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# THE EFFECTIVENESS AND UTILIZATION RATE OF MEDIA IN DIRECT MARKETING

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## OUTLINE OF THE LECTURE

1. What is direct marketing?
2. Categorization of direct marketing
3. Techniques of direct marketing
4. Database marketing

## 1. WHAT IS DIRECT MARKETING (DM)?

- **Direct marketing is an interactive system of marketing which uses one or more advertising media to effect a measurable response and/or transaction at any location. (American Direct Marketing Association)**
- **Direct marketing means to establish direct relationships with carefully selected customers.**
- **Direct marketing is any communication addressed to a consumer that is designed to generate a response.**
- **Direct marketing = communication effect, direct relationship, bidirectional.**

## WHAT IS DIRECT MARKETING (DM)?

- **Direct marketing is the elimination of customer anonymity, this means understanding the person (persons) who makes buying decisions.**
- **For this purpose, we need to know the answers to the following questions:**
  - Who are our current and potential customers?
  - How do our customers use the product?
  - Where do our customers buy products?
  - When do customers buy our products?
  - Why do not potential customers buy our products?

## WHAT IS DIRECT MARKETING (DM)?

- **Direct marketing should be considered as part of the communication mix when one or more of the following conditions holds true:**
  - The product is used only by a clearly defined segment or portion of consumers.
  - The product purchase is time sensitive.
  - The product is available in a particular geographic location.
  - The marketer wants to reach previous purchasers of the product to encourage a repeat purchase or trial of a related product.
  - The marketer wants to make an offer to a select group of consumers.

## CONCEPTION OF DIRECT MARKETING

- **IDENTIFICATION OF TARGET GROUPS**
- **INTERACTION**
- **CONTROL (evaluation of DM campaigns results)**
- **CONTINUITY (customization, feedback, resale, ...)**

## ADVANTAGES OF DIRECT MARKETING

- It uses mostly **addressable media**.
- It communicates with consumers as **individuals**.
- It is **interactive**, meaning, that consumers respond directly (and measurably) to direct communications.
- It is **effective** because the communications are targeted only to those individuals who are likely to be interested in the offering.
- It is **trackable and measurable**. Marketers can calculate a true ROI based on the consumer responses.

## ADVANTAGES OF DIRECT MARKETING

- With direct marketing, marketers **can test offers**, creative approaches, and responsiveness of specific customer segments.
- **High ROI**
- It helps creating of **database** of customers ⇒ **Database marketing** ⇒ CRM.



## DISADVANTAGES OF DIRECT MARKETING

- **Irritation.** Junk mails – SPAM.
- **Invasion of privacy.** Abuse of confidence. Unfairness.
- The companies must respect legal and ethical rules in various countries!
- **Lack of general brand awareness** – when direct marketing is used without other marketing communication tools.

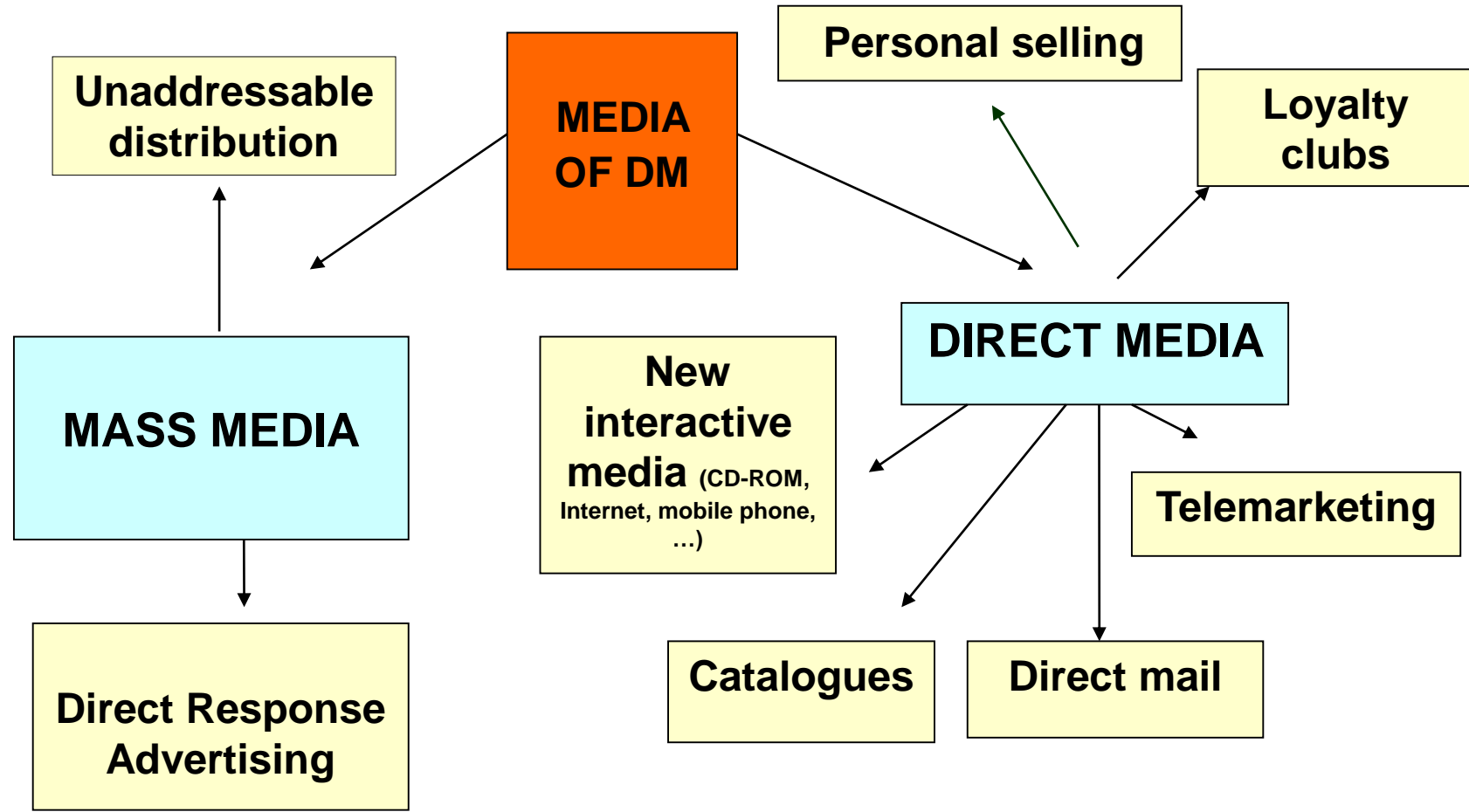
## TARGET GROUPS OF DIRECT MARKETING

- **B2B market (very effective!!!)**
- **B2C market – typical application in:**
  - Financial services.
  - Telecommunication services.
  - Tourism, cosmetic products, car producers, ...

## 2. CATEGORIZATION OF DIRECT MARKETING

- **In terms of access to the target group:**
  - **Active DM** - the marketer (company) addresses the commercial message to customers as the first.
  - **Passive DM** – customers ask for the product or information as the first.
  
- **In terms of the media coverage:**
  - **Direct media** - individual or personal communication (direct mail, email, phone, e-mail, ...).
  - **Mass media** - mass media spreading the message to a large number of recipients (newspapers, press, TV, ...).
  - **Human medium** – distributing promotional materials directly on the place where the target group is located.

## DIRECT AND MASS MEDIA IN DIRECT MARKETING



## 3. TECHNIQUES OF DIRECT MARKETING

- Addressed shipment (direct mail)
- Unaddressed shipment (distribution)
- Telemarketing
- Catalog and mail order sales
- Direct Response Advertising
- Loyalty programs and customer clubs
- DM in the new media (Internet, mobile, social media, ...)

## DIRECT MAIL

- Personally addressed communications delivered through the post in printed form.
- Direct mail usually includes: envelope, commercial letter, commercial leaflet, catalogue, price list, sample, present and feedback card (mail order package).
- Every direct mail should provide any advantage or extra value (discounts, ...).
- **KISS** (Keep it short and simple) – the rule of direct mail.

## DIRECT MAIL

- **The combined direct mail** = direct mail with promotional materials of more companies that do not compete with each other.
- The used colours and shapes play very important role in the format of direct mail.

Blue	Technical, scientific	Larger clean white unprinted place	Expensive product
Green	Relaxation	Large envelope (parcel)	Importance, honour
Orange	Energy, power	Small envelope	Economy
Brown	Calm , serious	Square format	Fashion
Red	Urgent, important, dangerous	Personification with label	Cheap, mass
Yellow	Lively	Hand-written envelope, commercial letter	Luxury, individuality

## DIRECT MAIL

### DIRECT MAIL IN THE FINANCIAL SERVICES AND NON-PROFIT SECTORS

- One recent large scale study involving 677 direct mail campaigns in the financial services and non-profit sectors found the following methods worked to raise the success rate in terms of the number of envelopes opened and mailings retained by the consumer:
  - **Include teasers** – in the form of questions – on the outside of the envelope.
  - **Do not use the company's logo and brand on the envelope**, but do use them in the covering letter.
  - **Do not use coloured envelopes.**
  - **Provide sufficient information in the covering letter or brochure** to induce confidence and reduce risk.
  - **Personalise** all the communication collaterals – where appropriate use a real signature in contrasting ink, a letterhead, personal salutations and the addressee's name and address.



## UNADDRESSED SHIPMENT (DISTRIBUTION)

- Unaddressed delivering of leaflets, magazines, newspapers, promotional materials etc. to all addressees whose mailboxes are located in some area or to all readers of the journal.
- **Two basic types of unaddressed distribution:**
  - Inserting promotional materials into print.
  - Mailboxes - distribution to mailboxes in the area.
    - **The intensive distribution** - the largest number of households in a given area.
    - **Selective distribution** – selected areas according to defined target group (family houses, city center).
    - **Profiled distribution** - targeted personal delivery to the selected addressee in the place of residence based on a database of potential clients and a list of addresses.
  - Other forms: hanging on the handles, directly into the hands of people, under windshield wipers of cars, ...

## TELEMARKETING

- Marketing over the telephone. Personal dimension!
- **Outbound telemarketing (active)** – the marketer makes the call.
- **Inbound telemarketing (passive)** – the customer makes the call.
  - **Green line 800** – the client doesn't pay (especially in the case of orders acceptance, providing the information about products, ...).
  - **Hot line 0850** – client shares the cost of the phone call.

## TELEMARKETING

- **External call center**

- Advertising campaigns support, market research, databases updating , ...
- Advantage: trained personnel, capacities, technical equipment, know-how ...

- **Internal call center**

- Receiving of orders, business meetings arranging, handling of complaints, ...
- Advantage: flexibility, direct control, perfect knowledge of products, actual performance summary, ...

## CATALOG AND MAIL ORDER SALES

- Most companies sell products through representatives based on catalog.
- This method is attractive for the seller (representative, adviser) primarily because it does not require a high initial investment and remuneration directly depends on their own performance.
- Mail-order sales are connected with the contract in a distance way through e-mail, contact form, website, phone.

## DIRECT RESPONSE ADVERTISING

- Advertising, which includes a call on television, radio, print, where it is possible to respond immediately in several ways via the contact details.
- **The direct response could be:**
  - One-level – customer receives all the information (price, characteristics, delivery conditions, etc.).
  - Two-levels - customer receives only basic information about the product. If he or she wants more information then he or she must contact the seller.

## DIRECT RESPONSE ADVERTISING

- Direct response advertising in **newspapers and magazines** use motivational, activating and supplemental information and tools:
  - **Motivational information** - images and headlines are important because they attract attention (15 - 20 times greater chance of registering). E.g. Revolutionary dishwasher! Lose weight 5 kg in 14 days!
  - **Activating information** - highlighting what the reader should react to. The use of words such as immediately, so quickly. E. g. Order now! Call now and get a discount!
  - **Supplemental tools** – they help readers to overcome barriers, e. g. Easy telephone number to remember (green line), comprehensible reply coupon ...

## DIRECT RESPONSE ADVERTISING

- **Direct response advertising on TV can have the form of:**
  - Classical TV spot (30 seconds in an advertising block).
  - Teleshopping - Legislation!
  - TV shopping channel - a channel dedicated exclusively to the presentation of products. It broadcasts 24 hours a day. Its programming format consists of thematic blocks (fashion, home, health, ....) which are changed throughout the day. Moderator directly and repeatedly invites viewers to purchase.

## DIRECT RESPONSE ADVERTISING

- Direct response advertising on **radio** can have the form of:
  - Classical TV spot (30 seconds in an advertising block).
  - Promotional announcement – read information that relates to various events carried out by a specific date and time.
  - Commercial interview - length max. 120 second.
  - Commercial competition.
  - Sponsorship link in selected thematic blocks.
  - Cooperation with media.



## LOYALTY PROGRAMS AND CUSTOMER CLUBS

- **Loyalty programs for merchants** - the aim is to increase acceptance of the brand or product.
- **Loyalty programs for consumers** - the possibility of reaching benefits based on long-term consumption of the product.
- **Customer club** is one of the form of loyalty programs:
  - Closed clubs (the entry fee is paid)
  - Open clubs (a large amount of inactive members)
  - **Characteristics of customer club:** Customer requests for membership, uses the card club, collects the points, takes advantage of the club and the seller decides on the specific benefits.
  - **Contractual partnership** - a group of external partners, providing discounts from retail prices to customer club members when submitting club cards.

## DIRECT MARKETING IN NEW MEDIA

- Full information, the Internet allows consumers to search out the answers to questions, read reviews, and compare products in order to make an educated buying decision.
- Business that take advantage of the Internet for sales and ordering might also find it profitable to offer a catalog or create a direct-mail kit, initiating additional contact points and offering customers a choice of shopping venues.
- Combining social media with direct marketing, often referred to as social media marketing, creates engagement. Once direct-marketing initiatives invite the targets to join the brand's network. Social media is a great way to personally welcome them. Direct marketing can also use social media as an announcement device letting the target know when new information is being announced.

## 4. DATABASE MARKETING

- **A customer database is an organized collection of comprehensive information about individual customers or prospects that is current, accessible, and actionable for lead generation, lead qualification, sale of a product or service, or maintenance of customer relationships.**
- **Mailing list** (only set of names, addresses and telephone numbers) X **Database** (basic information + past purchases, age, income, family members, birthdays, activities, interests, opinions, preferred media and other useful information).
- **Data mining** – marketing statisticians can extract from the mass of data useful information about individuals, trends, and segments. Data mining uses sophisticated statistical and mathematical techniques such as cluster analysis, automatic interaction detection, predictive modeling and neural networking.

## DATABASE MARKETING

- **In general, companies can use their databases in several ways:**
  - To identify prospects.
  - To decide which customers should receive a particular offer.
  - To deepen customer loyalty.
  - To reactivate customer purchases.
  - To avoid serious customer mistakes.
  - Customers research.
  - Exclusion of inactive and non-profitable customers.
  - To learn more about the market and to get better information on competitors.