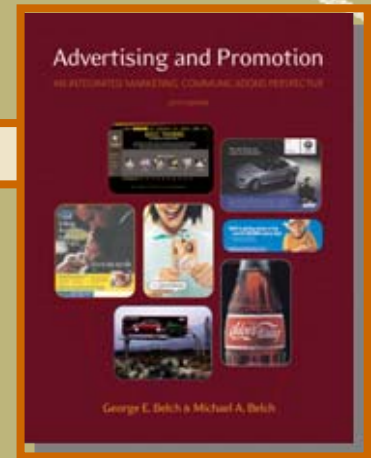


14



Direct Marketing

Direct Marketing Defined

“The total of activities by which the seller . . . direct efforts to a target audience using one or more media for the purpose of soliciting a response by phone, mail, the internet or personal visit from a prospective customer.”

Includes:

- Direct selling
- Direct mail
- Telemarketing
- Internet selling
- Direct action marketing
- Catalog selling
- Television/ print media
- Cable TV



Factors contributing to the growth of direct marketing

- Consumer Credit Cards
 - Over 1 billion credit cards in circulation
- Direct Marketing Syndicates Creating Opportunities
 - List development
 - Statement inserts
 - Catalogs/Sweepstakes
- Changing Structure of American Society
 - Increase in two income households
 - Money-rich/Time-poor – need for convenience
- Technological Advances
 - Better communications via electronic media & computers
 - Rapid package delivery
 - Electronic delivery systems
- Ability to measure effects of direct marketing efforts
 - Cost per order/ Cost per inquiry



Direct Marketing Combines With . . .

- Advertising
- Public Relations
- Personal Selling
- Sales Promotion
- Support Media



Database Marketing

The use of specific information about individual customers and/or prospects to implement more effective marketing communications and selling.

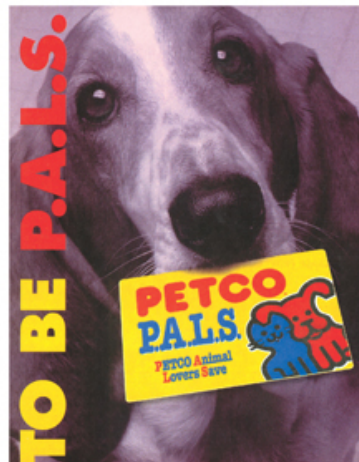
Used to:

- Improve selection of target markets
- Encourage repeat purchase
- Cross-sell other products and services
- Develop one-to-one relationships with customers

Sources of data base information

- Internal Records
- U.S. Census Bureau
- U.S. Postal Service
- List Services
- SRDS – Direct Mail Lists and Data
- Simmons Market Research Bureau
- Direct Marketing Association

PETCO builds a database through its loyalty program



IT'S GREAT TO BE P.A.L.S.

**PETCO
ANIMAL
LOVERS
SAVE**

Join today, save on
hundreds of items and
earn free food!



It's as easy as 1-2-3

- 1** Fill out this application completely.
- 2** Hand the application to a Petco Sales Associate.
- 3** Use your new Petco P.A.L.S. card or keytag at the register every time you make a purchase and start saving on selected items right away!



Contents of a Comprehensive Consumer Data Base

- Name
- Address/Zip code
- Telephone number
- Length of residence
- Age
- Gender
- Marital status
- Family data
- Education
- Income
- Occupation
- Transaction history
- Promotion history
- Inquiring history
- Unique identifier



Contents of a Comprehensive Business to Business Data Base

- Name of company, contact or decision maker(s)
- Title of contact
- Telephone number
- Source of order/inquiry or referral
- Credit history
- Industrial classification
- Size of business
- Revenues
- Number of employees
- Time in business
- Headquarters location
- Multiple locations
- Purchase history



Direct Marketing Strategies

- **One-step approach** - direct marketing media used directly to solicit an order
- **Two-step approach** — multiple efforts used to generate a response. First effort is used to screen, qualify or interest potential buyers. Follow-up used to achieve order or close the sale.
- **Direct Marketing Media**
 - Direct mail
 - Broadcast media (direct response ads/informercials)
 - Print media
 - Telemarketing
 - Direct selling

Types of Direct Mail

“All forms of advertising sent directly to prospects through the U.S. Postal Service or through private services.”

- Catalogs
- Flyers
- Folders
- Postcards
- Inclusions
- Reprints
- Sales letters
- Self-mailers

Direct Mail Advantages and Disadvantages

Advantages

- Control
- Coverage
- Flexibility
- Impact
- Reach
- Response
- Selectivity

Disadvantages

- Delays in delivery
- High cost per exposure
- List quality assurance
- Saturation among audience

Porsche uses direct mail to target potential customers

Targeted Marketing Program **3**

3.2 911/Boxster "Adrenaline" Postcard



Adrenaline rush comes standard.



911 Porsche 911 and Boxster

Remember how liberating
it felt to drive for the very
first time? That special feeling of exhilaration and pure,
uncomplicated fun behind the wheel still exists. It's
called the Porsche experience. We could go on trying to
describe it, but that would only waste precious time.
That's better spent on the open road. Behind the wheel.
Where you belong. Stop by for a test drive and you'll
agree: Porsche. There is no substitute.

Dealer Name Goes Here
Dealer Address Goes Here



Direct Response Advertising Types

“All forms of advertising designed to obtain immediate, direct response by mail, telephone, the Internet or personal visit from audience members.”

- TV and CATV commercials and infomercials selling products by phone or mail order.
- Newspapers, magazines and other print media ads with send-in or call-in coupon order forms
- Direct mail pieces and inserts soliciting inquiry recipients.
- Card decks, coupon booklets and mini-catalogs seeking orders for one or more products.
- E-mail messages to computer users

Direct Response Pros & Cons

Advantages

- Advertisers acquire or enhance a data base of individual customers.
- Customers are served with a greater selection from a central inventory.
- Response options enable audience to act right after exposure occurs.
- No store is required and customers can buy from their own homes.

Disadvantages

- Customers can't handle or inspect the product before purchasing.
- Merchandise returns and subscription cancellations may be numerous.
- Seller reputation and prestige may be compromised by the poor image of the method.



Catalogs - Pros & Cons

Advantages

- Provides buyers with wide selections
- Usually welcomed by shoppers
- Design offers high impact potential
- Merchandise is centrally inventoried
- Fulfillment facilities closely controlled
- Timing can be geared to seasonal needs
- Split-run testing can insure effectiveness

Disadvantages

- Product costs are usually very high
- Cost per contact is relatively high
- Saturation for some markets is likely
- Delivery or fulfillment may be delayed
- Customer can't inspect or handle goods
- Returns may sometimes be excessive

Neiman Marcus uses traditional and online catalogs



Source: Courtesy of Neiman Marcus

Outbound and Inbound Telemarketing

Outbound

Telephone calling by the marketer or marketer's agent to individual prospects, seeking purchase, subscription, membership, or participation by the call recipient.

Inbound

Marketers' facilities and invitations to prospects to call a central location or long distance number or by toll-free, 800 or fixed cost 900 number.



Outbound Telemarketing

Advantages

- Interactive contact
- Extensive reach
- Caller-controlled timing
- High impact

Disadvantages

- Intrusive nature
- Poor image of method
- High cost of contact
- Low conversion rate
- Extensive caller training
- Namelist inadequacies
- High termination rates
- High reneges, returns

Inbound Telemarketing Pros & Cons

Advantages

- Response is highly convenient for the audience.
- Method permits interactive selling and service.
- Transactions are facilitated by high rate of credit card holding.
- Immediacy of method permits great control of inventory

Disadvantages

- Labor-intensive call answering facilities may be required.
- Personnel direction system may be required for efficiency.
- Nonproductive call rates may be exceedingly or unacceptably high.

Overall Direct Marketing Pros & Cons

Advantages

- Selective Reach
- Segmentation Capability
- Frequency Potential
- Flexibility
- Timing
- Personalization
- Economy
- Measurement of Effectiveness

Disadvantages

- Image Factors
- Accuracy
- Content Support