

Direct Marketing and Your Business

“There is only one valid definition of business purpose – to create a customer. Companies are not in business to make things... but to make customers.”

Peter F. Drucker



Introduction

Direct marketing is a powerful way to gain and keep customers by communicating with people. As a marketing technique, it is now considered an indispensable part of multi-media advertising campaigns and a commanding stand-alone strategy. Contemporary business owners know that using direct mail works for cultivating customers and that getting and keeping customers is the key to success.

Direct marketing has a proven, long-time history of success. Plus it's targeted, trackable, measurable, relatively inexpensive and has staying power.

Valpak[®]

Why is direct mail so powerful?

For the answer, one has to go back in time and examine the history of direct marketing. It's been around since the invention of the printing press when Gutenberg made printing many copies of the same document possible. In the late 1800's, Aaron Montgomery Ward and Richard Warren Sears were among the first to publish and distribute mail-order catalogs, effectively taking their stores right into the home where consumers could shop at their leisure.

During the same time period, an Ohio businessman named John H. Patterson built the National Cash Register Company into the leader in its industry, in part by being the first to use direct mail to get qualified leads for follow-up.

Leaping decades ahead – advances in print technology, computerized data bases, personalization and postal zip codes have all led to the emergence of modern direct mail.

What is direct marketing?

Direct Marketing, specifically direct mail, has certain defining characteristics:

- Precise targeting and market segmentation
- Customer relationship building
- Research and testing
- Quick consumer response time
- Benefit oriented advertising
- Results measurement
- Accountability of costs
- Interactivity

While each of these characteristics is as important as any other, they work together to consistently produce positive results and help you manage your advertising budget. To understand how, let's look at them separately.

Precise targeting and market segmentation

Precise targeting and market segmentation puts your advertising message in front of those consumers most likely to respond to it. Once you have defined your target audience, data-based market segmentation lets you mail to those areas where your criteria are met. Targeting by geographics, demographics, consumer behavior and consumer expenditures ensure that you mail to your exact audience.

Building customer relationships

Direct marketing is a personal way for you to communicate with your customers and prospects. When your message is physically carried into the home, it becomes part of the consumer's consciousness. It allows you to say "thank you for your business" or "here's a special offer just for you." Announcing a seasonal sale, a holiday special, or rolling out a customer loyalty program are all opportunities for you to touch your customers and prospects and remind them you are there and you can fulfill a need.

Research and testing

There are many reliable and nationally recognized research services available to assist you in obtaining census, demographic and psychographic data before you mail to ensure you are hitting those consumers who fit your exact profile. Once you have established a mail list, the next step is to test the validity of your marketing message. Because you can personalize direct mail, you could test several offers against each other to see what draws the most response. It's an option that's not available in some other media.

Quick consumer response time

With direct marketing, you can typically expect a response within days of your mailing. You can facilitate this process by creating a sense of urgency such as adding an expiration date on special offers. If your marketing message is on target, consumers will immediately recognize the value and act quickly to take advantage of it.

Benefit oriented advertising

This is where the old “what’s in it for me” objective comes most into play. Depending upon the size of your piece (letter, postcard, brochure, coupon), direct marketing is the perfect way for you to clearly state the benefit to the consumer. Whether it’s a discount, a free item or a special sale, direct mail gives you plenty of time and space to tell the consumer why they should come to you for your product or service. And because your message is in their hands, consumers can study it, save it for further consideration or take it with them when they go shopping or out to eat.

Results measurement

It’s difficult at best to measure results with some media, but with direct mail, it’s easy to tell if your advertising is working. By providing the consumer with a method of responding (such as a business reply postcard, a coupon, an e-mail address, a Web site, or a phone number), you can quickly determine if your message is getting results. Plus you can compare the number of pieces mailed to the number of responses you get. If you code your coupons, you can also track what area they came from.

Accountability of costs

With direct marketing, you know exactly how much each piece costs to mail. Fixed expenses such as postage, paper and printing are easy to track. Reconciling your costs against your response and determining your return on investment (ROI) is much easier and more accurate than with some other media.

Interactivity

Unlike television and radio ads, people open their mail when they choose to, so they are in a receptive mood when they are looking at your marketing piece. This means that, at least for a few seconds, you have their undivided attention.

Consumers Like To...

Relax. **48%**
read Mail to unwind.

Save. **42%**
look to Mail for
financial savings.

Learn. **38%**
use Mail
to stay informed.

Buy. **64%**
order from Mail
received within the
last month.

Source: United States Postal Service®

The importance of mail in today's households.

According to the United States Postal Service®, most people consider mail to be an important part of their life. It helps them accomplish three important jobs: Browsing for new consumption, managing their homes and overseeing their finances. When direct marketing provides an answer to a problem or offers a solution to a need, consumers are inclined to find it useful.

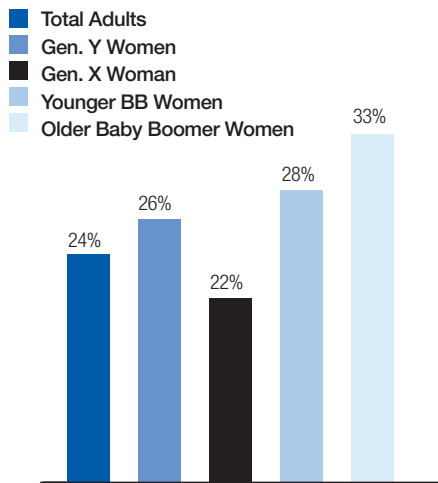
Saving money makes people feel good about themselves and satisfies an emotional need to be in control and take care of responsibilities. Since direct mail is often viewed as being helpful in this regard, it's no surprise that consumers consider it a vital part of everyday life.

When it comes to direct marketing, studies show that 75 percent of Americans say they are most likely to pay attention to "direct mail sent to my home," according to the 2006 "Because It's Personal: A Study of Consumer Use and Preference for Envelopes" study released by the Envelope Manufacturers Association Foundation.

This doesn't mean people are camped out next to their mailboxes waiting for their mail, but it does mean that people recognize that direct marketing plays an important role in their life by helping to make their life easier. This is especially important to time-starved adults who want to stay in touch with what's going on.

Visit Store Due To Direct Mail

In the past 90 days, due to receiving a direct mail piece from a retailer, have you visited a store you typically don't shop?



Source: Vertis Customer Focus® 2005: Retail Direct Marketing

The EMAF study also revealed the top three things Americans say they “always or usually” do with envelopes containing marketing, advertising or promotional material they receive by mail:

- 66 percent open the envelope if they think the contents might be interesting.
- 61 percent open it if they think the contents will be of personal interest to them.
- 59 percent open it if they can clearly identify the purpose/ sender from the envelope.

Direct mail helps increase in-store visits from customers

Vertis recently announced the results of its proprietary *Customer Focus® 2005: Retail Direct Marketing* study, which revealed that 24 percent of adults who read direct mail and had visited a store in the past 90 days were prompted by receiving a retailer's direct mail piece.

“With the huge number of products competing in the marketplace, consumers are always seeking information on the prices and selections available to ensure they are getting the best value,” said Therese Mulvey, vice president, marketing research, at Vertis. “Adults have become more receptive to using direct mail to obtain this information, and it has proven to be an effective medium for retailers to connect with new customers.”

According to the Customer Focus study, 63 percent of adults say that an interesting looking package makes a difference as to which direct mail they open. For 51 percent, a special offer or discount will make a difference as to whether or not they open the direct mail. It is important for advertisers to know which type of packages will attract consumers for them to increase the effectiveness of a direct mail campaign.

And when it comes to specific types of direct marketing messages that elicit the greatest response, the Customer Focus study showed that coupons were number one at 72 percent of adults saying they responded to them, followed closely by 70 percent saying they responded to “buy one, get one free” offers.

Response To Retail Direct Mail

Which of the following types of retail direct mail message have you responded to...?

	Total Adults	Women Generation Y (1977-1994)	Women Generation X (1965-1976)	Women Younger BB* (1956-1964)	Women Older Baby Boomers (1956-1964)
Coupons	72%	79%	80%	82%	75%
Buy one get one free	70%	75%	82%	78%	73%
Discount off single item	62%	67%	70%	64%	66%
Percent off	54%	65%	63%	66%	63%
Gift card	47%	67%	62%	61%	49%
Grand opening	42%	46%	49%	49%	46%
Everyday lowest price	42%	46%	52%	49%	36%
Gift with purchase	31%	46%	41%	42%	36%
Consumer tips	29%	21%	32%	28%	31%
Loyalty Card offer	24%	31%	30%	28%	32%

Source: © 2005 Vertis Customer Focus™: DM 2005

*Baby Boomers

Direct marketing can boost your restaurant business

According to the National Restaurant Association, one of the best ways for restaurateurs to attract new customers and retain old ones is direct marketing. In a moderated “Table Talk” online discussion in 2002, direct marketing consultant Keith Goodman, speaking about direct marketing, noted that “no other means of advertising can give you a better average return on investment.”

Asked if he would recommend sending a direct mail piece to everyone in an area or if it was better to invest in some demographic research and send a mailing to a specific segment of the population (such as families with children), Goodman answered: **“The key thing is to determine who your best customers are and then target groups that are similar.** If your restaurant truly attracts a cross section of the surrounding neighborhoods, then mail to everybody. If you find that a certain demographic type comes in and tends to order the more expensive entrees, focus on them. Doing a quick survey, say as part of a birthday club or special incentive, is a great way to establish the demographics of your customers.”

Goodman was also asked if discount coupons are a good way to attract new business and he replied: **“Coupons are a great way to increase the retention of the mailing since they (consumers) now need to take it with them to the restaurant.** This provides you with an accurate tracking device to help you determine the ROI from your mailing. Test a few different offers and then focus on the one that gets you the best results.”

Research from a study published in Cornell University’s August 2002 Hotel and Restaurant Administration Quarterly proves that restaurant coupons offer some great benefits. **The study found that customers who redeemed a restaurant coupon were almost 7.5 times more likely to make a post-promotion repeat purchase than customers who didn’t use a coupon!**

It’s clear that direct marketing derives its power from consumer acceptance, ease of implementation and tracking for advertisers and its ability to target the right audience.

But while direct marketing has distinct advantages over some other types of media, its power must be harnessed and used correctly to be effective. Finding a direct marketing consultant who has proven experience in creating lucrative direct marketing campaigns in your industry to assist you in developing your own campaign is your best bet for achieving success.