

Principles of Direct, Database and Digital Marketing

fifth edition



Alan Tapp
Ian Whitten
Matthew Housden

Principles of Direct, Database and Digital Marketing

fifth edition

Alan Tapp Ian Whitten Matthew Housden

The growth of digital marketing is the most important yet unpredictable trend in marketing today. How can the online world be harnessed by the companies of today and tomorrow to grow their marketing impact? What role do information and databases have to play in this system? And why do some non-digital means of direct marketing still remain so powerful?

Alan Tapp's successful text has long been a leading authority on direct marketing, and for this fifth edition he is joined by Ian Whitten and Matthew Housden for the most up-to-date book yet. The authors all bring great expertise across direct, database and digital marketing to provide comprehensive, compelling coverage of the key theory and debates of the fields.

Key features of the 5th edition

- Coverage of all recent developments in digital marketing, including analysis of the seemingly relentless rise of Facebook, Twitter and other forms of social media
- Thoroughly updated case studies covering companies and organisations from sports teams to car manufacturers and non-profits
- A new chapter on Data Protection legislation and its impact on marketers

About the authors

Alan Tapp is Professor of Marketing at Bristol Business School at the University of the West of England.

Ian Whitten is a senior lecturer and tutor at the University of Greenwich with almost 20 years of professional direct marketing experience.

Matthew Housden is a principal lecturer at the University of Greenwich, and a tutor and senior consultant with the Institute of Direct and Digital Marketing.

ISBN 978-0-273-75650-7



9 780273 756507 >

www.pearson-books.com

Front cover image:
© Getty Images

Principles of Direct, Database and Digital Marketing

Lecturer Resources

For password-protected online resources tailored to support the use of this textbook in teaching, please visit www.pearsoned.co.uk/tapp



PEARSON

At Pearson, we have a simple mission: to help people make more of their lives through learning

We combine innovative learning technology with trusted content and educational expertise to provide engaging and effective learning experiences that serve people wherever and whenever they are learning.

From classroom to boardroom, our curriculum materials, digital learning tools and testing programmes help to educate millions of people worldwide – more than any other private enterprise.

Every day our work helps learning flourish, and wherever learning flourishes, so do people.

To learn more please visit us at www.pearson.com/uk

Fifth edition

Principles of Direct, Database and Digital Marketing

Alan Tapp, Ian Whitten and Matthew Housden

PEARSON

Harlow, England • London • New York • Boston • San Francisco • Toronto • Sydney
Auckland • Singapore • Hong Kong • Tokyo • Seoul • Taipei • New Delhi
Cape Town • São Paulo • Mexico City • Madrid • Amsterdam • Munich • Paris • Milan

PEARSON EDUCATION LIMITED

Edinburgh Gate
Harlow CM20 2JE
United Kingdom
Tel: +44 (0)1279 623623
Web: www.pearson.com/uk

First published 1998 (print)
Second edition 2001 (print)
Third edition 2005 (print)
Fourth edition 2008 (print)
Fifth edition published 2014 (print and electronic)

© Pearson Education Limited 1998, 2008 (print)
© Pearson Education Limited 2014 (print and electronic)

The rights of Alan Tapp, Ian Whitten and Matthew Housden to be identified as authors of this work have been asserted by them in accordance with the Copyright, Designs and Patents Act 1988.

The print publication is protected by copyright. Prior to any prohibited reproduction, storage in a retrieval system, distribution or transmission in any form or by any means, electronic, mechanical, recording or otherwise, permission should be obtained from the publisher or, where applicable, a licence permitting restricted copying in the United Kingdom should be obtained from the Copyright Licensing Agency Ltd, Saffron House, 6-10 Kirby Street, London EC1N 8TS.

The ePublication is protected by copyright and must not be copied, reproduced, transferred, distributed, leased, licensed or publicly performed or used in any way except as specifically permitted in writing by the publishers, as allowed under the terms and conditions under which it was purchased, or as strictly permitted by applicable copyright law. Any unauthorised distribution or use of this text may be a direct infringement of the author's and the publishers' rights and those responsible may be liable in law accordingly.

All trademarks used herein are the property of their respective owners. The use of any trademark in this text does not vest in the author or publisher any trademark ownership rights in such trademarks, nor does the use of such trademarks imply any affiliation with or endorsement of this book by such owners.

Contains public sector information licensed under the Open Government Licence (OGL) v1.0. www.nationalarchives.gov.uk/doc/open-government-licence.

Pearson Education is not responsible for the content of third-party internet sites.

The Financial Times. With a worldwide network of highly respected journalists, *The Financial Times* provides global business news, insightful opinion and expert analysis of business, finance and politics. With over 500 journalists reporting from 50 countries worldwide, our in-depth coverage of international news is objectively reported and analysed from an independent, global perspective. To find out more, visit www.ft.com/pearsonoffer.

ISBN: 978-0-273-75650-7 (print)
978-0-273-75652-1 (PDF)
978-0-273-79480-6 (eText)

British Library Cataloguing-in-Publication Data

A catalogue record for the print edition is available from the British Library

Library of Congress Cataloging-in-Publication Data

Tapp, Alan.

[Principles of direct and database marketing.]

Principles of direct, database and digital marketing / Alan Tapp, Ian Whitten and Matthew Housden. — Fifth Edition.
pages cm

ISBN 978-0-273-75650-7 — ISBN 978-0-273-75652-1 (PDF) — ISBN 978-0-273-79480-6 (eText)

1. Direct marketing. 2. Database marketing. 3. Internet marketing. I. Whitten, Ian. II. Housden, Matthew. III. Title.

HF5415.126.T35 2014

658.8'72—dc23

2013029012

10 9 8 7 6 5 4 3 2 1
18 17 16 15 14

Print edition typeset in Charter ITC Std Regular 9.5 pt/12.5 pt by 75
Print edition printed and bound by Ashford Colour Press Ltd, Gosport.

NOTE THAT ANY PAGE CROSS REFERENCES REFER TO THE PRINT EDITION

Contents

Preface to the fifth edition

xi

Part 1 Introducing direct and digital marketing

1 What is direct and digital marketing?	3
Objectives	3
Introduction	3
1.1 What is direct and database marketing?	3
1.2 Defining direct, digital and database marketing	9
1.3 Direct marketing in practice	12
1.4 The historical growth of direct marketing	17
Summary	22
Questions	23
References	23
Case study: <i>Volvo: from product to consumer-led response marketing</i>	25
Case study: <i>'Rapid Pizza'</i>	30
2 The database	32
Objectives	32
Introduction	32
2.1 What is a marketing database?	33
2.2 The data to hold	35
2.3 Data sources	38
2.4 Database management issues	40
2.5 Self-regulation in direct marketing	51
Summary	53
Questions	53
References	54
Case study: <i>Saco Drive-In</i>	55

Part 2 Using direct marketing to analyse the marketing situation

3 The customer database: analysis and applications	59
Objectives	59
Introduction	59
3.1 Uses of the database	61
3.2 Segmentation applications for database marketers	64

3.3 Analytical techniques	68
Summary	84
Questions	85
References	85
Case study: <i>Segmentation in action</i>	86
Case study: <i>Tesco Clubcard</i>	92
Case study: <i>Training and Enterprise Councils</i>	94
4 Using external databases in direct marketing	96
Objectives	96
Introduction	96
4.1 Introduction to external databases	97
4.2 What are external databases used for?	98
4.3 External databases explained	108
Summary	125
Questions	125
References	126
Case study: <i>The Salvation Army</i>	127
Case study: <i>Depaul UK – 'iHobo' app</i>	128

Part 3 Setting objectives and strategies within direct marketing

5 Direct marketing objectives and strategies	133
Objectives	133
Introduction	133
5.1 Setting direct marketing objectives	134
5.2 Creating direct marketing strategies	140
Summary	153
Questions	153
References	153
Case study: <i>Nissan GB Qashqai Launch 2011 TMW and Indicia</i>	154
Case study: <i>Managing acquisition and retention – BK Bank</i>	156
Case study: <i>Coventry City Football Club</i>	162
Appendix 1: <i>Extracts from research carried out with season ticket and ex-season ticket holders, November 1999</i>	167
Appendix 2: <i>Extracts from research carried out at an open day, June 1999</i>	168
Appendix 3: <i>The typical fan – research findings</i>	168
Appendix 4: <i>Research carried out from segmentation of supporters study, November 1998</i>	169
Appendix 5: <i>Casual fans: two types of casuals</i>	172
Appendix 6: <i>The loyalty issue</i>	173
Appendix 7: <i>Groups distinguished by match-day behaviour</i>	173

6 The strategic influences on direct and digital marketing	175
Objectives	175
Introduction	175
6.1 Influences on direct marketing strategy	176
6.2 The use of marketing databases in the wider company environment	189
6.3 Knowledge management	191
6.4 Delivering direct marketing strategies	194
6.5 The total product/service	201
Summary	210
Questions	210
References	211
Case study: <i>Social marketing in action: how direct marketing could be used for social good (Sport England)</i>	213
Case study: <i>Sony Professional</i>	227
7 Relationship marketing and CRM	228
Objectives	228
Introduction	228
7.1 Relationship marketing	229
7.2 Customer relationship management (CRM)	236
Summary	246
Questions	246
References	247
Case study: <i>Insureco – from direct sales to direct CRM</i>	248
8 Digital marketing and the Internet	250
Objectives	250
Introduction	250
8.1 What is the Internet?	251
8.2 The growth of the Internet	254
8.3 How companies use the Internet	257
8.4 Distinctive features and benefits of the Internet	264
8.5 The impact of the Internet on direct and database marketing	267
Summary	281
Questions	282
References	282
Case study: <i>Dycem Ltd</i>	284
9 Social media	295
Objectives	295
Introduction	295
9.1 Social media objectives	297
9.2 How consumers use social media	299
9.3 How businesses use social media	301
9.4 Other commercial users of social media	301

9.5 Geo-location based offers – how businesses COULD use social media	304
9.6 Measurement and control of social media	304
9.7 Some social media sites (not mentioned elsewhere so far) offering great potential for marketers	308
References	310
Case study: <i>Where the hell is Matt?</i>	312

Part 4 Direct marketing implementation and control

10 Offers and incentives in direct marketing	317
Objectives	317
Introduction	317
10.1 Defining offers and incentives	319
10.2 Using incentives in direct marketing	320
10.3 Programmes to existing customers	326
10.4 Programmes of contact to attract new customers	338
Summary	347
Questions	347
References	348
Case study: <i>Bounty</i>	349
Case study: <i>Barclaycard Freedom</i>	350
Case study: <i>ARK Skincare</i>	353
Case study: <i>Friend get Friend Campaign</i>	354
11 Direct marketing media	357
Objectives	357
Introduction	357
11.1 The range of media in direct marketing	358
11.2 Factors affecting media choice	359
11.3 Discussion of individual media	364
11.4 The Internet	364
11.5 E-mail	376
11.6 Direct mail	382
11.7 Mobile marketing	398
Summary	403
Questions	403
References	404
Case study: <i>Xerox wins gold – how to make direct mail interesting</i>	405
Case study: <i>Dell</i>	406
Case study: <i>Pimm turns gold</i>	409
Case study: <i>Heinz At home</i>	409
12 Acquisition media	412
Objectives	412
Introduction	412

12.1 National press	412
12.2 Magazines	417
12.3 Direct response television	420
12.4 Interactive television	428
12.5 Inserts	430
12.6 Household delivery/door-to-door distribution	434
12.7 Direct response radio	438
12.8 New or unusual media	441
12.9 Combining media to maximise efficiency: the contact strategy	444
Summary	448
Questions	448
References	448
Case Study: <i>Crocs Mobile Coupon campaign</i>	450
Case Study: <i>Choosing media – Gillette</i>	451
13 Creative practice and consumer behaviour in direct marketing	455
Objectives	455
Introduction	455
13.1 Introducing creative practice	456
13.2 Using creative as a form of research	457
13.3 The strategic drivers of creative practice	464
13.4 Creative execution	469
Summary	490
Questions	491
References	491
Case Study: <i>England and Wales Cricket Board Limited</i>	492
Case Study: <i>Friends of the Earth</i>	493
Case Study: <i>Lynx Attract</i>	494
14 Testing, budgeting and research in direct marketing	496
Objectives	496
Introduction	496
14.1 Testing	497
14.2 Budgeting for direct marketing programmes	509
14.3 Market research in direct marketing	514
Summary	516
Questions	517
References	517
Case Study: <i>The Royal National Lifeboat Institution</i>	518
Appendix 1: <i>Membership rates and grades</i>	524
Appendix 2: <i>Headings from previous RNLI creative briefs to its direct marketing agency, Burnett Associates</i>	524
Appendix 3: <i>List of questions in survey of yacht club members to be carried out within three months of the brief</i>	524
Reference	525

15 Legal impacts on direct, database and digital marketing	526
Please note	526
Objectives	526
Introduction	526
15.1 The Data Protection Act (1998)	527
15.2 Opt-in versus opt-out	540
15.3 The use of cookies	542
15.4 The future of data protection legislation	543
References	544
Index	547

Preface to the fifth edition

In the five-year period since the fourth edition of this book (then entitled *Principles of Direct and Database Marketing: A Digital Orientation* and written solo by Alan Tapp), the world of direct, data and digital marketing has changed massively.

At that time, Tapp said in his preface that the discipline ‘seems to have plateaued out as a mature profession’. He was referring to the way in which commerce used data to drive marketing. But of course since then we have witnessed enormous changes, not just in data management or marketing strategies, but in technological advances:

- The rise and rise of social media (referred to as ‘Web 2.0’ in the previous edition) as a social, Internet and marketing phenomenon.
- The rise and rise of giants such as Apple, Amazon, Facebook, Google and eBay (each of whom are now worth more than many companies and have surpluses that are the envy of most governments).
- Mobile Internet has risen to prominence.
- Cloud computing promises to make a huge impact.
- 3G is becoming a thing of the past (the 4G auctions were held in 2013).
- Smartphones and other ‘mobile’ devices will prove the future battle ground for consumer engagement.
- The analogue TV signal in the UK being switched off, meaning all televisions there are digitally enabled.

And yet, other predicted trends have struggled to become reality:

- Companies are still not making as much use of location-based marketing as they could.
- Some ‘next big things’ have still to fire the public’s imagination: Foursquare seemed to come and go with barely a ripple, and Skype has been bought and sold more than once!
- ‘Red Button’ marketing on TV has not caught on as experts expected, largely due to the advances in technology that mean Web streaming of TV programming changes the way consumers interact with this type of content.

How much of some of these trends are down to the biggest economic downturn since the 1930’s is unclear. However, the recession has undoubtedly meant that it is more important than ever for organisations to get the biggest ‘bang for their buck’ that they possibly can, and here, ‘old’ strengths of direct marketing – cost effectiveness and measurability – still stand out.

It is tempting to see the future as exclusively digital, but this ignores the recent resurgence of the much maligned origin of the discipline, direct mail. Although slower than e-mail and a darned sight more costly, it is also more difficult to ignore, and a well-designed piece of direct mail can scream ‘read me’ at its target far more than a subject line on an e-mail. Perhaps rumours of direct mail’s demise have been exaggerated.

So what of the future? Will the proposed new EU-wide data protection legislation – with the right to be forgotten – be as bad for the industry as is believed in some quarters, or will it force marketers to think a little harder about how to do things more efficiently and effectively, as the previous round of legislation did? Will 4G take off, or will consumers not be prepared to pay the extra money? Will people finally get fed up of Facebook changing their terms and conditions and resetting our privacy options? Will the promise of cross channel attribution ever be delivered or will digital marketers continue to make many of the mistakes their analogue counterparts made decades ago? Are marketers and marketing able to embrace the full extent of the opportunities that new technology is offering the discipline? Only time will tell.

The development of the Internet and World Wide Web is challenging orthodoxy in politics, society, economics and commerce. In its own way direct, data and digital marketers are in the right place to lead the way for the marketing profession. This book is your first step in being a part of that success story.

New to this edition

The fifth edition sees Alan Tapp joined by Matthew Housden and Ian Whitten. Ian Whitten is an experienced former practitioner and now academic specialising in direct and database marketing. Matthew Housden is an academic and an Institute of Direct and Digital Marketing trainer and consultant. He has worked with many companies looking to implement direct and digital strategies within their overall approach to marketing.

The fifth edition has been extensively updated throughout. Digital and Internet content is now infused throughout the book, reflecting the way in which on-line marketing is now integrated within mainstream marketing.

There are new case studies throughout, some based on author experience and some supplied by some of the best practitioners in the business, including those from Tullo Marshall Warren and Ogilvy.

As you might expect, we have paid attention to the key Internet developments including the impact of Web 2.0, social media in general and Facebook and Twitter in particular.

Finally, there is a new chapter on the Data Protection Act (1998). This piece of legislation plays such an important role in any data activity that it was felt to be a necessary addition to edition five of this book.

We hope you find the book enjoyable and useful, both as a study aid and when you are in practice.

Alan Tapp, Matthew Housden, Ian Whitten
March 2013

Acknowledgements

We are grateful to the following for permission to reproduce copyright material:

Figures

Figures 1.4–1.6, pages 26, 27 from EHS Brann; Figures 3.7–3.15 from SmartFOCUS Ltd; Figure 4.4 adapted from <http://acorn.caci.co.uk/infographic>, CACI Limited; Figure 6.7 from ONS (2006) UK Time Use Survey, 2005; Figure 6.9, from Sport England – Active People Survey, Oct 2005–2006, Ipsos MORI; Figures 6.10, 6.11 from Sport England; Figures 6.12–6.17 from Sport England – Experian/Taking Part Survey/Active People Survey; Figures 8.5, 8.6, 8.8, 8.9 from Dycem Ltd; Figures 9.2, 9.3 from comScore Media Metrix, Worldwide, October 2011; Figure 9.7 from True Social Metrics, 2013, <http://www.truesocialmetrics.com/metric>; Figure 10.3 from D. Holder (1992) ‘Finders keepers – the basics of customer acquisition and retention’, in B. Halsey (ed.) *The Practitioners’ Guide to Direct Marketing*; Figure 11.3 from DMA Census, 2003; Figure 11.7 from Sitel and TNS Omnibus 2012 cited in emarketer.com; Figure 11.12 from Harrison Troughton Wunderman – and Xerox; Figure 12.1 from <http://www.ft.com/cms/s/0/3f9693bc-113a-11e2-8d5f-00144feabdc0.html#axzz2bSc8quoj>; Figure on page 433 from Andy Nairn and Matt Buttrick (2007) Trident (Metropolitan Police) – making a small budget go a long way; Institute of Practitioners in Advertising, Grand Prix & Gold, IPA Effectiveness Awards, 2007; Figure 12.2 from Metropolitan Police 2000/2001–2006/2007; Figure 13.4 from Directors at Large’ direct-response press ad; Figure 13.5 from Skeleton in the cupboard, The Story of Red – RSPCA; Figure 13.6 from The UK’s Best Buy Time Group ad; Figure 13.7 from Compaq and Bates Worldwide; Figure 13.8 from Still from Sky News – showing scrap metal barge outside the House of Commons; Figure 13.8 from ITN screen grab (still from Channel 4 News) ITN Source; Figure 13.8 from Cover of Financial Times, 7 July 1999, © The Financial Times Limited. All Rights Reserved; Figure 13.8 from Practical Action montage photo – EHS Brann; Figure 13.10 adapted from Foxall, G. and Goldsmith, R. (1994) *Consumer Psychology for Marketing*, Cengage Learning; Figure 13.11 from You always meant to join us; ad – Amnesty International; Figures 14.1–14.3 from 2 Royal and Sun Alliance Group ads; Figure 14.5 after P. Mouncey (2002) ‘Using market research for better direct marketing’, in B. Halsey (ed.) *The Practitioners’ Guide to Direct Marketing*; Figure 14.6 from He’ll face 30ft. waves . . . – Royal National Lifeboat Institution ad.

Screenshots

Screenshot 11.1 from Google screenshot – search for ‘Adventure holidays’; Screenshot 11.2 from Screenshot from Hastings Hotels web site, http://www.hastingshotels.com/index.cfm/website_key/4/index.html.

Tables

Table 1.3 from WARC, AA 2012; Table 2.1 from Director of Compliance Operations, DMA, 2003.

Text

Exhibit 3.3 from Segmenting according to lifestyle needs: Harley Davidson, *Journal of Targeting, Measurement and Analysis*, 4 (1), pp. 337–62 (Swinyard, W. R. 1996); Exhibit 4.1 from Acxiom UK, 2011; Case Study 4.2 adapted from a slideshow delivered by Tim Harford, Head of Donor Care and Community Fundraising at Depaul UK, on 02 March 2011. Charity case study – iHobo, [Online] Available at: <http://resources.mediatrust.org/events/think-mobile/charity-caste-study-ihobo>; Exhibit 4.4 from The Direct Marketing Guide, Teddington: IDM (Fairlie, R. 1998); Exhibit 4.6 adapted from <http://www.themarketer.co.uk/articles/case-studies/the-national-trust/>; Exhibit 4.12 from Acxiom UK (2010); Exhibit 4.13 from Alan Mitchell, www.rightsideup.net; Exhibit 6.1 from Mass Customization and Open Innovation News, published and edited by Frank Piller; Case Study on page 213 from Alan Tapp and Mihir Warty, Sport England; Exhibit 6.12 adapted from Dig deeper into the database goldmine, *Marketing Magazine*, 11 January, pp. 29–30 (Marsh, H. 2001); Case Study 7.1 from Case Study written by Dr Tim Hughes; Case Study 9.1 adapted from Harding, M., 2012, www.wherethehellismatt.com/about; Case Study 10.2 from Bolger, M., Case Study: Barclaycard Freedom, <http://www.themarketer.co.uk/articles/case-studies/case-study-barclaycard-freedom/>; Case Study 10.4 from Publicis Dialog; Case Study 11.1 from Harrison Troughton Wunderman and client Xerox; Exhibit 11.7 from Mashable 2012, <http://mashable.com/2012/11/27/siri-chevrolet/>, Copyrighted 2013. Mashable, Inc. 102589:813PF; Exhibit 11.12 from Hastings Hotesl Group – Battle of Hastings 2005–06: how email marketing overcame heightened competition to generated increased room occupancy and return on advertising investment for Hastings Hotels, Institute of Practitioners in Advertising, IPA Effectiveness Awards, 2007; Exhibit 11.21 from Extracts from Script for the Red Cross Gulf War Appeal, British Red Cross; Exhibit 12.2 from News International Commercial, 2012, News International Case Studies, <http://nicommercial.co.uk/times-media/case-studies/california-tourism>; Case Study 12.2 from Barda, T., 2009, Case Study: Gillette, <http://www.themarketer.co.uk/articles/case-studies/gillette/>; Exhibit 12.8 from B. Quinton (2006) 'As seen on the web', www.directmag.com; Exhibit 12.15 from Andy Nairn and Matt Buttrick (2007) Trident (Metropolitan Police) – making a small budget go a long way, Institute of Practitioners in Advertising, Grand Prix & Gold, IPA Effectiveness Awards, 2007.

In some instances we have been unable to trace the owners of copyright material, and we would appreciate any information that would enable us to do so.

PART ONE

Introducing direct and digital marketing

What is direct and digital marketing?

Objectives

Once you have read this chapter you will:

- have a clear view of what direct and digital marketing is
- understand its importance in contemporary marketing
- understand its role within the wider marketing framework

Introduction

In this chapter direct, database and digital marketing will be introduced. Direct marketing is widely misunderstood and the common areas of confusion are addressed early on. A clear vision of direct marketing as a complete framework for a specialised form of marketing across multiple channels both on and off line will be developed. The reader will probably be familiar with typical general marketing techniques, so these are used throughout as a foil to provide a clear sense of how direct marketing, whether in the physical or on-line worlds, differs from mainstream marketing. The concept of digital marketing is introduced and a case is made for the incorporation of digital techniques within the direct paradigm.

Finally, the reasons for the recent explosive growth in direct and digital marketing practice are analysed.

1.1 What is direct and database marketing?

1.1.1 A distinct marketing system

Direct marketing is simply a way of doing marketing. You may already be familiar with the core philosophy of marketing, summed up by Kotler *et al.* (2009) as:

'Marketing is the societal process by which individuals and groups obtain what they need and want through creating, offering and freely exchanging products of value with others.'

This philosophy is exactly the same for direct marketing. So where does direct marketing differ from general marketing?

Direct marketing is a method of marketing based on individual customer records held on a database. These records are the basis for marketing analysis, planning, implementation of programmes, and control of all this activity.

In contrast, general marketing is structured around the creation of brands for each product, and the attainment of market share for that product. The very first marketing department, set up by Colgate Palmolive in 1938, contained that classical department structure: brand and product managers, group product managers, and so on.

In comparing these two approaches, the advantage of the direct marketing framework is that 'the use of the database forces a natural focus on customers rather than products'. Modern direct marketing thinking, for example the Institute of Direct and Digital Marketing (IDM, 2012) holds that it is better to understand one's customers as 'individuals' in more detail than to build up product brands. Direct marketing also encourages us to think in terms of customer relationships with the company – are we talking to 'new prospects' or 'loyal, established customers'? In this respect, there is a natural alignment between direct marketing and 'relationship marketing'.

If the first tangible difference is the database, the second is that direct marketers market to customers with the aim of 'attracting a direct response'. Direct Line Insurance gives you a phone number or website to respond to after seeing its adverts. Direct marketers will often contact customers directly through addressable, one-to-one media. *Marketing Week* magazine will e-mail customers whose subscriptions have run out to ask them to renew, at the same time offering them an incentive to respond quickly. Direct marketers may also distribute direct to customers, missing out the retail link in the chain. Laithwaites, the direct wine company, does exactly this.

What about digital marketing or marketing over the Internet? Much of this is direct in nature, most uses a database, and some is traditional brand building. The mistakes made by digital marketers in the early days of the Internet mirror problems that have always faced marketers. The use of poorly targeted e-mail led to the creation of a new meaning for the word spam and effectively killed a wonderfully cost effective and potentially powerful acquisition medium. This is not so different from brand marketers using broadcast media to target potential customers. Equally, the successes enjoyed by digital marketers are often determined by the use of tried and tested direct marketing principles and techniques that have always looked to target the right individuals with appropriate products, offers and messages at the right time delivered through the right media and channels. Indeed it could be argued that the Internet acts simply as another medium alongside, say, TV, or a channel for service distribution (easyJet tickets), or a marketplace all of its own (eBay). The detailed techniques for managing the medium are new and different but this is not so different from when marketers had to re-engineer their skills to deal with TV or other new media. Of course, for marketers whose skills were formed in the analogue world this new medium has produced challenges and disruption. For consultancies and trainers it produces benefits and opportunities. But it remains the case that many of the principles and some of the techniques used over the net are the same as, or similar to, those used in the physical world.

So far so good. But the problem with the previous descriptions of direct marketing is that, although they are often used to explain the discipline, they do not quite get to the heart of what direct marketing is all about.

In fact, the key to modern direct marketing is the capture of individual customer details at the first sale, so that the marketer can begin a relationship with that customer, 'subsequently treating them differently' over time in order to generate repeat business (see Figure 1.1).

So, if someone texts you an offer to get money off your next cinema ticket, or you join an on-line dating agency, or the charity volunteer leaves an envelope at your home for you to make a donation, or you receive a coupon through the post from Persil to redeem at your supermarket – a lot of this may be described as direct marketing. But it is argued here that direct marketing in its fullest sense happens only when the customer's name, address and details are taken, and the subsequent marketing to them changes as a result.

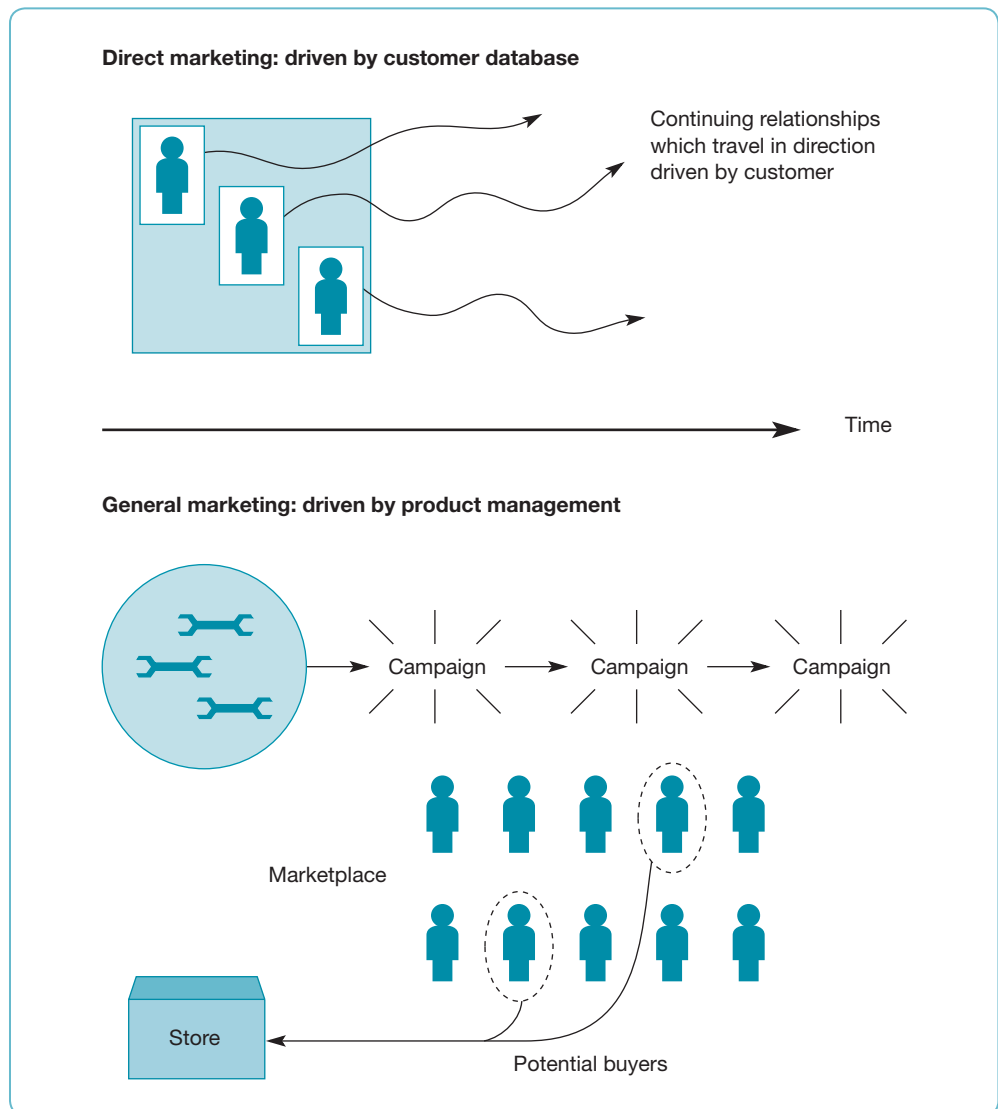


Figure 1.1 Direct marketing: a way of doing marketing

Let us consider the charity volunteer who leaves an envelope at your house for you to make a donation. The volunteer returns three days later and merely picks up your donation without noting your address, or indeed noting your contribution in any way. Although some may describe this as direct marketing, only in the most basic way (direct contact with an individual) can it really be described as such.

At the other end of the scale, it could be argued that the purest form of direct marketing is that practised by business salespeople. What do good computer equipment salespeople do having made the first sale to a company? Forget all about that company until they next have a shortfall on their targets? No, they stay in constant touch, learning more and more about that company's computing needs. Then they will make the company further offers that they know will be relevant to it. Good salespeople will be constantly learning about their customers' individual needs in depth, and will adjust their own product and service offers as far as possible in order to meet customers' needs. An ongoing relationship is established between salesperson and customer, and any changing needs are acknowledged and met. Direct marketing seeks to emulate the sales/customer relationship as far as possible, by gathering personal details, communicating individually, and wherever possible adjusting offers to individual taste. Morris Hite, the great Texas-based ad man said this:

'Advertising is salesmanship mass produced. No one would bother to use advertising if he could talk to all his prospects face-to-face. But he can't.'

The goal of all good marketing is to create this sense of connection and intimacy; to create the feeling in our prospects that makes them believe 'yes, this is for me' and to inspire them to act on that belief.

Exhibit 1.1 Ebookers.com

If you buy a flight or holiday on-line these days you get an e-mail confirmation and e-printout to take to the airport. This saves money, but makes it harder for ebookers.com to stay in contact with customers who have just booked. So their agency Stephens Francis Whitson produced a nice piece of creative marketing to stimulate further bookings. It used the customer's name to create personalised city guides based on their booking destination, all done in very high quality to ensure customers valued the guides. These were direct mailed to customers. Ebookers recognised that they have difficulties encouraging loyalty, with customers typically 'Googling' for cheap flights rather than automatically repeating their behaviour. The use of direct mail to customers who had booked was innovative, obtained nearly 2 per cent response directly back in extra sales, and won a Precision Marketing award.

Source: Stephens Francis Whitson.

1.1.2 Direct marketing: a discipline within marketing

Direct and general marketing philosophically start out from the same place. Direct marketing is a discipline within marketing and has as its goal the same aims as general marketing: that is, championing the customer as the primary focus of the business. Direct marketing's rightful place is within the marketing department, adding leverage to the overall marketing effort, and often working alongside other disciplines in an integrated fashion.

1.1.3 The distinctions between direct, database and digital marketing

At this point we can begin to address the differences between ‘direct’ and ‘database’ marketing:

- **Database marketing.** This is using a database to hold and analyse customer information, thereby helping create strategies for marketing. There is a big overlap with ‘direct marketing’.
- **Direct marketing.** This focuses on using a database to communicate (and sometimes distribute) directly to customers so as to attract a direct response. There is a big overlap with ‘database marketing’.
- **Digital marketing.** This broad term encompasses any marketing aimed at consumers using digital channels, from general advertising to closing a sale. Much of this (but not all of it) is direct in nature. The broad principles with off-line direct marketing hold firm, but the techniques change.

In the majority of practices, however, direct, digital and database marketing – whether on- or off-line – are brought together into a direct marketing system:

- **Direct marketing systems.** Database, digital and direct marketing can be brought together to provide a complete, alternative method of marketing analysis, planning, implementation and control. These words have been carefully chosen, and we will see that direct marketing systems have distinct strengths in all four of these marketing activities. This complete direct marketing process is the primary focus of this book.

The use of terms in this book

As we progress through the chapters, the slight distinctions between database, digital and direct marketing will be drawn out. However, given the overlaps, we will avoid clumsy use of language by using the term ‘direct marketing’ as shorthand for ‘direct, digital and database marketing’ or ‘direct marketing systems’.

Before we move on to full definitions, let us clear up a few misconceptions about direct marketing.

What direct marketing is *not*

The first place that you may have encountered a mention of direct marketing is in a general marketing textbook or in a marketing magazine or blog. Unfortunately, none of these sources captures the entirety of direct marketing systems. Mainstream marketing texts, for example Brassington and Pettitt (2007) (and also marketing communications texts, e.g. Fill, 2009, De Pelsmacker *et al.*, 2010), as well as the syllabus of the Chartered Institute of Marketing (CIM), tend to view direct marketing as confined to the marketing communications mix, while database applications are ignored almost completely.

Meanwhile, the marketing trade press often refers to direct marketing and direct mail interchangeably. Worse, a set of euphemisms, such as ‘loyalty marketing’ or ‘interactive marketing’ have emerged (often used by direct marketing practitioners seeking to capitalise on emerging trends) to describe direct marketing. To cap it all, the popular press (and marketers can partly blame themselves for this) sums it all up as ‘spam’, ‘junk mail’ or ‘cold calling’.

The following section clears up the main misconceptions about direct marketing.

Clearing up misconceptions

Direct marketing is part of marketing communications.

This is widely believed, but unfortunately it is inaccurate. The discipline of direct marketing began in mail order, which is primarily a method of 'distribution' rather than communication. Indeed it is this functionality of the Internet that is harnessing the skills of direct marketers in acquiring the best prospects and retaining the best customers. Direct marketing systems run through databases, the primary functions of which are capturing, maintaining and, most importantly, analysis, with an additional role as orchestrator of communications. Lastly, direct marketing, via database analysis and the generation of management information and customer insight, has a key role to play in strategy creation, as we will see.

Direct marketing is called something else.

Throughout the marketing world, across different subjects and within the academic and practitioner worlds, words are used sloppily. The word 'marketing' itself is thrown around by various groups to represent totally different things. How many times will you read in a marketing trade journal 'Joe Smith has been moved from advertising to a job in marketing'? But you thought advertising was 'already part of marketing', right? Er, right. But marketing professionals use descriptors any old how. Here Joe Smith, by moving into 'marketing' has presumably moved into what academics would call 'sales promotion', whereas some practitioners might call it 'promotion'. So, promotion = sales promotion then? Er, no, not that simple. Because professional marketers will use the word 'promotion' in many different ways: is 'promotion' not one of the Four Ps (product, price, place and promotion), covering advertising, sales promotion, PR, and so on?

'If you would speak with me, you must define your terms . . .'

(Voltaire)

This utter confusion is, unfortunately, just as prevalent in direct marketing. You may have come across direct marketing, database marketing, CRM (customer relationship management), direct-response marketing, relationship marketing, one-to-one marketing, data driven marketing, loyalty marketing and interactive marketing. These are all used by direct marketing practitioners to mean much the same thing.

The only way to cope with this situation is to define each term carefully before using it.

Direct marketing equals direct mail.

Even experienced practitioners often fail to distinguish between the two terms. Direct marketing is a discipline within marketing – a system of marketing. Direct mail is merely one of the media, although an important one, that direct marketers use. But direct marketing is also practised on-line, through the press, the telephone, and a host of other media.

Direct marketing equals junk mail.

Junk mail is direct mail that is poorly targeted, patronising, of low quality, or a mixture of all three. Unfortunately, junk mail is pretty much as widespread as it ever was, and has without question damaged the industry. Financial services, in particular banks, credit card and insurance companies, are the main culprits – and in this age of environmental awareness these people should be called to account. But there are also plenty of well-targeted, relevant and attractive direct mail programmes, which customers describe as 'letters from the company'!

Having (hopefully) dispelled some myths, we can now move towards a more rigorous definition of direct, digital and database marketing.

1.2 Defining direct, digital and database marketing

Direct (and digital and database) marketing is a rather complex collection of principles and practices that together make up an entirely 'self-contained' choice for marketers. We can unravel this complexity by looking briefly at the history of definitions for direct marketing and then moving clearly towards a single definition.

Bird (1989), a practitioner of worldwide authority, originally defined direct marketing as:

'any activity which creates and exploits a direct relationship between you and your customer as an individual.'

This definition is widely quoted, perhaps because of its compelling simplicity and broad, inclusive nature. Bird has widened out direct marketing from being merely part of the communications mix to something that can develop 'relationships' with customers.

The reader should note that other definitions of direct marketing around the world are plentiful. In contrast to the view that direct marketing is a way of doing marketing, commentators in the USA seem to agree on a definition that positions direct marketing as a part of the communications mix rather than as a strategic framework (Baier, 1985; Katzenstein, 1992; Nash, 1995; Roberts, 1989; Stone, 1996).

Some writers have split direct, digital and database marketing, emphasising the use of the database as an information tool for strategies but, in practice, the majority of data driven marketing leads to direct marketing programmes (e.g. Experian, 2008). It is also a fact that most digital marketing is data driven. In this book, then, we will concentrate on a combined view of direct and database marketing.

Newcomers to the discipline might benefit from taking on board the central core of strategic direct marketing:

Direct marketing happens when individual customer details are captured and kept on a database, thus allowing that customer's needs to be better understood over time. This enables subsequent approaches to the customer to be tailored according to that customer's specific needs.

This book is about direct marketing as a complete marketing system through which analysis, planning, programme activities and control are all practised. We can, therefore, more fully define direct marketing in the following way:

Direct marketing is a way of acquiring, keeping and developing customers and, in doing so, meeting the needs both of customers and the organisation serving them. It does this by providing a framework for three activities: analysis of individual customer information, strategy formation and implementation such that customers respond directly.

The first part of this definition springs from Levitt's (1983) famous assertion that

'the purpose of business is to create and keep a customer.'

This neatly captures the notion of direct marketing as a customer management system.

The notion of direct marketing being a framework is also very important. What this means is that all the decisions we make in general marketing – how you segment, brand, position, deliver a service, build relationships with, or deliver a marketing mix to, the customer – are also made within direct marketing, but start from a different place: that is, individual customer information.

So is digital a new way of doing marketing? In his influential text Dave Chaffey defines Internet marketing very simply as:

'Achieving marketing objectives through applying digital technologies'

(Chaffey and Ellis-Chadwick, 2012)

He then goes on to distinguish between e-marketing and digital marketing. E-marketing, he believes, is different from Internet marketing in that it refers to other digital applications, including the use of digital customer data and electronic customer relationship management systems. Digital marketing is defined by Chaffey for the Institute of Direct and Digital Marketing in a more complex fashion.

'Digital Marketing involves:

Applying these technologies, which form on-line channels to market: that is Web, e-mail, databases plus mobile/wireless and digital TV

To achieve these objectives:

Support marketing activities aimed at achieving profitable acquisition and retention of customers within a multi channel buying process and customers' lifecycle.

Through using these marketing tactics:

Recognising the strategic importance of digital technologies and developing a planned approach to reach and migrate customers to on-line services through e-communications and traditional communications. Retention is achieved through improving our customer knowledge (of their profiles, behaviour, value and loyalty drivers), then delivering integrated, targeted communications and on-line services that match their individual needs.'

Chaffey (2012), Thomas and Housden (2011)

The IDM (2012) defines e-marketing as:

'The use of the Internet and related digital information and communications technologies to achieve marketing objectives. Broadly equivalent to digital marketing.'

It goes on to define digital marketing as:

""Digital marketing" has a similar meaning to "Electronic marketing" – both describe the management and execution of marketing using electronic media such as the web, e-mail, interactive TV, wireless media in conjunction with digital data about customers' characteristics and behaviour.'

(IDM, 2012)

So we see amongst leading commentators on the business a high degree of uncertainty about the scope and extent of digital marketing. In some of the above definitions digital marketing does not always appear to have to be direct in the sense that we are communicating to known individuals. In others digital is simply a new set of techniques within a direct model. This represents a weakness in much of the writing around digital marketing.

The late Professor Derek Holder, founder of the IDM, said that the definition of digital marketing is in many ways the same as the definition of direct marketing except that it is limited to digital media. We can see the simple sense in this statement. It is extremely unusual for any brand to be marketed solely through digital channels. We use a range of channels to reach our customers and customers do not readily see the difference between on- and off-line channels. They simply see a range of communications coming from a company that is relevant to their needs or not. We have also seen that, as brands can be marketed successfully using a mass marketing approach, so brands can be marketed through digital media outside a direct marketing system. We would argue that the most effective use of digital is within the direct marketing paradigm and, indeed, the success of digital techniques rests on the fact that often this is how they are executed.

If digital marketing is carried out with a direct marketing system then it is a direct technique.

If there is a difference between direct and digital, it lies in the organising principle that underpins their use. Once this is determined, the techniques and tactics that are employed are simply ways of delivering mass marketing or direct marketing.

In this book we see 'direct marketing' as fitting within a broader approach to marketing and business, which looks to develop organisations that aim to meet customer needs for mutual benefit, and 'digital' and 'database' as central elements of the direct marketing system.

Direct marketing is a way of acquiring, keeping and developing customers and, in doing so, meeting the needs both of customers and the organisation serving them. It does this by providing a framework for three activities: analysis of individual customer information, strategy formation, and implementation such that customers respond directly through a variety of on- and off-line channels and media.

Finally, with the doubts expressed over the years about the Four Ps framework, and the rise in credibility of relationship marketing techniques, it is important for us to examine the basis of direct marketing from the point of view of both 'Four Ps' and 'relationship' marketing.

1.2.1 Is direct marketing based on relationship marketing or the Four Ps?

We have nearly completed our introduction to direct marketing, but there is one more thing to clear up. Modern marketing now juggles two competing philosophies. The first is the transaction approach epitomised by the 'Four Ps' of marketing: product, price, place and promotion. The second approach is known as relationship marketing, which emphasises building relationships with customers over time and the importance of bringing together customer-led quality, service and marketing within a company.

Which of these philosophies does modern direct marketing follow? If we go back to direct marketing's early development, it concentrated on prompting action from customers to make a 'sale' (for example Bird, 1989). This approach is heavily influenced by the Four Ps approach.

According to Christopher *et al.* (1991), direct marketing has developed as a powerful tool in customer loyalty strategies. Relationship marketing starts with the premise that customer retention is critical to company profitability, which is also the starting point of modern direct marketing, although subsequent relationship marketing thinking has concentrated

on service and quality issues as the keys to delivering relationship strategies. By the mid 1990s, however, relationship marketers had started to integrate direct marketing into their thinking (Payne *et al.*, 1995).

In answer to our original question, we can see that direct marketing draws from both philosophies while maintaining its own clear identity as an approach based on a customer database.

But watch out: many writers (and this goes back to the mid 1990s, for example; De Bonis and Nucifora, 1994; Pearson, 1994; Shani and Chalasani, 1992) use the terms ‘direct (data-base) marketing’ and ‘relationship marketing’ interchangeably, and direct marketing is routinely described as relationship marketing in practitioner journals and conferences. Why this is so is not clear, because the term ‘relationship marketing’, as originally coined by Berry in 1983, clearly did not refer to direct marketing in any way at that time. We will maintain the clear distinctions between the approaches here.

The following section begins our exploration of direct marketing in practice.

1.3 Direct marketing in practice

After comparing direct marketing to general marketing in a little more detail, we will go on to examine the various levels at which direct marketing operates in businesses.

1.3.1 Direct marketing compared to general marketing

Figure 1.2 gives a comparison between a typical direct marketing process and a typical general marketing process. It may be useful to take a look at both processes and spot the different approaches taken by direct marketers.

1.3.2 The similarities and differences between direct and general marketing

Looking at Figure 1.2, we can take a closer look at the ways in which direct marketing differs from the general marketing process.

A TYPICAL GENERAL MARKETING PROCESS

Example: the Sony Walkman

- 1 A new product or service is developed. Through superb innovation the first personal stereo is invented by Sony.
- 2 Marketing research is carried out. Sony invites consumers to give their opinions about the Walkman. Opinions are favourable.

A typical general marketing process (*continued*)

- 3 The Four Ps of marketing (product, price, place and promotion) are looked at strategically. Sony realises that the Walkman will first be bought by innovators, but it will also have wider market appeal, especially to young people. Sony understands that it will be copied quickly by competitors. Therefore the price is set quite high initially, but to drop quickly. Sony maintains a premium position in the marketplace, in keeping with its strong corporate brand. It looks to distribute through typical high-street outlets.
- 4 Operational details for product, price and place are set. The target audience is assessed in detail. From this, product features are added, e.g. different styles of headphones, graphic equalisers, etc. Typical prices for Sony Walkmans are £30–£60. They are sold through Dixons and other high street outlets.
- 5 The first customers are sought using promotion techniques. Advertising builds awareness, interest and brand salience. Sony uses corporate brand advertising on television to maintain a high profile. An emphasis on quality and reliability is highlighted.
- 6 Sales promotions are used to stimulate trial of the product. Limited use is made of these techniques by Sony until the product has been on the market for some time.
- 7 Customers identify themselves when they buy the product for the first time.
- 8 Reinforcement advertising is used to build brand loyalty. Existing customers are not identified, nor is any effort made to treat regular customers differently from new customers.

In a typical general marketing process, *brand loyalty* is achieved by:

building a brand that consumers like

building customer satisfaction through excellent service when the customer is in contact with the product, service or company.

A TYPICAL DIRECT MARKETING PROCESS

Example: IBM

- 1 A new product or service is developed, or a new channel is required.
IBM turns to direct marketing because its traditional markets are saturated and growth is taking place in the consumer and small-business sectors.
- 2 A database is built and used for analysis.
All IBM's worldwide databases are pulled together into one and this is developed into a marketing database. It is found that IBM is confusing its customers through different brand images in different countries. This is rectified.
- 3 Strategy is developed. Direct marketers will plan to:
 - gather information on each individual customer;
 - develop tailored products and communications;
 - communicate directly to customers over time;
 - consider direct distribution.



A typical direct marketing process (continued)

IBM Direct is created, with the remit of creating leads, fulfilling orders, and customer care. An integrated approach with IBM's salesforce is developed.

- 4 At this point, a clear distinction is made by direct marketers: how much can we sell to our existing customers and, therefore, how many new customers do we need to acquire? What is the split of effort between existing and new customers?

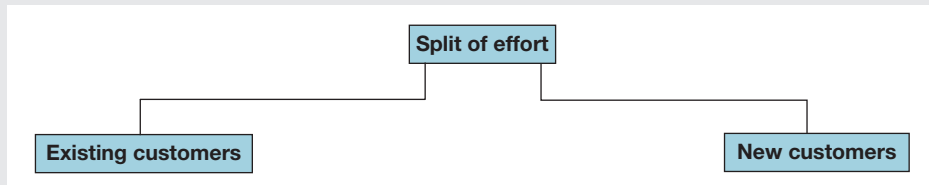


Figure 1.2 A comparison of direct and general marketing

- 5 Segmentation may be carried out.
IBM Direct looks at segmenting its customers according to product category – its different customer support needs may be calculated according to this segmentation.
- 6 Communication with existing customers is via personal media (for example, sales force, e-mail, via the website or by telephone).
IBM's database is hooked up to its telemarketing system – 250 operators dealing with inbound and outbound telephone calls to customers. Both sales and customer care are handled in one management operation.
- 7 The customer responds. A sale is made.
IBM Direct may generate a prospect which the salesforce will take over and look to convert into customers.
- 8 Sometimes the product or service is delivered direct to the customer.
IBM Direct delivers direct to the customer, bypassing retail channels.
- 9 This response information is added to the customer's record.
- 10 Market information and intelligence gathering tends to be centred around the database rather than market research, although research is sometimes used.
Both market research and data analysis are used at IBM Direct.
- 11 A target audience of possible customers is drawn up by profiling existing customers of other products or services.
- 12 Direct response media are employed to communicate the product. An incentive or sales promotion may be offered to stimulate this first purchase.
IBM's biggest asset is its brand, and this added value is used to generate responses. Mail and telephone are both used as acquisition media.
- 13 If a customer responds and a sale is made, as much information as possible is gathered and stored on the database.
The new customer's name is added to the database of 600,000 contacts in 250,000 companies.

A typical direct marketing process (*continued*)

Direct marketers generate loyalty by:

- meeting individual needs above and beyond the mass delivery of the product or service;
- proactive service to customers using direct, two-way communication.

Source: IBM Case Study, based on Marketing Direct, November 1995. Reproduced from Marketing Direct magazine with the permission of the copyright owner, Haymarket Business Publications Limited.

Similarities

Many of the initial stages that a marketer goes through are the same for general and direct marketing. In particular, at the start of the process, 'new product development' is exactly the same in both camps. Continuing through the process, much of the 'strategic thinking' you need to do, for example matching your strengths with market opportunities, should be the same. 'Research methods' and testing are also used by both marketing camps, although the relative emphasis is very different.

Differences

Although the process of 'strategy' setting is the same, the content of that strategy is likely to be different – direct marketing gives you, the marketer, a choice of different strategies. A focus on customers rather than products; segmenting according to the financial value of customers to you; distributing directly to bypass retail: these are just some of the key areas.

The most obvious operational difference between the two methods is in the area of 'communications'. General marketers tend to use mass media to build brands, and use sales promotions in the retail environment. Direct marketers also sometimes use some mass media when addressing new prospects, in order to get a response. They use personal media – mobile, social media, e-mail, direct mail, telemarketing – when developing a relationship with existing customers.

There are differences in the way classic and direct marketers 'measure' their marketing effort. General marketers will usually use marketing research techniques to understand and predict their customers' likely behaviour. Direct marketers will analyse behaviour using their database in order to predict the best responding people and the best offers to make. They will look to market test new ideas on small samples before rolling out.

Overall, direct marketing is often more expensive, on a per-customer basis, than general marketing. The investment in direct marketing is a way of 'buying' a closer relationship with the customer: first, individual customer information, and then subsequent precision and control in customer contact.

Now that we understand how direct marketing differs from general marketing, we can examine direct marketing practice from a new angle. Let us now look at the different levels that direct marketing operates at within a business.

1.3.3 The three levels of direct marketing

The previous section highlighted how direct marketing can be viewed at a number of different levels, from communications to strategy setting. In fact there are three clear levels at which direct marketing can impact on a business.

Direct marketing drives the business

Example: Direct Line Insurance

Direct Line Insurance has a direct marketing strategy that drives the entire business. Everyone in the company understands that it is the customer who is the focus of their activities. As a result, the product (insurance policies) reflects what the customer wants, i.e. a competitive price, and a no-hassle claims department if the need arises. The 'delivery' of the product to the customer is 100 per cent 'direct': customers are recruited via on-line search engines such as Google, responsive TV and press adverts, and prospects are chased through communications that are timed to coincide with the prospects' renewal period. Once a sale is made, all details are completed using 'direct distribution'. Direct Line has no broker network, nor is any high street outlet used. If you have a query, you ring Direct Line, or access its website and it is sorted out over the phone or on-line. Naturally, Direct Line has a 'database of existing customers' that it uses to organise direct communications aimed at 'keeping customers'.

Since 1984, when it was set up, Direct Line has grown faster than any other insurance company in the UK.

Direct marketing drives part or all of the marketing strategy

Example: British Airways

British Airways (BA), like all the major airlines, is driven by the 80: 20 rule. Twenty per cent of its customers – the frequent flyer business people – contribute 80 per cent of its profits. Not surprisingly, a great deal of BA's marketing effort goes into looking after these precious individuals. Imagine you are a frequent flyer with BA. Do you turn up at the airport two hours before the flight, queue to check in, sit around in the crowded airport lounge and then cram yourself into economy class for the flight? Forget it! You arrive half an hour before take-off at priority check-in. You are whisked through to the Executive Club members' lounge and, in these quiet, relaxing surroundings, you order yourself a free drink at the bar. You unhurriedly make your way to your business class seat where you are pampered for the length of the trip. During the flight, you clock up Avios Miles for your personal use.

All this, of course, is run through direct marketing. A direct marketing strategy is being used here: repeat customers are treated very differently to first-time or occasional customers. This is the core of any strategic direct marketing operation. Direct marketing also directs the tactical implementation: the initial recruitment of a frequent flyer is done via direct-response methods to potential prospects. Once enrolled into the Executive Club (levels Blue, Silver and Gold), your details are placed on a database and continually updated depending on your involvement with BA. Communication with you, to keep you informed of any offers, your latest Avios Miles, totals, etc., is carried out through direct mail.

However, direct marketing is only part of the story for BA. Heavy expenditure is directed towards a strong brand advertising programme, and a lot of emphasis is put on overall service delivery and keeping prices as keen as possible in a highly competitive industry.

Direct marketing, therefore, improves the gearing on other marketing investments: it is one of the disciplines within British Airways' marketing mix.

Direct marketing is used within the communications mix

Example: the university sector

Some universities, when recruiting students, rely on a mix of word-of-mouth recommendations, their prospectus (a detailed brochure distributed to schools and colleges) – and luck (students sticking a pin on the map).

University marketers may not have a database of existing or past students to use for marketing purposes. Use of direct marketing may be confined to one area, such as recruitment of students on to specific postgraduate courses. This could be done through direct-response advertising in key press, such as the *Guardian* or *Times Higher Education Supplement*, or on-line at sites such as thestudentroom.co.uk. This sits alongside other elements of the communications mix, of which the major one is PR both on- and off-line. Many universities make heavy use of this, both proactively, with visits, open days, liaison with local events, and the use of Twitter and personalised e-mails once the students have raised their hands and can be identified via a database of prospects; and also reactively via press editorial comment, which has a powerful effect on their public image.

In conclusion, universities do not typically have a developed direct marketing strategy, nor are their marketing operations led in any sense by direct marketing. They use direct-response communications as a part of their overall communications mix.

Now that we have a clearer sense of what direct marketing is, our final task is to understand the historical development of direct marketing, putting it in context as an increasingly important discipline within marketing.

1.4 The historical growth of direct marketing

Direct marketing originated as a form of distribution from mail-order companies, publishers and book clubs (McCorkell, 1992). The mail-order discipline is in fact centuries old, although the industry as we recognise it today emerged in the latter part of the last century. It is often reported in marketing journals that the use of customer data to drive marketing is relatively new. This is not the case, however. *Reader's Digest*, for example, had been using customer databases in various forms well before the invention of computers. '*The Digest*' originally used large, specialised filing cabinets to hold its customer records. By turning various handles with rods penetrating the files, lists of customers who fitted different marketing segments could be drawn out!

The expansion of direct marketing from its roots in mail order into mainstream marketing began in the USA in the 1970s. One of the few major companies to grasp direct marketing's potential at that time was American Express. However, in Western Europe very little expansion took place until the 1980s. In the UK, growth was led by financial services companies, which began to make serious use of their account records (Henley Centre, 1995). British Telecom (BT) began experimenting with direct marketing, and by the late 1980s the charity sector had made huge leaps forward in its use of direct marketing, emerging as highly accomplished practitioners by the early 1990s.

The late 1990s and 2000s have seen the coming of age of data driven direct marketing. Thanks in part to cheaper, more flexible technologies, and increasingly well-educated marketing managers, there has been rapid growth in direct marketing. Industries such as airlines, hotels, car manufacturers, utilities, leisure, retail and, latterly, packaged goods have all embraced direct marketing. The mid to late 2000s have seen an enormous leap in on-line direct marketing, making it, at the time of writing, the fastest growing marketing discipline worldwide.

Table 1.1 UK direct marketing spend by channel 2011

Medium	% Spend by channel 2011	£ million
Display advertising	20	2,840.0
Direct mail and door drops	16	2,272.0
E-mail marketing	16	2,272.0
Internet search advertising	15	2,130.0
Telemarketing	5	710.0
Social media	3.4	511.2
Outdoor, transport direct response	3.3	468.6
Experiential marketing	2.6	369.2
Internet banner advertising	2.6	369.2
Freepost and business reply	2.1	298.2
Mobile	1.0	142.0
Interactive TV	1.0	142.0
All other direct channels	12.0	1,704.0
Total	100.0	14,200.0

Source: DMA (2012).

1.4.1 Reasons for growth

A number of sources (DMA, 2012; PWC IAB UK, 2012) have reported on the continued growth of direct marketing. In 2012, the industry in the UK was forecast to grow to £15.2 billion, up from £14.2 billion in 2011.

According to the Internet Advertising Bureau UK (IABUK), despite the backdrop of a depressed UK economy, advertising on the Internet increased by 14.4 per cent to a new high of £4,784 million in 2011, up £687 million year on year. (IABUK, 2012)

The following factors have emerged and are discussed below:

Exhibit 1.2 Direct marketing: new sectors, new ideas

Sometimes we need to remember that entertaining, charming, or even dazzling our prospective customers can pay rich dividends. But why would a client do the following?

- Give consumers a scratch card with an 'oily' penguin on it
- Mail out a train menu on tin foil
- Send out a make-up stick called 'Slap' to young working women
- E-mail a movie of a landlord trying to push a pint through the computer screen
- Mail out a rain mac to advertise a holiday destination

And the answers are:

Bristol Zoo sent a door drop to potential donors inviting them to scratch the 'oil' off the picture of the penguin using a coin. Once off, the 'oil' revealed the message 'The money you used to clean this bird could clean this bird'.

Virgin Trains used tin foil with a mouth-watering menu printed on it to persuade business travellers to upgrade to first class. The foil was to be handy because 'you won't want to leave any behind'.

The charity Refuge targeted young working women to donate and to raise awareness of the issue of domestic violence with the make-up stick 'Slap' and slogans like 'tested on women by animals'.

Guinness sent a viral e-mail to their birthday list that could be sent on to friends inviting them to the pub to celebrate. The e-mail could be personalised by adding the name of the pub of choice.

Visit Wales had a strategy to change perceptions of rain from negative to positive – impossible if you like lying on a beach, but fine if you are a mountain biker. The mac pack achieved a 19 per cent response rate.

Social/technical reasons for growth

- 1 **The Internet.** The Internet has established itself as probably the major engine of economic growth and social change worldwide. The dot-com bust of 2000 left Internet entrepreneurs licking their wounds for a while but the underlying business advantages – in particular the low costs of matching buyers with sellers – were, and are, simply too great. As we look back on the first ten years of the 21st century it is clear that this decade will be seen as the decade of the Internet. Much of this activity is of course direct in nature, at least in terms of communications and distribution. A lesser percentage involves the use of customer records to keep in touch. But in this book you will find plenty of material to help you understand Internet marketing.
- 2 **Fragmentation of society.** Demographic changes to society have continued at an incredible pace. In particular, we can witness changes from the nuclear family as being the hub of society, to a split whereby the traditional married couple with children now accounts for fewer than 20 per cent of households. Just as prevalent is the explosion of individualism. This is known as Popeye syndrome 'I am what I am' and customers want information that is personal, relevant, pertinent and timely to their particular circumstances. There has been a huge growth in lifestyle options, resulting in a more complex society. This gives direct approaches to marketing an advantage as they can differentiate to account for these differences.
- 3 **Proliferation of media.** Throughout Europe, satellite, cable and digital supply have changed the face of television broadcasting, resulting in rising costs for mass marketers looking to reach a large audience. The same effect can be seen within the UK in radio and magazines. The rise of on-line media has added enormously to the complexity of the media market. Social media sites like Facebook, Twitter, Instagram, Pinterest and LinkedIn have created large and highly targetable markets in a very short space of time. Bloggers are now generating significant audiences and in effect are becoming media owners. Mashable is an extreme example of this with a value recently estimated at around £100 million created since its formation in 2005.
- 4 **Greater consumer sophistication.** Consumers now demand far better service than companies were allowed to get away with in the past. Part of this is the wish to be treated according to their personal circumstances. How companies communicate to their customers has also emerged as being very important.
- 5 **Consumers want to be in control.** Customers increasingly want the option of contacting organisations direct through multiple channels and expect their data to be accessible

and up to date across all channels, leading to a big growth in devices such as freephone numbers and care lines.

Business reasons for growth

- 1 Ever more competition.** This is a general truism about business – that competition in most markets worldwide has increased over the years. As long ago as 1995 the Henley Centre found that companies were worried about the increasing commoditisation of their markets. Since then companies have seen direct marketing as a way of adding value to their markets and differentiating their offerings.
- 2 Criticism of traditional marketing methods.** In a damning report at the time, Coopers and Lybrand (1993) found that marketing departments were considered by senior managers to be inefficient in their spending. As we will see, direct marketing can vastly improve marketing's efficiency through its control and precision, leading to better targeting and campaign measurement. Over the years since 1993, senior executives have slowly inculcated the way in which direct marketing can match spending with revenue – and this is the kind of language that sits well in the boardroom.
- 3 Interest in customer retention and loyalty.** This is discussed in detail later (see **Chapter 6**) but, in essence, this took off with a consultancy study by Bain & Co in 1990 that identified existing customers as much cheaper to sell to than new customers. While there is doubt placed on some of their findings, the core idea – that acquiring new customers from scratch is costly – remains a business truism. Over the past 20 years, big firms from IBM to Procter & Gamble have invested millions in customer databases and CRM systems as a result.
- 4 Continuing drop in computer processing costs.** Underpinning all of the preceding factors is the biggest driver of all: the relentless advance of the computer. Since the 1960s, the cost of processing has halved about once every four years, on average. Because we are surrounded by this computing power nowadays it is difficult to appreciate sometimes just how much of a phenomenon, how much of a driver of change, this is. Desktop PCs can now handle large customer datafiles and undertake complex calculations, selections by customer type, and so on, *in seconds*. Ten years ago this would have taken two or three weeks. These data can be accessed remotely through the 'cloud' so a sales rep on the road can be kept fully informed about customer details at all time. The use of GPS systems means that we can now access information on the physical location of our customers and prospects, and services such as Foursquare have been set up to exploit this. These changes will be a huge driver of growth for direct marketing at least through the next decade.

1.4.2 Spend and trends in direct marketing

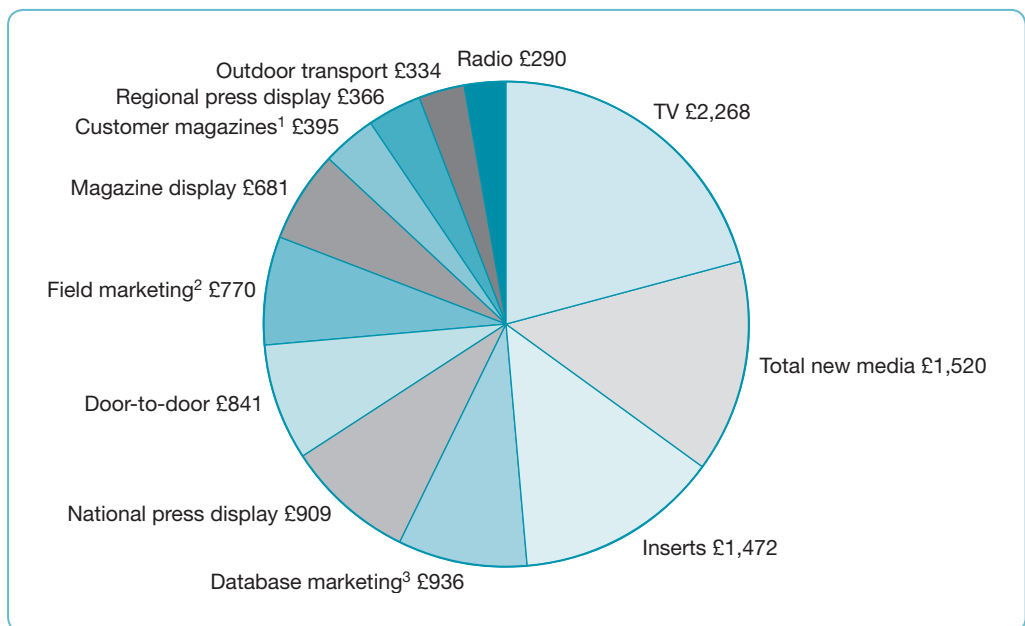
Marketing resources in direct marketing are mostly spent on two things: various media, and database marketing costs. The long-term prognosis remains optimistic for direct marketing as a whole but with some traditional media, particularly direct mail, under threat. The rate of growth of non-Internet based direct marketing has plateaued out or fallen, with growth now being driven by spend in new media arenas. However, we should note that most executives do not describe digital marketing as being 'direct marketing'. They see it as

Table 1.2 Time and cost of one typical data processing operation

	Time (seconds)	Cost (£)
1955	375	9.09
1960	47	1.55
1965	29	0.29
1975	4	0.12
1987	1	0.04
1993	0.1	0.01
2002	0.01	0.001
2008	0.001	0.0005

a separate way of doing marketing. This the authors feel is a significant error. These quibbles aside, compared with the slow shrinkage of advertising budgets this has to be seen as a good performance. The total spend on direct and database marketing in the UK in 2011 was £14.2 billion, nearly treble that of 1995 (see Figure 1.3).

The 2012 UK based Direct Marketing Association (DMA) report 'Putting a Price on Direct Marketing' also suggests that there are reasons for optimism for direct marketers up to 2020 and beyond. One factor is the continued faith that marketing directors show in direct marketing when times are tough – they like the close link between spend and income, and

**Figure 1.3** Percentage of total budget spent on UK direct media, 2005**Notes**

¹ Customer magazines are better known by consumers as loyalty magazines.

² Field marketing will include many activities undertaken in public spaces with the aim of identifying prospects

³ 'Database marketing' is a figure for supplier sales only, and does not include the huge amount of in-house activity that goes on.

Source: Adapted from *DMA Census of the Direct Marketing Industry (2005)*, p. 7. Reproduced by permission of the DMA (UK) Ltd.

Table 1.3 Media spend advertising in the UK, £m

	2011	2011 vs 2010	Share of
	adspend (£m)	(% change)	total spend
*TV	4,159.30	1.9	25.80%
Radio	427	1.6	2.70%
Out of home	886.3	0.6	5.50%
*Press	3,945.10	−8.4	24.50%
Cinema	172.1	−6.6	1.10%
Internet	4,784.10	16.8	29.70%
Direct mail	1,728.60	1	10.70%
Total	16,102.40	2.7	100%

*TV data excludes sponsorship of £224m

*Press includes print only – press websites appear under Internet

Source: WARC, AA (2012) cited in *Media Week* (2012).

the cost-effectiveness of this approach. Of course, one of the biggest drivers of growth is the proliferation of new media that will grow over the next ten years. The IABUK Internet advertising spend survey for 2011 found that 33.8 per cent of the entire spend on media (£4.8 billion) was in new media, and that this figure is growing by around 10 per cent per year. This explosive growth will not continue at quite this rate, but marketing spend on new media is now greater than the spend on direct mail and TV.

There has been significant change in the direct marketing landscape over the past decade. The traditional media in the direct marketer's armoury, of the phone and direct mail, have been overtaken by the range of on-line opportunities. However, in terms of spend, according to the UK it is display advertising in print that now accounts for the lion's share of budgets. Direct mail has lost out to e-mail, which enjoys significant economies and is effective, especially in customer retention programmes. E-mail is less effective when it comes to acquisition and, indeed, some commentators are suggesting that as an acquisition medium it is not effective at all. In the last couple of years, direct mail volumes have begun to stabilise and, in certain markets, the saturation of e-mail, for example, in business-to-business marketing, means that direct mail's impact is growing again.

The use of outbound telemarketing has passed its heyday. The intrusive nature of the medium and the rise of mobile media means that opt out rates are very high and that lists are not as complete as they were. However, as an inbound retention channel it remains important.

Advertising on social and mobile media remains in its infancy but the ability to target, and the personal nature of these media, means that the authors believe they will show significant growth until they too begin to settle down as part of the media mix.

Summary

In this chapter we found that direct marketing is a way of doing marketing that encompasses both principles and practical tools across a variety of on- and off-line channels. The core of direct marketing is the use of a database to hold customer information on an individual

level. This means marketers can treat existing customers in a different way from new prospects in order to create loyalty and profitability.

In the next chapter (Chapter 2) we will take a much closer look at the most important practical tool, the database.

QUESTIONS

- 1 Since the 1990s direct marketing has enjoyed a period of considerable growth. Some managers believe that its ability to segment customers is direct marketing's strongest asset. Explain the relevance of this benefit, along with other benefits described in the chapter.
- 2 The managing director of a large, fast-moving consumer goods firm said, 'I have no need for direct marketing. Ours will always be a mass-marketing industry.' Do you think he was right? Explain your reasons.
- 3 What are the core tangible elements that make up direct, digital and database marketing? Explain how they fit together.
- 4 What is the difference between relationship marketing and direct marketing? Explain how the two areas of marketing overlap with each other.
- 5 Retailers have never been so adept at meeting customers' needs as they are now. If this is so, then why is direct marketing growing so fast?
- 6 Explain how direct marketing can help a company develop sustainable competitive advantage. What are the keys to success?
- 7 The roots of direct marketing originally lay in the mail-order industry. Modern mail-order businesses will often use direct marketing to drive their business. Explain why direct marketing is still so important to them.
- 8 You are the manager of a large car dealership. At present, you rely on a large pool of dealers to sell your product, but you have noticed recently that consumer opinion appears to be turning away from car dealers, who are generally mistrusted. One of your marketing team has written a paper advising you to look at setting up a 'direct' operation. What considerations should you take into account before making a decision?
- 9 Explain the connections between direct and digital marketing. How do the two techniques work together and what are the essential differences between them?

References

- Baier, M. (1985) *Elements of Direct Marketing*, McGraw-Hill, New York.
- Berry, L.L. (1983) 'Relationship marketing' in Berry, L.L., Shostack, G.L. and Upah, G.D. (eds) *Emerging Perspectives on Services Marketing*, American Marketing Association, Chicago, pp. 25–8.
- Bird, D. (1989) *Commonsense Direct Marketing*, Kogan Page, London.
- Brassington, F. and Pettitt, S. (2007) *Essentials of Marketing*, FT Prentice Hall, Harlow.

- Chaffey, D. 2012 [on-line] <http://www.davechaffey.com/Internet-Marketing/C1-Introduction/E-marketing-Internet-marketing-%20definition/> [Accessed August 2012]
- Chaffey, D. and Ellis-Chadwick, F. 2012 *Digital Marketing Strategy Implementation and Practice* 5th Edition, Pearson, Harlow.
- Christopher, M., Payne, A. and Ballantyne, D. (1991) *Relationship Marketing*, Butterworth-Heinemann, Oxford.
- Coopers and Lybrand (1993) *Report on UK Marketing Departments*, Coopers and Lybrand, London.
- De Bonis, N. and Nucifora, A. (1994) 'Progressive databases: the underpinning for relationship micro-marketing', *Journal of Database Marketing*, 2 (2), pp. 134–40.
- De Pelsmacker, P. Geuens, M. and Van Den Bergh, J. (2010) *Marketing Communications A European Perspective*, 4th edn, Pearson, Harlow.
- Direct Response* magazine (1997). For database advert example see p. 50.
- DMA (2012) *Putting a Price on Direct Marketing*, DMA, London.
- Experian Ltd (2008) Promotional material.
- Fill, C. *Marketing Communications Interactivity Communities and Content*, 5th edn, Pearson, Harlow.
- Henley Centre for Forecasting Ltd (1995) *Dataculture 2000*, Henley Centre, Henley, Oxfordshire.
- IABUK (2012), [on-line] <http://www.iabuk.net/video/iabpwc-online-adspend-study-full-year-2011> [Accessed August 2012] IDM 2012 [on-line] <http://www.theidm.com/resources/archives/jargon-buster/?glos=E> [Accessed August 2012].
- Institute of Direct and Digital Marketing (2012) *Diploma Course Material*, IDM, Teddington,
- Katzenstein, H. (1992) *Direct Marketing*, Macmillan, New York.
- Kotler, P. Keller, K. Brady, M. Hansen, M. (2009) *Marketing Management*, Pearson Education, Harlow.
- Levitt, T. (1983) *The Marketing Imagination*, The Free Press, New York.
- McCorkell, G. (1992) 'Direct Marketing – a new industry or a new idea?' in Halsey, B. (ed.) *The Practitioner's Guide to Direct Marketing*, Institute of Direct Marketing, Teddington, Richmond-upon-Thames.
- Media week 2012 [on-line] <http://www.mediaweek.co.uk/news/1126667/AA-reports-UK-ad-spend-lifted-27-2011/> [Accessed August 2012]
- Nash, E. (1995) *Direct Marketing Strategy: Planning, execution*, 3rd edn, McGraw-Hill, New York.
- Payne, A., Christopher, M., Clark, M. and Peck, M. (1995) *Relationship Marketing for Competitive Advantage*, Butterworth-Heinemann, Oxford.
- Pearson, S. (1994) 'Relationship management: Generating business in the diverse markets of Europe', *European Business Journal*, 6 (4), pp. 28–38.
- Randall L. Schultz, 2013 "HITE, MORRIS LEE," Handbook of Texas Online [on-line] <http://www.tshaonline.org/handbook/online/articles/fhi48> [Accessed August 13, 2012].
- Roberts, M.L. (1989) *Direct Marketing Management*, Prentice Hall, Upper Saddle River, New Jersey.
- Shani, D. and Chalasani, S. (1992) 'Exploiting niches using relationship marketing', *Journal of Services Marketing*, 6 (4), pp. 43–52.
- Smith, P.R. and Taylor, J. (2004) *Marketing Communications: An integrated approach*, Kogan Page, London.
- Stone, B. (1996) *Successful Direct Marketing Methods*, 5th edn, NTC Business Books, Chicago.
- Thomas, B., and Housden, M (2011) *Direct and Digital Marketing In Practice*, 2nd edn, A & C Black, London.

CASE STUDY

Volvo: from product to consumer-led response marketing

Thanks to Anita Fox of Volvo, David Williams of EHS Brann, and Tracey Barber of EHS Brann for their help in writing this case study.

The turn of the millennium marked a turning point for Volvo in the UK. The firm decided it could do better and gave itself a bold new target of increasing sales by 50 per cent within a short time. This was against a backdrop of a decline in the overall market sales within the segment Volvo serves. Volvo was also keen to expand its target audience, and asked EHS Brann to consider ways in which it could tap into fresh consumer segments. Up to that point Volvo's approach had been primarily product led.

Back in 2000, Volvo's acquisition strategy was primarily based upon model-specific prospecting. Hence: 'here's a car we think you might be interested in ...'.

However, in order to support the drive for a significant increase in sales, EHS Brann and Volvo realised there was a need for Volvo to differentiate itself from the competition. The challenge was set to find a new way to attract consumers, involve them in the Volvo brand, and ultimately convert them into a sale.

In 2002, the company moved to 'range based prospecting'. At that point few people understood Volvo's range of cars or their naming convention. So there was a need for an education based campaign to increase awareness of the product range.

These campaigns had early success, with a 276 per cent uplift in average response rate across other programmes. Clearly the company was underselling itself before that point.

But Volvo wanted to keep moving forward. What about segmenting its consumers such that different ranges could be targeted in different ways? This led to its 2003 development of mini ranges 'prestige introduction', 'style and desire', 'diesel' and 'luxury and comfort' (see Figure 1.4) and creative work typical of the time, illustrated below.

With good development of general marketing over the 2000–2004 period, it was time to look more closely at Volvo's direct and Internet marketing. Volvo had always had success in generating lots of 'handraisers' who were aware of Volvo and its cars and may have been interested in them, but Volvo was disappointed with its conversion from direct marketing leads through to test drive and purchase.

But why was there low conversion? In those days Volvo would send out as many as 10 million pieces per annum, but these were not particularly targeted, using little more than broad brush age profiles. So, the idea grew to use the 'science' of direct marketing to get the percentage of conversions up.

Volvo's new approach can be summarised as shown in Figure 1.5.

In the car market, moving with consumers down the AIDA (awareness, interest, desire, action) ladder may take as long as 9–12 months with a car purchase: clearly this is different from more routine purchases.

The year 2004 marked a turning point. With the help of EHS Brann, Volvo decided to develop an even more compelling message by focusing 'mini' range communications around consumers rather than cars.

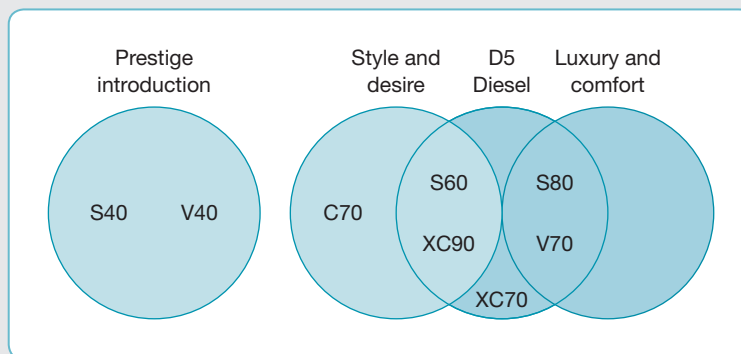


Figure 1.4 Development of mini ranges

Case study (continued)

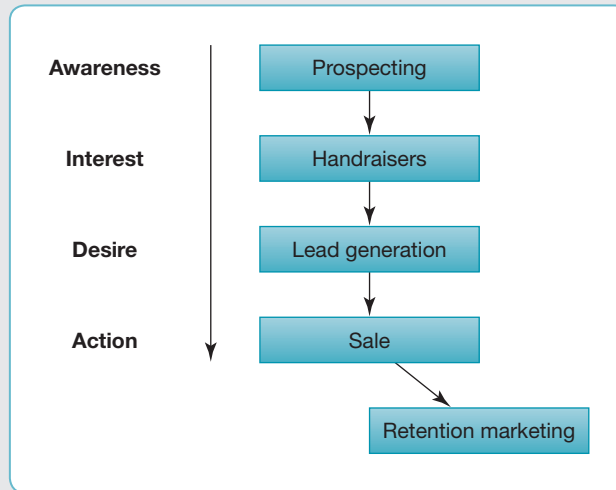


Figure 1.5 Volvo's new approach

It used the concept of lifestage triggers, well-known key points of consideration for vehicle replacement, with the theme turning subtly from 'Volvo for life' into 'Volvo for YOUR life'.

Triggers included:

- expecting first child
- children more active – school age/third child
- retirement

These new programmes continued to be supported by the product-led 'range' 'banker' programmes which had proven successful up to then.

The move to lifestage triggers marked an increasing use in direct marketing. Examples included:

- growing families
- greys
- young families

Growing families



Greys



Case study (continued)

Young families



Volvo knew it was going in the right direction: focus group responses were very positive.

2005 saw the extension of the lifestage segmentation into what the team called lifestyle segments with campaigns based around:

- expecting first child
- pre-school campaign (new)
- children more active – school age/third child
- retirement (existing trigger, new campaign)
- lifestyle campaign – high mileage drivers
- cause related marketing campaigns

More sophisticated database work led to pre-collection of trigger and lifestyle data, leading to the kind of complex route map of communications shown in Figure 1.6.

Volvo knew that the average age of its current customer base was quite high at 56. The company was

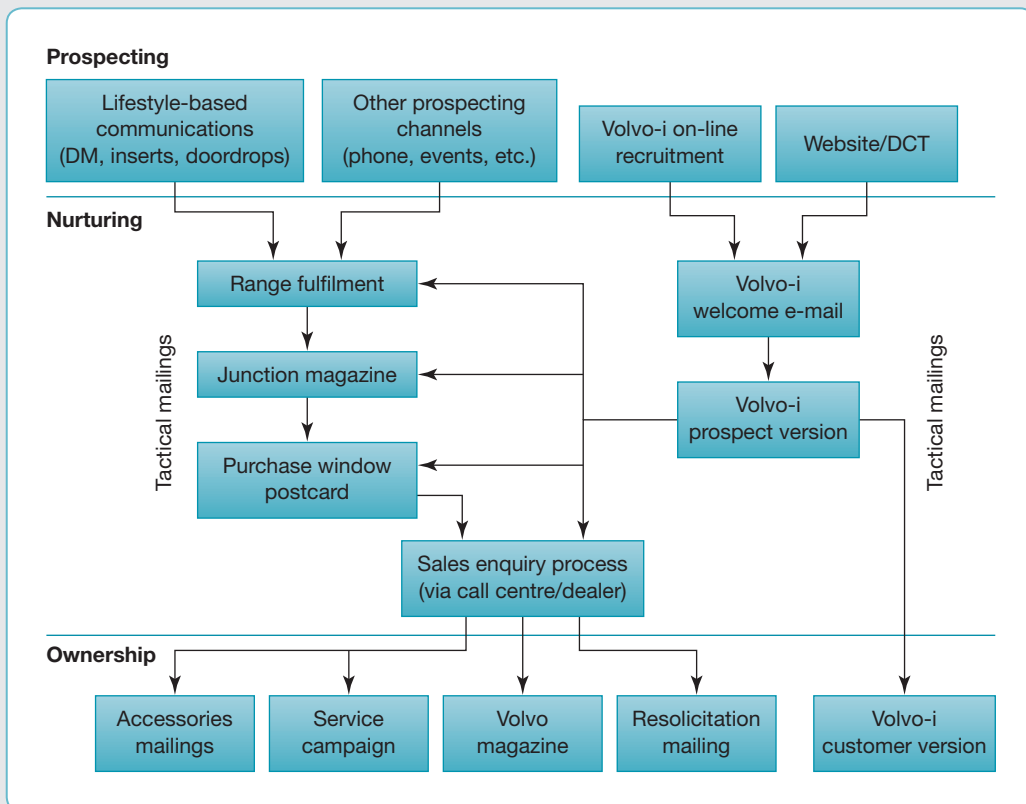


Figure 1.6 Route map of communications flow

Case study (continued)



keen to attract a younger audience and the traditional brand emphasis on safety attracted families with young children. Couples expecting a child were seen as an ideal opportunity to deliver to this objective. Volvo created a credible message to this audience by leveraging relevant brand values such as:

- safety (e.g. Volvo is the only manufacturer to use a pregnant 'crash test dummy' and offers advice on how to maximise the safety of child passengers through its 'children in cars brochure');
- environment (e.g. Volvo's cars emit less internal toxins than most other cars).

A programme was created to target pregnant women and young mums in order to persuade them to consider Volvo as their next car – this was based upon the concept that 'not all passengers wear a seatbelt', referring to unborn babies.

To support the communication, the use of accurate data was vital to the programme. The primary source of this data has been the Bounty database of pregnant women. Targeting selections were made according to the income, age and the month of pregnancy/birth. Through careful targeting, segmentation and measurement, EHS Brann and Volvo have developed a good understanding as to what point during pregnancy and the early stages of parenthood are the best times to communicate with these individuals, and subsequently when to encourage them to test drive a Volvo.

Volvo has successfully generated a pool of responders through a programme of award-winning direct mail and 'bounty pack' inserts (including a 'Mum-to-be on board' sticker), which it is nurturing with family specific communications. The interest from this new market segment for Volvo has been impressive – many women have asked for brochures and test drives.

Case study (continued)

The success of the programme has been recognised throughout Volvo globally, and it is being replicated across other countries. 'Mum-to-be on board' stickers have become so popular that they have been discussed in on-line forums and even traded on eBay!

Nowadays, the direct and Web-driven operations of Volvo are quite large scale. Volvo generates initial awareness in the first instance by a combination of media and marketing activities, from Web and e-mail, to dealer events, SMS and interactive TV.

A new thing for Volvo has been search engine optimisation and search advertising. By 2008, it was realised that 80 per cent of new drivers used the Web at some point in their search process. To attract these Web searchers, banner ads were used on general auto sites. Volvo deploys these in a subtle but clever way to avoid the charge of being intrusive and irritating. Pop-ups are avoided as not appropriate for the 'premium' positioning of Volvo.

Like all its rivals, Volvo has found response rates to traditional direct mail have been slowly dropping as people have read the mailer but have then gone on-line for more information rather than respond directly. This was not necessarily a bad thing, reflecting the way in which consumers wanted to be in control of the information they gathered. Hence, mail assumed the position of being more of an awareness medium – driving traffic to a response medium – the website or e-mail. Coupons were still used within direct mail and coupon fillers were very high quality prospects. Volvo's target market has been carefully profiled as you would expect. Fifty per cent are above 50 years old, with the exception of the C90 buyers who are younger. Volvo drivers come from up-market, older 'mosaic' groups (see Chapter 4 for more details) such as 'symbols of success', 'rural isolation', 'grey perspectives' and 'sub-urban comfort'. These people enjoy wine, antiques and gardening.

The direct marketing process has to be integrated with other key operations. Volvo has sought to improve the way in which it works with its dealers to maximise their conversions. If a prospect 'handraises' by declaring an interest, they may be passed on to a dealer but if they do not convert to a sale in a few days, then some dealers find it difficult to stay in touch with the prospect.

To try and manage this better Volvo's direct marketers wanted to be more hands-on in making sure the leads were not lost. They asked consumers to

help them by asking 'When will you want to change your car?' and 'Would you like a test drive?'. If people say yes to the latter they are referred quickly to a dealer. Getting people to test drive status was the big challenge. Volvo knew that expectations of non-Volvo drivers of the brand sometimes were not that high but that this changed when they got behind the wheel. The driving experience of Volvo is usually perceived very positively. But for those who were some way from a test drive the objective was to make sure these prospects are nurtured and their interest moved to a point closer to purchase. Volvo has the details of over one million people they regard as prospects. Some will subscribe to an e-newsletter: Volvo-i. This features lifestyle, environment, safety and other articles that reflect Volvo's brand attributes. The use of e-mail is important. E-mails cost only about 5–10p compared to about £1 for a high value mailer.

One of the big challenges Volvo faces is integrating its consumer and fleet (business). Why is this a concern? Because costs can be lowered by sharing communication material and also because the business buyer and driver is a consumer as well.

Volvo's fleet market has tended to be among smaller rather than larger firms. The latter have tended to go for the likes of BMW and Mercedes, who offer higher profile 'status' cars. But smaller firms that like 'to be different' tend to go for Volvo. Business buying is probably more complex than consumer buying. Business buyers will be a combination of fleet decision makers and end driver 'user choosers'. For fleet managers, after-sales service and help with fleet management is very important. For the car sector generally, profit on business cars by themselves is not particularly high but the profit on after-sales service is healthier.

As 2010 approached, Volvo felt confident. Direct marketing has been an important tool for the firm in its battle to win customers in the most competitive car market in Europe.

Questions

- 1 What strategic decisions did Volvo make between 2000 and 2008 that have improved its marketing performance?
- 2 How has direct marketing helped it grow?
- 3 Looking ahead, how would you assess the growing importance of on-line marketing?

CASE STUDY

'Rapid Pizza'

Although most of the case studies in this book are based on real companies, 'Rapid Pizza' is a fictional company. However, the case reflects the pressures acting on commercial take-away operations.

Rapid Pizza is a medium sized chain of pizza takeaway outlets located in the Midlands. The chain is modelled on bigger, well-established names, such as Perfect Pizza. Customers can ring up and order a home-delivered pizza from a menu that is distributed to local homes. Rapid Pizza does the usual choice of popular pizzas, with no particular pretension to cater for any niche group. Its best seller is the 'Rapid Speciale', a spicy chicken based pizza with a range of cheese toppings.

The marketing manager of Rapid Pizza, Colin McVie, has just had a conversation with an old friend, Dan Smith, who happens to be a direct marketing expert. His friend was very enthusiastic about Rapid Pizza's possible use of direct marketing, which surprised Colin, as he had not really given it much thought. He had a website that, to be honest, was a bit under-developed but it did have a map showing people where the restaurant was.

Rapid Pizza uses 'door-to-door' leafleting to distribute its promotional literature through the locality. This includes a menu, a map showing where the outlet is, and a phone number for ordering any time until midnight, seven days a week. Incentives to phone are periodically offered, again through door drops, distributed via the local freesheet. Incentives include an 'order two and get one free' offer, 'free garlic bread with any order over £10', and similar promotions.

The busiest times for the takeaway business are early and late evenings, and in particular Friday and Saturday nights. Most of its customers are in their twenties or thirties, with enough expendable income to afford not to bother cooking occasionally. In order to qualify for the takeaway service, customers have to live within a one mile radius of the outlet. Each outlet caters for about 7,000 households.

The main features of Colin's business are as follows:

- The top priorities for consumers are hot, tasty pizzas, fast delivery and reasonable prices.
- Some consumers are remarkably regular with their orders, wanting exactly the same items each time they phone. Some of Colin's staff have got to know the most regular customers quite well.
- When customers call in to order their pizza they leave their name and address as a natural part of the process. Their transaction details are easily taken and can be kept on a computer based database in each outlet. At present, these transaction details are used only for accounting and stock ordering.
- Menu changes are executed quite regularly. Colin believes that these help to keep customers interested, and are an excuse to launch fresh marketing initiatives.
- Occasional monitoring of the website showed that Web visitors were on the increase, but Colin was not sure whether these visitors went on to buy from him.

When Dan absorbed these details he recommended that Colin should contact a direct marketing agency and invite them to help him.

In a sense, Colin was reluctant to take his friend's advice. He had spent a lot of time and effort setting up the existing business and had an emotional commitment to keeping the status quo. Also he did not feel any particular competitive pressure. 'No one else is using

Case study (continued)

direct marketing, and customers don't seem to be crying out for it. Why should we bother?' he thought to himself.

He decided to give his direct marketing friend another call and discuss it one more time.

Question

Acting as Colin's friend, explain what the benefits of direct marketing would be to his pizza operation. How would it work in practice? How would the website integrate into this operation?

Chapter 2

The database

Objectives

Once you have read this chapter you will:

- know what a database is
- be able to picture what a database consists of
- know what data to hold and where to get it from
- be aware of some of the management issues
- Be aware of the key legal constraints in direct marketing

Introduction

In the introduction to the previous chapter we saw that this book is organised around the direct marketing planning process. Before we start on that journey, however, it is important to give a full description of the most important tool in the direct interactive and digital marketing armoury: the database. The purpose of this chapter is to explain what a database is. We will cover what a database looks like, what data to hold, and how to manage a database. One very important area in direct marketing is to understand the legal constraints, and we have a dedicated section on this subject at the end of the chapter.

As you might expect from the previous chapter, the various uses of database applications are integral to direct marketing itself. Therefore, rather than discuss applications here, they are covered in detail as and when they arise throughout this book.

How this chapter is structured

In this chapter we will begin with a review of database practice. We will then address the question of exactly what a database is. The next section covers what data to hold, and it is followed by a section describing typical sources of data. The intricacies of database management are then analysed and, finally, the important area of legal constraints is examined.

2.1 What is a marketing database?

A marketing database can best be pictured as an electronic version of an office filing cabinet, holding records of customers. Imagine each customer's record held on a card, detailing the customer's personal details, transactions (sales) and communication history with the particular company. The cards are held in various files according to, say, which products the customer has bought. The entire set of records is cross-referenced against the other files so that customers can be selected according to different characteristics (see Figure 2.1).

From Figure 2.1 it follows that:

- a database is a collection of data records in a list that can be manipulated by software
- a data record is the entire set of information that is associated with one customer
- a data field is one item of data within a record: for example, a name, one line of an address, the number of a type of product bought, and so on

This is a useful picture to hold in our minds as we move towards a full definition of marketing databases.

2.1.1 Definitions

There are surprisingly few definitions of marketing databases that have been proposed:

The Data Protection Act (1998) speaks of a database as being 'equipment operating automatically in response to instructions given', which does not really help much!

Armstrong *et al.* (2009, p. 455) say that 'a customer database is an organised collection of comprehensive data about individual customers or prospects, including geographic, demographic, psychographic and behavioural data'.

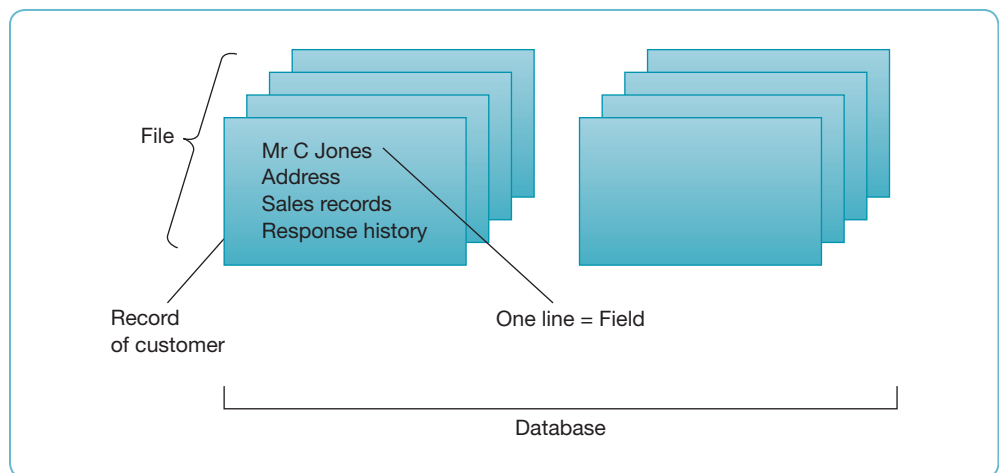


Figure 2.1 Pictorial representation of a database

The IDM (2002, pp. 2.2–2) tell us that a marketing database is ‘a comprehensive collection of inter-related customer and/or prospect data that allows the timely and accurate retrieval, use or manipulation of data to support the marketing objectives of the enterprise’.

Thomas and Housden (2011, p.109) take things a step further by telling us that the purpose of a marketing database is to ‘further relationships with customers’.

An alternative, rather simpler, definition is offered here, which the reader may find helpful in understanding how the database should be viewed in the context of a direct marketing system:

A marketing database is a list of customers’ and prospects’ records that enables strategic analysis, and individual selections for communication and customer service support. The data is organised around the customer.

2.1.2 The minimum requirements of a marketing database

Data

IDM (2002, pp. 2.2–5) lists four types of data that a marketer is likely to want to store in their database:

- Primary data, such as names and addresses of customers, details of products and/or services your organisation offers, pricing details, campaign details and definitions of various channels of distribution
- Secondary data, which is data used to qualify primary data, such as demographics, lifestyle information, geographical profiles or levels of penetration into markets
- Performance data to record how your customers have responded, what they bought, how much they spent and to which campaigns they responded
- External data, covering everything rented or bought in lists to data from various agencies that can enhance your base data

Database software

For marketing managers, a welcome development in databases is the use of front-end software, which is user friendly, menu driven and removes the need for programming know-how. There are many commercial organisations offering their own proprietary software, which will sit on top of a database and allow the user to interrogate it to create reports, perform analyses or draw up lists for marketing activity. These tools generally only work on Open Database Connectivity (ODBC) compliant databases but, bearing in mind that ODBC is one of Microsoft’s babies and the dominance of that organisation in the office computer market, that is a fair percentage of all systems available. The benefit here is that database marketers can take their favoured software with them from one organisation to the next and (usually with a little help from the IT department in setting things up) have a much more portable skill set to offer new employers. Microsoft Access, available as part of the MS Office Suite, has ODBC front-end capabilities (i.e. it can sit on top of more complex databases) and can provide an ideal interface to more complex or unfamiliar databases, as can Excel to some extent.

Basic software functions

Database applications require the following basic software functions, according to one author (Goldwag, 1995):

- **Name and address processing.** This is discussed later under ‘management issues’.
- **Being able to make selections.** The database must be able to generate the desired list of customers to be contacted.
- **Having analytical capability.** The most basic requirement here is for simple campaign analysis. Each response is allocated to the promotion that generated it. Percentage response figures for each campaign are then output.
- **Being able to generate reports.** Basic reports would include elements such as counts of customer movements in the database, or campaign reports comparing current ones with previous efforts. Goldwag made the point that business is full of useless reports. Information such as ‘we had 1,000 transactions yesterday’ struggles for a use, whereas ‘we are losing 10,000 of our customers’ prompts action.

These basic requirements have not changed since 1995, nor are they likely to.

2.2 The data to hold

2.2.1 Principles of data collection

Information overload is one of the biggest irritations in modern life (*The Economist*, 2011). There are e-mails to answer, virtual friends to pester, YouTube videos to watch and, back in the physical world, meetings to attend, papers to shuffle and spouses to appease. A survey by Reuters once found that two thirds of managers believe that the data deluge has made their jobs less satisfying or hurt their personal relationships. One third thinks that it has damaged their health. Another survey suggests that most managers think most of the information they receive is useless.

Kotler *et al.* (2009) say that marketing managers will sometimes complain about not being about to get hold of critical information while being awash with too much other information that they cannot use. They go on to point out that a marketing information system should be a hybrid of three things:

- What managers think they need
- What managers really need
- What is economically feasible

Kotler *et al.* (2009) go on to suggest the following ‘information needs probes’:

- What decisions do you regularly make?
- What information do you need to make these decisions?
- What information do you regularly get?
- What special studies do you periodically request?

- What information would you want that you are not getting now?
- What information would you want: daily? weekly? monthly? yearly?
- What magazines and trade reports would you like to see on a regular basis?
- What topics would you like to be kept informed of?
- What data analysis programmes would you want?
- What are the four most helpful improvements that could be made in the present marketing information system?

There is a tendency for marketers to ask themselves ‘What data shall I collect?’, rather than ‘What do I need the database to do?’. The latter question should always be asked first, letting data requirements flow from the answers.

It is suggested (Boddington, 1994) that the following still relevant principles should be taken into account when collecting data:

- Data should be split into ‘essential now’ and ‘possible future use’.
- Data should allow ease of sourcing and updating.
- The cost of raw data, for example external bought-in data, must be offset against benefits

The golden rule for data collection can be summed up as ‘only hold data that is required for your strategy. If you don’t use it, don’t collect it and if you collect it, use it.’

2.2.2 Data to hold

Let us take a look at the data that is typically held in a comprehensive marketing database. If we combine the suggestions from three authors, Goldwag (1995), Stone & Shaw (1988) and McCorkell (2002), and then update for recent technology changes, we arrive at a typical list such as the one shown in Table 2.1. The example on the right hand side of the table illustrates what a full customer record might look like. The example given may resemble a typical record from an environmental charity.

2.2.3 Business data

In addition to many of the above fields, some of the following (or others) may be appropriate:

- Company name, address and main switchboard number
- Inclusion on Corporate Telephone Preference Service (CTPS)¹
- Web address
- Job title (possibly including a job code and description)

¹ The Privacy and Electronic Communications (EC Directive) (Amendment) Regulations 2004, often referred to as ‘PECR’ (pronounced ‘pecker’). These regulations came into force on 25 June 2004. They extended The Privacy and Electronic Communications (EC Directive) Regulations 2003 to allow corporate subscribers to register with a managed telephone register, known as the Corporate TPS, their wish to not to receive unsolicited telephone calls for direct marketing purposes. TPS enables individuals (consumers, sole traders, and (except in Scotland) partnerships) to register their objection to receiving direct marketing calls with a central service. This means that the TPS file contains consumer telephone numbers as well as some business numbers. The CTPS holds data on almost 2.3 million corporate bodies. It also includes schools, government departments and agencies, hospitals and other public bodies (DMA, 2012).

Table 2.1 Typical customer record

Consumer	Example: Charlotte Smythe
Name	Charlotte Smythe
E-mail address	Charlotte-Smythe@yourinternet.co.uk
Mobile phone number	07765 111111
House name or number	The Woodlands
Street or road	Princes St
Postal town	Dorking, Kent
Postcode	DS12 3AT
Sex	F
Date of birth	2 /10 / 65
Married	N
Age	32
No. of children, ages of children	N
External data ¹	
Geodemographic indicator	Desirable residential area, young, trendy
Lifestyle indicators	Reads <i>Guardian</i> . Interested in current affairs
Credit history and rating	Good
Education	Postgraduate level
MPS/TPS membership ²	N
Communication history	
Campaign code number	01
Message code	03
Dates of contact	12 /12 / 11
Response	Y
Orders	3 items
Returns	N
Customer complaints	N
Relationship/activity data	
Source of recruitment ³	07 Mail
Account no.	12223/6789
Product categories purchased	13 24 56
Recency, frequency, value of purchase data	Score: 67 (top third of responders)
Date of purchases	Last two years
Method of payment	Credit card
Date of renewal of subscriptions	1/4/13
Loyalty programme details: points, contact, status in club, and so on	N

Notes:

¹ External data is data purchased from a *commercial supplier* of consumer or business data. This important area of direct marketing is fully discussed in Chapter 4.

² The industry association (the Direct Marketing Association or DMA) runs several services on behalf of the public. The Mailing Preference Service (MPS) is a public service set up to hold records of people who do not wish to be sent direct mail. It was set up in the late 1970s and now has about 5 million records. (For more information visit www.mpsonline.org.uk.) It is, of course, very much in companies' interests to purge their output lists of these names because they have no chance of getting any response (other than perhaps that from an irate member of the public). The Telephone Preference Service (TPS) was set up in 1994 to hold names of people who do not wish to be telephoned by companies. Currently about 17.5 million people subscribe (for more information visit www.tpsonline.org.uk). The initiative was designed to calm fears about the spread of 'cold calling', and is considered very important for the telemarketing industry's credibility. The Fax Preference Service (FPS) was set up in 1999 and makes it unlawful to send an individual an unsolicited sales and marketing fax without prior permission. With the demise of faxes, the FPS is becoming less relevant, though there are still almost 2.2 million numbers on the register. The idea of Baby MPS is to allow parents to opt out of the many baby-related mailings they receive in the months following the arrival of their little bundle of joy - an option that is especially welcome to all in the sad event of the premature passing of said bundle of joy. As at April 2012, just 24,000 families had taken advantage of this - perhaps because new parents are often sent free samples at a time when money is tight and they are at the start of a new buy learning curve!

³ 'Source of recruitment' refers to the media/campaign used to acquire the customer. It is often a guide to the subsequent profitability of the customer. For example, charities often find that donors recruited from TV are less profitable than those obtained by mail.

Source: The DMA (2012).

- Department
- Nature of business (Standard Industrial Classification (SIC))²
- Number of employees
- Turnover and/or profit

Communications and activity data would be constructed in a similar way to the above example.

2.3 Data sources

2.3.1 Principles

There are two main sources of data: internal and external to the company's records. External data could include commercially available lists, census data, and so on.

Most data is sourced internally. Kotler and Armstrong (2012, p. 125) make the point that internal data will vary in its usefulness to marketing because is often collected for non-marketing purposes, it may be incomplete or in the wrong format and may not be up to date. Quite how much this is the case will depend on factors such as whether you have direct contact with customers as a natural way of doing business.

Direct contact businesses include examples such as retailers and sports clubs – sectors where the consumer and the business have a direct interface and a data-gathering opportunity exists. In these instances, customer purchase data will be held within the company, but it may be held in an awkward form for marketing. Name and address details may not have been collected and it will be necessary to begin tracking customer communications and responses in order to build a true marketing database.

(Bird, 2007) suggests the following sources of data:

Direct contact companies

- Records held by anyone within the company who deals with customers
- Retail outlets, agents, dealers
- Guarantee forms
- Invoices
- Enquirers, past, present and future
- People who visit your stand when you are at any exhibitions or shows
- Competition entrants
- Responders to sales promotions

² A Standard Industry Classification (SIC) was first introduced into the United Kingdom in 1948 for use in classifying business establishments and other statistical units by the type of economic activity in which they are engaged. SIC codes provide a framework for the collection, tabulation, presentation and analysis of data and its use promotes uniformity. It can also be used for administrative purposes and by non-government bodies as a convenient way of classifying industrial activities. Classifications have been revised five times, most recently in 2007. (Source: Office for National Statistics: UK Standard Industrial Classification of Economic Activities 1992.)

Companies with no direct contact

Sectors with no direct contact include packaged goods industries that sell through retail outlets, where no natural and direct consumer data gathering opportunity is present. If a company has no direct contact with customers it could gather data in the following ways:

List purchase

There are literally thousands of lists available in the UK, and many more in Europe. One example of these is 'lifestyle' databases. Lifestyle databases will hold lists of people according to specific products and brands bought in categories such as packaged goods, finance and leisure. For example, a national newspaper could buy a substantial list of its own readers from a lifestyle data company.

For a good idea of what lists are available (and at what sort of costs) visit **www.marketingfile.com** or **www.listbroker.com**. Both sites give an excellent insight into just what sort of data is commercially available, and the former will even allow you to search and buy on-line using your credit card if you so wish. Be warned, the experience is often quite a shock for the uninitiated!

Data building schemes

These might be credit schemes, club membership or promotions. Car manufacturers looking to build up a database of their existing marque owners might run a 'phone in' free prize draw, open to existing owners only.

Other common data building mechanisms include product/warranty registrations, competitions and free prize draws. If you choose to use the latter of these in your business, remember that people enter a free prize draw to win a wheelchair only if they want a wheelchair; so make the incentive relevant to your organisation's offering and not a prize of cash or other item of no relevance. If you do, all you will do is attract people who want cash, not people who want your product.

Introduce new contact channels

New channels that offer direct contact could be opened. Airlines could offer tickets directly over the Internet rather than through travel agents.

Direct contact organisations are increasingly taking advantage of new media channels to allow customers to input their data into the organisation's database themselves. Precious few of us have not filled in an on-line form at some time over the last few years, whether it is for an insurance quote, cinema tickets, to reserve an item in a high street shop or buy from its on-line equivalent.

This has its good and bad points. On the upside, the customer is likely to know how to spell their own name and address much better than you do but, on the downside, they may not be as accurate at typing as a professional data entry clerk and they will almost undoubtedly not stick as rigorously to your entry conventions as you will, if for no other reason than they cannot know what those conventions are. Software such as 'Quick Address' (**www.qas.co.uk**), which fills in a complete address in a standard format from just a postcode, can help overcome such matters, but not all fields can be fixed like that.

Indirect contact companies may also use:

- product registration documents, product warranties
- credit card details

- subscription details
- questionnaire responses
- in-store offer details
- requests for product information
- events/promotions requiring response
- established direct channels

Exhibit 2.1 The creative use of commercially available lists

'Pensions transfer' is a process whereby someone who has been saving into a personal pension plan is able to access the money in their pension pot before they retire, as long as they are at least 55 years old. It is usually a bad idea from a financial point of view because it reduces the amount of money available in retirement (sometimes to nil) but, in some situations, it can be the answer to a serious and immediate financial crisis. What is more, the money released never has to be repaid because it is already yours; all you are doing is accessing it earlier than planned.

The one-time market leader in this politically dubious arena used to make full use of direct mail in the early 2000s, and was always on the lookout for fresh names of prospects. One list they found was of people who had entered a free prize draw run by a charity but had not actually made a donation to that charity. Their marketing manager says 'we realised that these people wanted something for nothing, and that was effectively the service we were offering. We tested the list and then went back for all the names we could get. It was one of the most responsive lists I've ever found'.

2.4 Database management issues

Bird (2007) refers to the rapid technological advances of the last 25 years: 'In those days people talked about lists. . . now the simple and inexpensive list has been . . . replaced by the sophisticated (and sometimes very expensive) database'. The rapid change in technology has also been responsible for one of the most frustrating facts facing database marketers today. Most organisations never had a database strategy 25 years ago and, as a result, most do not have a single database so much as many databases scattered throughout different departments, usually in inconsistent formats. It has been identified (Ranchhod & Gurau, 2007) that significant organisational barriers exist to the straightforward use of these databases for marketing purposes, often related to database access protocols or simply because of different rules and structures preventing their implementation at a central level.

This chequered history highlights the need to have a clear view of database management issues. In this section, we take a more detailed look at the tasks that a large database operation demands.

Adapting a list from a previous work (Goldwag, 1995), we arrive at the following four main stages to database management:

- 1 Manage the data sources.
- 2 Manage the data entry.

- 3 Manage the database.
- 4 Manage the applications.

These steps are summarised in Figure 2.2.

2.4.1 Manage the data sources

Leaving aside on-line trading, in the majority of companies data about customers rarely goes directly from the customer onto a marketing database. It may first arrive at the company via a sale made and be recorded in the sales ledger. Details are passed to accounts, and then perhaps on to billing, who send the bills out. Information goes to stock control, to let them know their stock of the product bought is reduced by one. Even in the case of on-line trading there are often middle databases to allow for the cleaning of poorly entered data.

Into this data 'merry-go-round' comes marketing. Marketing wants the data captured to be organised around the 'customer record'. It wants customer name and address, number of sales, and products bought and owned. It wants this kept on a 'per customer' basis. But sales and stock control wants the data on a 'per product' basis, and in many companies it is

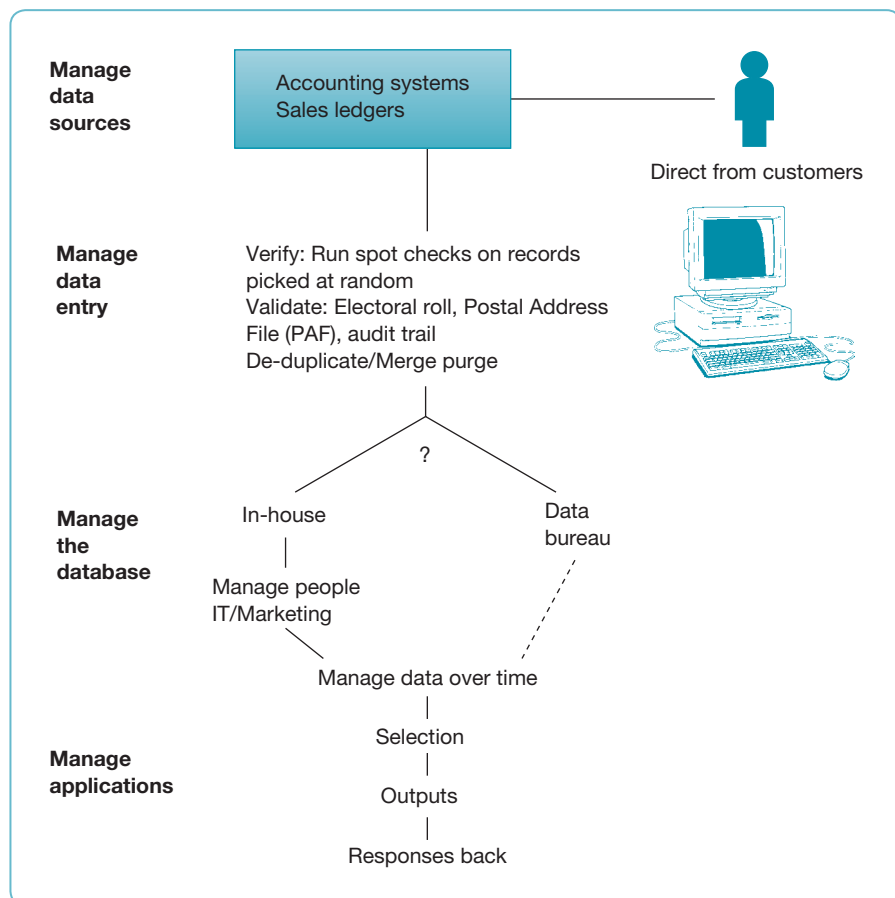


Figure 2.2 Managing the data

the sales department that takes the order. Accounting wants the 'revenue figures': amount charged and amount of cash in. Customers? Who are they?

Your last problem could be much closer to home. Within the marketing department, product managers are interested in customers – but only those who buy their particular product. As a direct marketer you are managing customers, not products, but product managers are targeted on the number of their products they sell, and may not be very co-operative about sharing their data in order to expose 'their' customers to other products the company sells.

Given the preceding competing pressures on the data flowing around the company, it is a very complicated job getting up-to-date, accurate data on to the marketing database in the form you want it.

Exhibit 2.2 The trials and tribulations of marketing databases in the banking industry

Despite spending huge amounts of money, UK banks' CRM programmes are at best still in their infancy. As Emily Cubitt puts it, once you explain what CRM is to many bank customers, they may burst into tears on you.

CRM disciplines were desperately needed for many financial service companies. Most firms had run their operations based on accounts – that is to say products, not customers. Hence, the same customer could be recorded on many different databases, with name and address information often incomplete. Purchase data was incomplete, and no record of any previous communications to the customer held.

A cynic might ask, does it matter, given that UK banks have retention rates for their core products approaching 92 per cent? This loyalty is driven not by satisfaction but by customer inertia: to move requires a lot of effort. At the moment this is the reality in the sector – perhaps until the equivalent of easyJet enters the market and rocks the boat.

Source: Based on Cubitt, E. (2003) 'Bank customers still crying out for service', *Precision Marketing* 15 (29), 5 February, p. 11.

Overcoming these problems is a big job. Marketing needs to isolate the data required from these systems and capture it on a regular basis. It is suggested (*The Absolute Essentials of Direct Marketing* (4), 1992) that the following need to be in place:

- Senior management commitment to ensure co-operation across departments
- Regular audit trails for items of data to ensure it is handled in a quality way
- Training for front-end staff to ensure they understand the importance of capturing the data properly and keeping these standards uniformly
- Introducing systems to ensure customer-inputted data adheres to these standards, even if it is input poorly
- Service-level agreements between departments for delivery of data to the right standard
- The marketing database to update records regularly by downloading from 'live' systems during quiet periods

2.4.2 Manage the data entry

Once the data has been sourced it needs to be added to the marketing database. Wallinger (IDM, 2002, pp. 8.2–2) tells us that data processing may be unglamorous but it is essential to the success of a campaign, which can be undermined by poor selection, mistargeting,