



Direct Marketing



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Frank’s company, Action Words, has been operating for 10 years and he and his group of experienced writers provide copy for the full range of direct marketing campaigns. They write for Australian businesses and mult-nationals as well as not-for-profits.

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The logo for ActionWords, featuring the word "Action" in a blue sans-serif font and "Words" in a black serif font, with a blue brushstroke effect behind the text.

Direct Marketing

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Introduction

Direct marketing is an ideal option if you are aiming to generate immediate action.

You can speak to people individually and you can tailor a message and an incentive that is designed for them.

Direct marketing is not necessarily a cheap promotional option. The emphasis is very much on effectiveness. Some campaigns can be very inexpensive and can achieve a very positive return on investment (ROI), such as when you use SMS to reach a large number of members or buyers who have opted in.

There have been countless examples through the years that have proved that if you do direct marketing right, it can create fantastic value for your organisation.

If you focus solely on the cost per person reached, then very often direct marketing will cost more than some other forms of advertising, such as, for example, outdoor advertising. However, if you are measuring the cost of reaching likely buyers in the target market, usually direct marketing is very cost effective.

As with all marketing, the costs involved in direct marketing - and its cost effectiveness - have to be examined on an individual basis against your objectives and your required ROI.

The advantage of direct marketing lies in its ability to target a specific consumer group. It allows you to concentrate your advertising budget on those people most likely to purchase your product or service.

Because the costs are directed at people who are likely buyers, the investment can be very effective. Within certain parameters, you can budget as little or as much as you like for a typical direct marketing campaign.

Your total final spend is greatly affected by your decisions relating to issues such as:

- The choice of your main channel (such as TV, email, fax, SMS, mail)
- The need for additional channels
- Use of specialist writers and graphic designers
- The number of people you want to reach
- List selection
- The urgency of the promotion

Great direct marketing can come in the form of a postcard, a brief email, a phone call or a giant catalogue ... and everything in between. In fact, any communication medium can be used for direct marketing. Probably no other form of marketing is as versatile.

Engaging In Direct Marketing

You can only do direct marketing successfully if you faithfully follow the proven techniques.

The practice of direct marketing is one where experienced practitioners have proved over and over that certain techniques 'work'.

This module takes you through many of the fundamentals and gives an overview of how you can promote your business effectively with professional direct marketing.

It is a module that can help you get started. Or, if you are already a practitioner, it will remind you of what's important. If you are doing campaigns without adhering to all the fundamentals, your results will be much less than what they might be.

At this stage, let's look at some of the main differences between mass advertising and direct marketing.

| GENERAL MEDIA MASS ADVERTISING | DIRECT MARKETING |
|--|--|
| Competitors can very quickly become aware of your campaign | In the short-term, when using most direct channels, only your customers know of your campaign |
| The reach is out of your control. The customer profile is dictated by the media used | You direct your campaign to the audience you choose and you can design the piece to make an impact with them |
| You reach countless people who are not really interested | Targeting efficiently means that you go only to those people most likely to respond |
| Your message has to compete in a sea of clutter | When the recipient opens your email or mail piece or accepts your outbound phone call or SMS message, the recipient is considering your message only |

Getting started

Right up front, let's be clear that thinking and briefing correctly is the most important part of direct marketing.

If your front-end loading is comprehensive and informed, the campaign is immediately on the right track to success. You have to begin by nailing down one thing very precisely: what is your objective and is it feasible with the time and budget available?

The briefing has to involve every element of the campaign. The initial briefing session should include all the hands-on workers who will have the capacity to wreck your promotion. You include them all, up front, for two reasons:

- So they know what you are aiming to do; and
- So that they can provide the practical input and specialist advice you need

Briefing template

Read through this briefing template and promise yourself that you'll always use it for every campaign you tackle from now on!

What is your objective?

You need to be very precise here – what is it in measurable terms that you want to achieve? Include numbers in your objective. For example, a workable objective might be: In the January campaign we want to sell 1000 back-to-school kits at an average price of \$99 to new retail clients in regional Victoria.

What is the brand personality?

Is the brand upbeat and innovative or classic and conservative? Maybe it's 'cheap and cheerful', very upmarket, family oriented or outback Australian. Everyone needs to be clear on this, for when the creative work is presented for approval, you need to know the criteria by which it is going to be judged.

Who is the audience?

Is the message directed to a customer or prospect? What is the average age, household income, educational background of the targeted prospect? What is the comfort level with the media selected to deliver the message (for example, email, postal mail, TV, text messaging, etc.)? The customer / prospect profile you provide helps your writer understand the individual person to whom they are writing, instead of a sea of faceless people.

What is the product / service?

*Provide features and corresponding benefits. Identify the top three features / benefits of interest to the targeted audience. What are the truly unique features / benefits? Price? Ordering specifications (size, colour, etc.)? Is it new? Improved? A best-seller? Back by popular demand? Also provide competitive advantages and disadvantages. **Note:** The benefits you list, must be the benefits that are appealing to the target audience.*

| FEATURES | BENEFITS |
|----------|----------|
| 1. | |
| 2. | |
| 3. | |

What is the offer?

Because the offer is what generates response, make sure you have decided what the best offer or incentive is. And there can be multiple offers, too.

What are the top three buying objections?

*Provide prioritised information about why people **don't** buy your product or service. Your writer needs to address these objections – either directly or indirectly.*

- 1.
- 2.
- 3.

What is the call to action?

Do you want people to respond by phone, mail, email, online ordering, click through to a web site, in-store or at an event? Is a unique landing page required? If the objective is generating leads, prepare a sample of the fulfilment package for everyone to review as early as possible.

What is the format?

For email, is it text or HTML? Does it link to an existing web page, or is a new landing page required? For direct mail, is it a postcard, solo package, self-mailer, box, tube or some other format? For space advertising, is it a full or half-page ad?

What media channel is being used?

*Any channel can be a response channel so which one or ones are you planning to use? **Tip:** If you're testing email versus postal mail, be careful about directly picking up traditional letter copy and testing it in email. Normally, you can't expect it to work.*

What is the test plan?

Are you testing copy? Creative? Formats? Lists? List segments? Offers? Timing? Other direct marketing elements?

What copy resources are available?

*Interviews with customers? Salespeople? Customer service staff? Product managers? Product developers? **Tip:** Customers have a way of revealing benefits often overlooked by or unknown to marketing staff.*

Provide a product sample

Everyone working on the campaign should have firsthand experience with product benefits. If it is feasible to hand over a sample, do it.

Offer a sample of your previous efforts

The creative people need to see what you have sent before and everyone needs to know what success your previous efforts have had.

Provide web links, when appropriate

Provide specific links you want included in direct mail, space ad, email, e-newsletter, landing page and web site copy.

Who Are You Aiming To Reach?

To understand the thinking behind direct marketing, you first have to be clear about targeting.

For most businesses, it just does not pay to broadcast to everyone.

EXAMPLES

If you sell **golfing equipment**, you want to reach **golfers**.

If you sell **retirement plans**, you want to reach people of a **certain age and income level**.

If you have a **physical plant nursery**, realistically you know you can't sell to everyone, but you want to promote your offerings to potential buyers within **easy reach of your outlet**.

It is where this sort of targeting is needed that direct marketing can work best. You choose the audience that you want to reach and you decide who gets your message, when they get it, how they get it and where they get it.

Analyse your target

The biggest single mistake in direct marketing is failing to spend enough time getting to know your target market. And that's not simply 'all women 18 to 39'. That's not a target at all – it's way too broad.

Many marketers spend a lot of time and money in the implementation phase. And certainly, tremendous attention to detail is required all the way through. However, you can have a great product and an attractive promotion, but if you do not have your target market correct, all your efforts will go to waste.

EXAMPLE

You distribute lawn mowers throughout Victoria. You go through all the steps and produce a brilliantly impactful direct marketing campaign. You send it to a list of people in inner Melbourne.

You wait for the response.

Nothing happens! Why?

The campaign went exclusively to people living in inner-city high rise apartments. They don't have lawns. They don't need mowers. The lack of targeting destroyed your campaign and caused you to lose a great deal of money.

In direct marketing, if the targeting is not right, you are wasting your time.

- The target market is the key component in any direct marketing campaign
- You should not compromise your marketing efforts by cutting corners on your audience selection
- There are countless lists available and a little research can go a long way
- Before planning your direct marketing promotion, it is essential to study your product and offer and determine your best target

You have to dig deep and get to know your audience:

- What are they really like as people?
- What media do they use?
- What might they be doing when they read your promotional message?
- What distractions might they encounter?
- How do they prefer to respond?
- What motivates them?

Selecting the list

If you are using your in-house database, then it is simply a matter of selecting the segment that you want to reach – for example, monthly account holders, recent buyers or VIP customers who have purchased more than three times in the past year.

If you are sourcing a prospect list from outside your organisation, then make sure you check it as carefully as possible. Can you test a small portion of this list before launching the main campaign? You need to use analysis to help you to choose the list that best suits your needs. If you are not sure at this point, get advice before proceeding, for it is the list selection, more than any other single element, that has greatest potential to make or break your promotion.

Getting to know your audience

A handy technique for getting to better understand your audience is to map out a day (hour by hour) in the life of a typical member of your target audience. When you get to understand them, then there is much more chance of developing a message to connect with them. Use this form to help.

Track a day in the life of a typical audience member: In the left hand column write in the hours of the day, then for each time slot, put the activity you expect the audience member would be doing. In the third column, list all the possible media options through which you could reach your target at that time of day, and finally, choose the one media option that you think the target would be most responsive to.

| NAME YOUR SELECTED AUDIENCE | | | |
|--|---|-----------------------------|-----------------|
| <i>For example: Young female executives working in the CBD</i> | | | |
| Time of day | Likely activity of typical segment member | Media options | Most responsive |
| 7 - 8am | Commuting | Street posters, radio, text | Radio |
| | | | |
| | | | |
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| | | | |

An Offer They Can't Refuse

To overcome prospect inertia, the most powerful tool in the armoury of the direct marketing practitioner, is the **offer** or **incentive**.

In direct marketing, the 'offer' is not the total bundle of benefits inherent in your product or service. That's the offer in general marketing. In direct marketing, the offer is the added incentive.

Examples of direct marketing offers are:

"Come in this weekend and for every dozen bottles of red wine you buy, we'll give you an extra bottle absolutely free."

"Register for the workshop before 31 March and receive our Early Bird discount of \$200 off."

"Purchase before 31 January and you will receive a free copy of the latest industry report."

The offer is designed to answer the "what's in it for me?" question that recipients ask (at least subconsciously) as they receive your communication. It is the offer with a deadline that creates urgency and 'forces' people to act without delay.

LOOKOUT!

Obviously, with most offers, there is usually a cost involved for the marketer which has to be carefully assessed. You can get a huge response to your campaign by making an overly generous offer - but you could send yourself broke. The ideal offer has a high perceived value for the prospect and a low real cost for the marketer.

Offers can include free trials, early bird discounts, free gifts, free samples, free information, two-for-one deals, special previews, entry into contests, deluxe options, reduced price memberships, and discounts.

To be most effective, offers need to be relevant.

WRONG OFFER

Offering free office stationery items to folks entering a nightclub is an example of an offer gone wrong because it is not relevant. The wrong offer at the wrong time.

GOOD OFFER

A landscape gardener offering a free fact-sheet full of garden design tips - in exchange for a no-obligation landscaping quote - would probably be extremely relevant for genuine prospects.

BE HONEST

If you are doing direct marketing without using an offer you are not being fair to yourself, and you are not being fair to the practice of direct marketing. And don't waste time wondering why you have not elicited a response. If your campaign has no offer, **IT WILL PROBABLY NOT WORK.**

We want action NOW

In all sales, one of the most common reasons why people don't buy, is that there's 'no hurry'. The prospect may trust the salesperson and may be convinced about the value that the salesperson is offering. But if there is no hurry, there will be no sale.

In direct marketing, we do not simply want action, we want it **NOW**. Be careful about choosing a deadline or close date. If it is too far away, prospects will put-off the buying decision. If it is too soon, people will feel pressured. It has to be weighted just right. (If possible, it is a good thing to test.) If it is impossible to have a deadline, make sure there is urgency built into your copy.

Selecting your offer

List at least three current offers that you can find being promoted or advertised in the marketplace:

- 1.
- 2.
- 3.

With a group of at least three people – five or seven would be better – brainstorm until you come up with at least a dozen possible offers (twenty would be better) for your next campaign:

1.

2.

3.

4.

5.

6.

7.

8.

9.

10.

11.

12.

Then go through the list of 'possibles' and choose the top three:

- 1.
- 2.
- 3.

Now do some research on those three – find out the costs involved and collect some impressions from within the target market:

| Costs | Impressions from target market |
|-------|--------------------------------|
| 1. | |
| 2. | |
| 3. | |

Make a decision about which offer to include in your campaign:

Offer to be included -

Measure It!

Direct marketing is very measurable. When direct marketing is done correctly, you know what you're spending, you know what you're making, and there's nowhere to hide.

At the end of the campaign, you will have a very clear idea of what you have achieved. For this reason, it is important to ensure up-front that your objective is as specific as possible.

One of the pillars of direct marketing is that it is measurable. Logically, therefore, your objective has to be measurable. As well as specific and time related. Your objective is normally aimed at either:

- New customer acquisition
- Up-selling or cross-selling to current customers
- Retaining current customers
- Winning back lapsed customers

Example of a workable direct marketing objective:

"Gain 2000 annual subscriptions to "Growing Herbs At Home" magazine at \$39 per order from prospects in the greater Sydney area by 31 January 2009"

Example of a non-measurable direct marketing objective:

"Increase customer loyalty among new clients"

As your campaign is in progress, you need to monitor and measure your results. Here, the database is your greatest asset.

Precise measurement is one of the great attributes of direct marketing. Apart from telling you what works and what doesn't, it can teach you a great deal about your target market.

The more you can measure, the better.

- In direct mail, the response coupons that are included are coded differently for different segments, so that when the coupons come back, you know which segment is responding.
- If response is by email, you can have different email reply boxes for different audience segments so you can measure response by segment.
- If response is by phone, you can use different phone numbers for different audience segments.

It's not unusual to have a campaign where the response overall may be, say 5%, but the response from a particular small segment may be 25%. This sort of data provides a valuable insight into your target market.

Through analysis of your database, you can get information such as, which segments contain the most young people, which channels the new buyers use or where the big spenders live.

Every campaign provides learnings to help you make the next one more targeted and more effective.

Measuring response rates

If you are new to direct marketing, it's important to be clear about one fact: there is no such thing as an average direct marketing response rate. People who talk about average response rates across all business sectors, simply don't know direct marketing.

Some very effective and profitable organisations can do award winning direct marketing pieces with response rates of around 1%. At the other extreme, numerous personalised campaigns with effective offers to established clients, regularly gain response rates of 30%, 40% or 50%.

A hotel that gave away a pair of expensive running shoes to everyone who stayed a night at the hotel achieved a 99% response rate! And over time, they reaped huge benefits.

In itself, it is not the response rate that is important. The critical measures are the ROI, the response versus the breakeven point and the response versus the campaign objective.

Two campaign managers who both run a campaign and who both achieve a 10% response may react very differently. Manager A may be delighted because her breakeven was 9%. Manager B may be miserable because his breakeven was 11%.

If you measure only the overall response rate, you are not getting a complete understanding of your results.

Analysing what you achieve

While one of the chief benefits of direct marketing is that you can measure the success of your campaigns, you also need to analyse your results. By coding responses, you can track what comes in and the number of new customers that are generated from your efforts.

Detailed measurement can produce valuable learnings. For example, if you find that all your response comes from teenagers, you may want to make some changes to the promotion before you next go to an audience of adults, you may want to go to more teens or you may want to review your brand positioning.

Measuring list

| Measure as many of these as are relevant for every segment of the target audience | |
|--|---------------------|
| Campaign cost | Cost per contact |
| Number of prospects targeted | Average order value |
| Return on investment | Number of orders |
| Cost per enquiry | Conversion rate |
| Cost per lead | Response rate |
| Cost per sale | Response time |
| Cost per new customer | Revenue gained |
| Profit | |

| In email campaigns, measure at least the following additional elements | |
|---|--|
| Open rate | Delivery rate (emails sent - bounces) |
| Click-through rate | Unsubscribe rate |
| Click to open rate (number of unique clicks / number of unique opens) | Referral rate |
| Bounce rate | Number of orders, transactions, downloads or actions |

Testing Is Essential

There's a proud history of testing among direct marketers and all true direct marketers are committed to it.

| WHAT TO TEST | |
|--|-----------------|
| List | Channel |
| Offer | Creative design |
| Timing | Copy |
| Format | |
| BENEFITS | |
| Testing provides extensive learnings about the audience and about what works and what doesn't | |
| It saves heaps of money - you don't go out to your full database of 150,000 with a mail piece that bombs. You test it on 10,000 first. | |

If you do monthly mailings, say, for new client acquisition, you will have a particular mail pack that is your best performing pack (this is called, the **control**).

Every month you will test another pack on a small segment with the aim of out-performing your control.

If you have no 'control', with every campaign, you should do a 'split run' test of something such as:

- A different target audience
- A different offer
- Different timing
- A different channel for responses

More often than not, direct marketing is counter intuitive. No matter how experienced you are, you can never be sure, in a particular situation, what will work and what will fall flat.

How maddening it is that ugly often out-pulls good looking and attractive; that dumb things like stamps and tokens tend to increase response; that in certain product categories and in certain situations, long copy works better than short copy. But you can only know for sure what will work in your case, with your audience, through testing.

If you're not testing lists, offers and creative design on an ongoing basis - you will never achieve continuing success in direct marketing.

How to measure a basic two-cell test

| CELL | CONTROL | TEST |
|--------------------------------|---------------------------|------------------|
| Offer | "Three extra months free" | "No joining fee" |
| Number of prospects approached | 40,000 | 10,000 |
| Response rate (%) achieved | 3% | 4% |
| Cost per response | \$14.30 | \$11.77 |

Fulfilling Your Promises

For direct marketers, fulfilment includes:

- Fulfilling all orders on schedule (or better)
- Response tracking
- Results analysis
- Reporting
- Database procedures

For the customer, fulfilment is the all important part.

THINK OF YOURSELF AS A CONSUMER

If you buy a book online, what are you concerned about? You don't care about things such as testing, database quality or ROI. All you want is your book delivered to you as promised. If it is delivered early, so much the better.

And note: If the delivery is perfect, you may consider a second purchase. If the delivery is botched, you almost certainly will not go back for a second order.

When the phones start ringing and orders come pouring in, this is *not* the time to begin your fulfilment plans.

The fulfilment of the order is the part that interests the client most.

It has to be planned well in advance and implemented with care and attention to detail. And remember, excellent fulfilment that delivers at least as well as the promise, is the first step towards repeat purchase.

Make sure you use the mailing house or fulfilment bureau that is best suited to your needs. You can end up paying a high price over the long term for any angst caused to your customers at the point of fulfilment.

A sure way of extracting more value from your direct marketing spend is to fulfill orders and handle queries and complaints with the professionalism and timeliness that your customers expect.

A decision for you: Will you fulfill orders in-house, or will you engage a fulfilment bureau to do that for you?

Tick off this checklist to get fulfilment right:

| | |
|--|---|
| | Consult with specialists as you develop your plan |
| | Draft a time-line early |
| | Get an early handle on the budget |
| | Become familiar with every required step |
| | Track and analyse your responses |
| | Insert relevant data into database |
| | Collect feedback |
| | Make adjustments to procedures where feasible |

Three step plan for being sure about what fulfilment means in your business:

| |
|---|
| STEP 1 |
| Make a draft list of all the activities that have to be done to deliver on your promise to your prospects |
| STEP 2 |
| Send the list to all the people in your organisation who will be involved and ask for their input |
| STEP 3 |
| Finalise the list only after considering all the input that you receive |



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