

DIRECT MARKETING

Evolving role of technology in communication media



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PUT SIMPLY, direct marketing is the shortest channel of distribution – when a manufacturer deals directly with the consumer. It uses communication media that can more precisely target consumers and request an immediate direct response. It is by no means new and has its origin in direct mail and mail order catalogues.

The importance of the sector is underlined by the expenditure devoted to it – some \$170 billion in the USA but only about 25 per cent of this in the EU. At first glance this may point to a considerable potential for growth across Europe. While this may be so, social aspects related to privacy may be at work.

There are a number of drivers in the growth of direct marketing. One of the salient factors is the evolving field of technology. Indeed, the development of direct marketing is intimately linked to the various delivery systems that have evolved with advances in technology. The postal service, radio, telephone, television and, more recently, the electronic media have radically altered the way that marketing communication has been undertaken.

Each technology has provided different means of reaching final customers that have varied from mail order catalogues, inbound and outbound telemarketing, direct response advertising involving coupons and “phone now” appeals and, more recently, electronic media that include the internet, e-mail and interactive cable television.

The developments in computer technology has also made it possible to collect, store and retrieve data with relative ease when compared to the days when databases were card-based and immensely laborious and tedious to search and update. Not only have search facilities improved but also sophisticated analytical statistical techniques have made it increasingly possible to meet customer needs more specifically. Indeed, at the heart of much of direct marketing is the marketing database.

A further issue that has made direct marketing more attractive has been the fragmentation of the media brought about by liberalisation. Most countries have witnessed a proliferation of television and radio stations making the reach

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of the same audience considerably more expensive. If one observes the local scene it is possible to see some more activities in the area of direct marketing and this may have something more directly or indirectly to do with the fragmentation that has taken place in the media rather than the development of sophisticated database and analytical techniques.

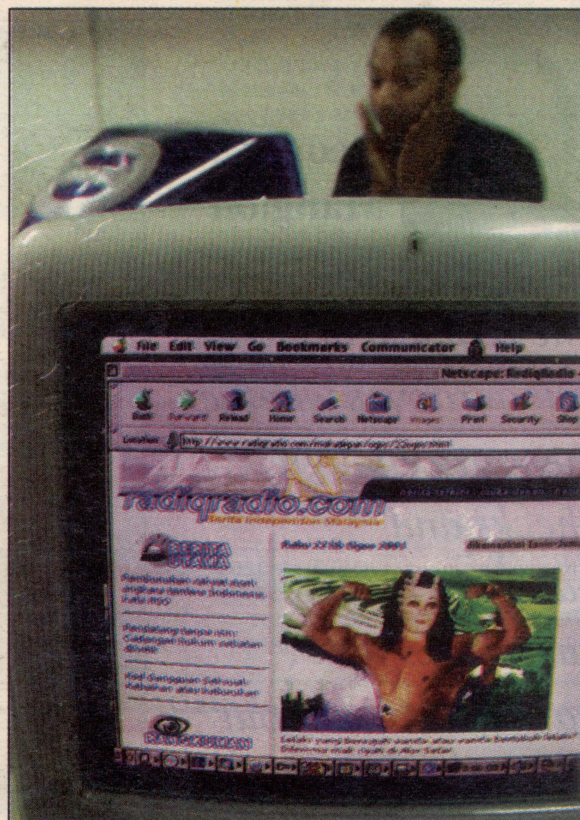
Direct marketing involves the choice of a communication media delivery system. This choice of media has evolved over time and allowed for different and more sophisticated ways of interaction aimed at concluding immediate transactions with target consumers. The great thing about direct marketing that is not available with many of the other promotional tools is that these transactions can be tracked, recorded and analysed and then stored for future retrieval and use. This represents an important depository of knowledge for the firm and a major asset.

The original traditional media used in direct marketing are direct mail and catalogues.

Direct mail consists of material sent through the postal service to the recipient's home or business address with the purpose of promoting a product (including a political product) or maintaining a relationship. A variation of this is direct mail on a door-to-door basis often without personalisation. In both cases the offer made needs to be simple.

Direct mail is generally part of a wider campaign. The greatest advantage of direct mail is that it enables specific targeting and personalisation such as a salesperson but at a fraction of the cost. Its main disadvantage is its image and connotations associated with “junk mail”.

Catalogue marketing occurs when companies mail one or more product catalogues to selected addressees who have a high likelihood of placing an order. This is a huge business in many western countries. Success depends on good database lists, inventory management and quality of products so as to limit returns. This form of marketing provides firms with savings by not requiring multiple high street locations



whilst allowing for wide display, although producing and updating the catalogue can be expensive. Consumers are provided with the convenience of choice at home.

The advent of the telephone was instrumental in fostering telemarketing. In this marketing communications system trained specialists use telecommunications technologies to conduct marketing and sales activities. Outbound telemarketing is a cross between direct mail and face-to-face selling via a sales force. Its main attraction is its versatility, lower cost per contact especially via technological integration that needs to be weighted against its intrusive nature.

Telemarketing has also been used very effectively for the inbound situation. In the UK, Direct Line for car insurance and First Direct in banking are two very successful examples where verbal interaction is valued by customers and the internet may not offer as obvious an upgrade as one may at first think.

The latest but by no means last technological development has been the internet. Just like radio and television were new mediums that have had a profound effect on marketing communications, it is little wonder that the internet offers important opportunities too.

The internet is a unique medium where the customer generally finds the marketer rather than vice-versa as with other media. It provides a global presence relatively inexpensively. It offers a relatively level playing field for all participants with access opportunities that are equal for all and a share of voice that is essentially uniform.

To a large extent it is a cross between the traditional personal selling and traditional broadcast media. Like traditional broadcast media it generates awareness, explains and demonstrates the product. Unlike broadcasting media and like personal selling it can foster two-way communication and can engage the visitor in dialogue. Yet, it is not face-to-face communication in a physical sense. This aspect of interactivity is perhaps one of the more important characteristics of the internet.

The impact of the internet extends beyond direct marketing. However, it is likely to have the greatest impact on marketing communications, a moderate effect on sales transactions and a lesser effect on distribution unless the item being delivered can be digitalised.

Evolving technology is fostering a move away from the traditional distinction between the two main paradigms in marketing that dealt separately with the business-to-customer and business-to-business situation. Technology is enabling greater focus supported by accurate profiles via the transactional database. Undoubtedly, precision marketing is the future. There is a concomitant emphasis away from products as such to an emphasis on facilitating process.

Marketing objectives are increasingly focusing on share of customer rather than market share with significant emphasis put on customer relationship managers. It also means a shift in communications that is increasingly managed from the centre rather than via the broadcasting media or the field communication of the sales force.

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