

IMC Journal of Integrated Communications

NEW IDEAS AND BEST PRACTICES IN MARKETING COMMUNICATIONS

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Direct Marketing Lessons for Mass Marketers

SCOTT D. SCHROEDER

Despite agreement that effective marketing campaigns should draw from all tactics in the communications toolbox, the rich customer data and targeting available to direct marketers often doesn't inform content and media choices. Scott D. Schroeder describes how segmentation techniques developed in the direct marketing world can bridge the gap between the direct and mass approaches, paving the way for truly integrated campaigns.

It has always been difficult to combine traditional and direct marketing programs into effective integrated marketing communications (IMC) efforts. In part this is due to differences in objectives as well as a lack of a common base of consumer data to support their sometimes differing objectives. One of the precepts of IMC is that customer data can be leveraged to improve the targeting, timing and effectiveness of campaigns, and of all the marketing specialties, direct marketing is the most data-driven and data-intensive discipline. Because direct marketers measure the results of every direct marketing campaign the value of data is directly quantifiable: if a new scoring model yields better predictive power, its effectiveness is directly measurable in increased sales. If a new data element produces a higher R-squared, the statistician has a relatively indisputable measure of its worth.

On the other hand, traditional marketing, including advertising, has its roots in mass or one-to-many marketing. It evolved as a cost effective means to use a one-way communication channel to send one message to many households. As such, results were not directly measurable.

The first part of this article compares how the two approaches evolved and how differences in approaches, leading to different measurement techniques and objectives have made it difficult for traditional advertising and direct marketing to work hand-in-hand—hindering the widespread implementation of integrated marketing communications.

However, this is beginning to change. In the last five years, a number of major consumer marketers have begun to effectively utilize consumer segmentation in ways that create a bridge between the data-driven, targeted approach of direct marketing and its mass marketing counterpart. The second section of this article elaborates on these developments, citing a series of actual marketing success stories.

These new approaches to segmenting consumer data may provide the analytical foundations necessary for the development and acceptance of truly effective IMC programs.

A Short History of Mass (or One-to-Many) Marketing

Traditional marketing decision-making processes stem from their origin in mass marketing. Just as the assembly line drove mass production in manufacturing, the availability of broadcast media fostered the development of mass marketing approaches. As national television audiences grew and bandwidth (the number of different television channels) remained limited, marketers could reach enormous numbers of consumers with a single mass marketing message. This was one-to-many marketing. The forces of mass production and mass marketing worked hand-in-hand to develop large national and international brands that flourished because they could both produce and market to consumers with enormous economies of scale.

Because mass advertising was not directly measurable in terms of sales, approaches to quantify advertising effectiveness were instead based on reach and frequency (number of viewers or the number of impressions). These measurement techniques spilled over into print and circulation numbers, and demographics became primary tools in media allocation and campaign decision-making. Cost per thousand impressions was, and often still is, the proxy for the effectiveness of a mass marketing campaign.

While mass marketing measurements hinged on the number of exposures, campaign marketing spending was often determined as a percentage of total sales, rather than by the campaign's effectiveness in producing incremental sales. Later, the concept of branding emerged as a theoretical construct for mass marketing decision-making. Ad awareness resulting from mass marketing could be measured, even if direct sales attributable to such approaches

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couldn't be. Consumers could be queried and their awareness and overall impressions of a brand measured before and after a campaign to create a measure of success.

As mass-marketers grew more sophisticated, reach and frequency began to be measured on the basis of target demographics and penetration of key segments. The proliferation of broadcast and print media alternatives in the 1980s and 1990s allowed mass marketers to more precisely target narrow audiences. However, this did not change the fundamental paradigm of sending one message to many consumers with the hope that this will ultimately get them to make a purchase at a later date. Mass-marketing approaches, unlike those of direct marketing, do not have a built-in direct feedback loop to measure resultant sales.

Short History of Direct (or One-to-One) Marketing

Direct marketing developed differently. Its precursor was person-to-person direct selling, and just as a sales manager can evaluate how many orders his salespeople have produced at the end of the day, the return on investment from direct marketing has always been measurable. This resulted in very different metrics than those used to evaluate mass marketing. Because it is possible to ascertain the exact costs of a direct marketing campaign as well as the resulting sales, it is easy to calculate a return on any direct marketing investment. Either a campaign is profitable or it isn't. Profitable campaigns lead to continuations and roll-outs and unprofitable ones vanish into the haze.

The measurability of direct marketing led to the development of new approaches to produce incremental improvement in campaign performance. The use of a control became central in the direct marketing industry because it provided a benchmark by which new campaigns could be compared. The statistician's importance increased as direct marketers applied increasingly complex modeling techniques to squeeze out incremental lifts in response rates. The measurability of results led to the development of a sophisticated industry acquiring and selling enormous quantities of consumer data to support more effective direct response campaigns.

Comparing this approach to that of mass marketing, it is tempting to pass judgment as to the superiority of one versus the other. But IMC theory suggests that both are important components of optimal marketing effectiveness. In a way, mass advertising speaks to an entire forest of consumers, while direct marketing focuses on identifying specific trees for harvesting. To further the analogy, mass-marketing success is

measured in forested acres, while direct marketing is measured in board feet harvested. If you are in the timber business you need to start with a forest, but what sustains the business is the amount of timber produced.

Generalizing Versus Marginalizing the Consumer

In mass marketing the media planner might use market research to decide to advertise a new sporting goods product, for example, on ESPN to reach a young male demographic. The necessary assumption is that all young males are similar, a generalization about the nature of consumers. The direct marketer, on the other hand, identifies best prospects using a scoring model and is likely to place a heavy emphasis on the incidence of past purchases of sporting goods in a household. So the direct marketer doesn't care whether the prospect is a young male, a middle-aged grandparent or a Martian; he just knows that an effective statistical model identifies receptive prospects for the offer—a marginalization about the consumer.

Traditional marketers ask the right strategic questions about who the target consumer is, they just don't have the right data to support tactical media placement decisions. Direct marketers have the data, but don't look at it in ways that facilitate its use in anything other than tactical campaign management. The marketing discipline that makes the most use of raw

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consumer data, direct marketing, does the poorest job of using that data in strategic ways. The trick is to utilize consumer data in creative ways that support not only more effective direct marketing campaigns, but also create a seamless bridge into traditional media applications. In the example above, the marketer would send a versioned, relevant direct mail piece to the middle-aged grandparent emphasizing what a great gift its sporting goods product is, while advertising on ESPN2 knowing that its ad will be seen by young single males. Given this fundamental difference how can a marketer develop an effective integrated marketing campaign? The

rick to developing effective IMC campaigns lies in developing a consistent framework of customer understanding that utilizes the raw consumer data available to direct marketers, but organizes it in ways that support direct links to key consumer behaviors of interest to traditional advertisers—things like media viewing habits, retail shopping patterns and attitudinal profiles.

Segmentation Provides a Holistic View of the Customer or One-to-Some Marketing

Through innovative segmentation techniques, the consumer marketplace is now being defined in holistic ways useful to both disciplines. Household-based segmentation, which represents a considerable improvement over geo-demographic segmentation approaches, provides both the strategic consumer understanding useful to traditional advertisers and the household specificity necessary for direct marketers. What matters to marketers is that the segmentation scheme differentiates on the basis of consumer behavior—because that is what the marketer is by definition trying to impact. The best segmentation schemas will identify homogenous groups that exhibit distinct consumer behavior.

After overlaying household segments onto the marketing database, marketers can create versioned messages for key consumer segments, each appealing to unique value drivers and varying in tone, message and offer. This tactic has been shown to measurably increase response rates. And most importantly, these increases come on top of increases associated with scoring models designed to improve list performance.

We call this innovative use of household-specific segmentation in direct marketing one-to-some marketing. Instead of sending the same message to a million targeted households (mass marketing) or sending a million different messages to a million different households (one-to-one marketing), one-to-some marketing facilitates sending, say, four distinct messages to homogenous groups of 250,000 households each. In actual campaigns measured against a control, marketers like AT&T Broadband and Proflowers.com have used this technique to record lifts in response rates of 16 to 189 percent. Such incremental improvements are dramatic given that in the direct marketing industry the difference between a marketing success and a failure is often measured in basis points.

Importantly, these same approaches are laying the necessary consumer information foundation to support true IMC. Segmentation provides a consistent framework for both strategic and tactical marketing applications, because it directly links to available syndicated media research sources. Therefore, traditional advertisers can now approach media selection from the same perspective as direct marketers, finally enabling them to produce truly IMC efforts that max-

Results of campaigns based on versioned copy

Company	Campaign Type	Lift
Cable provider	Mail	74%
Web flower retailer	E-mail	35%
Child care provider	E-mail	104%
Credit card issuer	Mail	178%
Timeshare exchange company	E-mail	36%
Internet vacation company	E-mail	35%
Insurance provider	Mail	73%

Direct marketers have achieved significant increases in response rates by using segment-specific versioned messaging and targeting, as these results from recent, market-controlled tests show:

imize marketing efficiency and ensure consistent branding and positioning for both traditional and direct marketing efforts. With an accurate household-based view of the customer, the long-awaited promise of IMC has the necessary foundation from which to flourish.

A One-to-Some Marketing Case Study

Travelocity pioneered the online travel space and continues to be the most popular travel service on the Web. Its business model utilizes an integrated media mix that includes broadcast, radio, print online/email, sponsorship and portal partnerships. Aiming to optimize its marketing investment by choosing the right media and sending the most relevant message regardless of channel, Travelocity adopted household-based segmentation to develop versioned direct response campaigns and to ensure consistency and relevance in communications across media channels.

In a recent e-mail marketing campaign focused on last-minute travel, all response metrics were positively impacted by versioned messaging—from open rates to click-through to bookings. In fact the company experienced click-through lifts as high as 62 percent and booking response rate improvements 20 percent greater than the control. Chris Warwick, director of relationship marketing at Travelocity, said, “These campaign performance metrics dramatically improved the marketing return on investment of our campaign because the incremental lift from versioning translates directly to our bottom line.”

Travelocity has added household-specific segment codes that classify all active members on the 37 million name membership database

into one of 30 homogenous groups. Because these groups tend to have distinct consumer behaviors, Travelocity can leverage the power of versioned messaging across its outbound direct marketing efforts.

Additionally, syndicated media research by segment is readily available. This provides Travelocity the ability to develop a coordinated traditional media strategy that complements and reinforces its versioned direct messaging approaches. By basing media selection on reach into key household-based segments and delivering consistent messaging, Travelocity is truly developing an innovative integrated marketing effort. The benefits of this include consistency in branding and the ability to reinforce positioning across media.

Finally, Travelocity has discovered that household-based segmentation provides the necessary consumer understanding to enhance cooperative marketing efforts with its numerous travel partners. For example, by recognizing that different household segments have different preferences in hotels, Travelocity can select specific hotel brands for cross-promotions to mid-scale families while directing young affluent single males to more upscale properties. It is beginning to share its extensive consumer knowledge with its partners. This facilitates the development of segment-specific travel offerings customized to the needs of key segments. The more relevant the offer, the more successful the marketing efforts will become.

Conclusion

It's too early to claim that IMC has achieved its full potential, but current trends are encouraging. More and more marketers are applying versioned direct marketing campaigns to homogenous household groups, with print and broadcast media campaigns delivering consistent messaging through the right traditional media channels to the same key segments. Given the rapidly growing number of successful segment-based versioned direct marketing campaigns and the ability of segmentation to bridge clearly to traditional media applications, these trends will likely continue to accelerate.

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