Introductory Scenario: Don’t Mess With Less

- Who was Les Wunderman?
- He created the Columbia House record club and “invented” the modern era of direct marketing
- The genius of his idea was creating a dialogue (monthly response) with consumers which led to a building a relationship

Direct Marketing

- Interactive system of marketing which uses one or more advertising media to effect a measurable response and/or transaction at any location
- Common purposes of direct marketing
  - Close the sale
  - Identify prospects for future contact
  - Provide in-depth information
  - Seek information from consumers
  - Foster brand loyalty
Direct Marketing: A Look Back

- L.L. Bean founded in 1912
- Fundamental strategy:
  - Commitment to quality
  - Descriptive copy that was informative, factual, low-key
  - Satisfaction guarantee
- Bean built a good mailing list
- By 1990 Bean’s sales were $600 million; by 2004, about $1.2 billion

Direct Marketing: Milestones

- 1450—Invention of movable type
- 1667—First gardening catalog
- 1744—Franklin formulates mail-order concept of “satisfaction guaranteed”
- 1872—Montgomery Ward catalog
- 1886—Sears starts mail-order business
- 1917 Direct Marketing Advertising Association founded

Direct Marketing: Milestones

- 1928—Third-class bulk mail introduced
- 1950—First credit card
- 1951—Lillian Vernon places first ad
- 1953—Publishers Clearing House founded
- 1967—AT&T introduces toll-free 800
- 1992—Over 100 million in U.S. shop at home
Direct Marketing Today
• More than just mail-order
• A tool used by organizations throughout the world
• Direct marketing often is not integrated with other advertising efforts
• Three Principle Purposes
  – close a sale with a customer
  – ID prospects and develop customer info.
  – Engage customers, seek their advice and generate brand loyalty

What’s Driving Direct Marketing?
• CONVENIENCE! for today’s dual income and single parent households.
• More liberal attitudes toward using credit
• Greater access to toll-free calling
• Computer technology to facilitate transactions
• On-line shopping
• Cost per inquiry (CPI) and cost per order (CPO) advantages of direct marketing

Database Marketing
• Knowing who the best customers are as well as what and how often they buy
• Mailing lists
  – Internal lists
  – External lists
List Enhancement

- Augmenting lists with externally provided lists
- Incorporating information from external databases
  - Demographic data
  - Geodemographic data
  - Psychographic data
  - Behavioral data

The Marketing Database

- Includes data collected directly from individual customers
- Goal: Develop cybernetic intimacy
- Marketing database applications
  - RFM analysis
  - Frequency-marketing programs
  - Cross-selling
- Privacy concerns

Media Applications in Direct Marketing

- Direct response advertising
- Direct Mail
- Telemarketing
- E-mail
- Other media
  - Magazines
  - Newspapers
  - Infomercials
Direct Mail

• Advantages
  – Selective, flexible, little waste, lends itself to testing, uses many formats
• Disadvantages
  – Direct mail is expensive
    - May cost 15 to 20 times more to reach a person with a direct mail piece than with a TV commercial
  – Mail lists can be plagued with bad addresses
  – Mail delivery dates can be unpredictable

E-Mail

• Bulk e-mail is known as “spam”
• However e-mail is an increasingly popular tool for marketers
• Advantages
  – Cheap
  – Good response rates
• Netiquette suggests getting consumer permission to send product information
• Avoid bulk e-mailings

Direct Response Advertising

• Multiple media can be deployed to generate an immediate, measurable response.
• Most common media used are direct mail and telemarketing
• However all conventional media can be used
Direct Response Advertising in Other Media

- Magazines use bind-in insert card
- Toll-free 800 numbers are vital to direct marketers using ads in newspapers and magazines
- Infomercial
  - Long television advertisement
  - Range in length from 3 to 60 minutes
- Keys to success
  - Testimonials
  - Frequent call to actions
  - Ensure same-day response

Coordination Challenge

- Functional specialists across several media need to work together
- Marketing databases can lead to interdepartmental rivalries
- Growth of direct marketing often means cuts in other promotional budgets
- One solution: the marcom manager