.

Couple this trend with consumers' preference to control the frequency and kind of marketing messages directed at them, he says, and it's clear that marketers must take steps to educate, respect and protect their customers.

If they don't, there is more at stake than lost sales: The Federal Trade Commission and Congress have been upfront about their desire to curtail aggressive or sloppy marketing practices.

For example, the Spy Act (H.R. 29) that is under congressional review contains language that can be detrimental to online and offline programs, states Alan Chapell, president of Chapell & Associates, a research and consulting firm in New York that specializes in privacy concerns. This proposed law would exempt first-party cookies but not third-party cookies, such as those served by adware companies trying to ensure consumers don't see the same ads again and again as well as to collect some end-user data to serve more relevant ads.

It's not likely this bill will get passed with this provision, says Chapell, but the fact that it's on the table for discussion means the bigger topic of data practices is on Congress' radar.

Ponemon agrees, advising marketers to keep an eye on privacy laws in California, such as the recently enacted S.B. 27, also called the Shine the Light Law. This regulation forces direct marketers to document their data

collection processes so they can provide, at the consumer's request, details on how personal information was obtained and/or shared.

"California is the bellwether of national privacy," says Ponemon, explaining that other states then introduce similar legislation which pretty much forces action on a federal level. In addition, it's hard for a national corporation not to comply with a state law on a national basis, since it would require creating a business blueprint just for one state.

Chapell wonders how long California can continue to dictate national law. While it's "more of a prayer than a prediction," he says he won't be surprised if Congress takes measures to strike down California's "cottage industry" of privacy law.

In the meantime, he suggests direct marketers carefully weigh the value of their different acquisition partners, making sure they have contractual provisions on where these partners get their data and that the information can be audited.

And what about customer trust? Ponemon explains that companies can reduce fear and establish trust by:

1. providing a strong, clear privacy policy;
2. asking for customers' contact preferences;
3. respecting frequency limits, by understanding how multichannel marketing and different lines of business can impact contact plans; and
4. being able to explain your data collection practices and usage to customers whenever they ask.

Ultimately, marketers' greatest ally in the fight against fraudulent marketing is multichannel marketing, Ponemon proposes. By offering different business channels for contact and shopping, marketers give consumers control over how and when they interact with a firm and make buying decisions, which leads to greater trust.

Direct marketers then might be spending more upfront with multichannel marketing, he explains, but they're getting to a higher quality relationship.

Big Idea: Talent Needs to Be Nurtured

The hiring of direct marketing practitioners is on the upswing, according to reports from the heads of two executive search firms that specialize in the direct marketing industry.

Jerry Bernhart, president of Bernhart Associates, an Owatonna, Minn.-based executive search firm that specializes in database marketing candidates, conducts quarterly polls to keep an eye on hiring trends. Survey results on companies' hiring plans for Q2 '05 lean toward a need for creative professionals (copywriters, creative directors, etc.), general practitioners (direct marketing managers, directors, coordinators) and database marketing experts (analysts, database managers), says Bernhart. And the latter group, he adds, has been a top hiring category for direct marketers for some time now.

The strategy behind marketers' hiring decisions, Bernhart theorizes, is due to response rates that are stale, flat lists, and the need to move the dial. The way to do that, he says, is with better creative and data analysis.

While the fact that one-third of survey respondents were agencies might account for the demand for creative help, the other two-thirds were scattered among catalogers, nonprofits, financial services, etc.

Also encouraging for the state of the industry is that the ratio of new posts to replacements for this planned hiring growth was 6-to-1.

Wendy Weber, president of national executive search firm Crandall Associates Inc., in New York, is seeing trends similar to those on Bernhart's survey. She finds companies are putting more emphasis on customer retention and loyalty programs than on acquisition, and so are looking for staff who understand how to manipulate databases to produce more creative marketing efforts.

Weber also has noticed that companies are putting more thought into channel integration. "The professionals they seek may have come up through the ranks of direct mail, but e-commerce proficiency is a valuable asset," she states.

Overall, companies desire candidates with proven track records of success, especially within particular market verticals. Gone are the days when companies were interested in generalists, says Bernhart.

While hiring managers do not ask for a degree in direct marketing, Bernhart sees it as a competitive advantage, as long as the candidate has direct marketing experience with proven success to go with it.

A new trend on the survey, he adds, is a pick-up in the need for junior-level staff.

These poll results, paired with Bernhart's client assignments, suggest to him that companies are hiring new and more junior staff to solve problems and handle projects; there's not much emphasis on building staff levels to facilitate training and retention.

The move away from training is a shortsighted action in Bernhart's opinion. "Companies that weave training into their organization will retain employees longer and get greater productivity gains," he asserts.

Another dangerous trend, he points out, is the lack of mentoring taking place in companies and the industry. Good companies that are focused on growth assign mentors to every high-potential employee, Bernhart says.

[Top of the Page](#) | [Back](#)