



The New Direct Marketing:

It's the future. Are you ready?





The New Direct Marketing: It's the future. Are you ready?

It's time to throw away your old ways of thinking about how to reach and engage your customers – and get ready for results like you've never seen.

Slip the words “direct marketing” into conversation right now and you'll undoubtedly elicit a range of responses. For some, direct marketing immediately conjures images of unsolicited “junk” in the mailbox (followed by images of recycling bins). For others, it's a supporting player in a product-driven campaign.

But direct marketing needs to be much more than channels or tactics. Today's customers have more choice -- and more power -- than ever before. Your message can be heard, deleted, or sent to dozens of friends with the click of a mouse. That's if it manages to cut through the clutter of the growing number of channels competing for our attention. And while customer data opportunities abound, customers are increasingly protective of their privacy and more discerning about who they choose to share information with.

Customers and the world they inhabit have changed forever. We need to catch up.

The New Direct Marketing is about an entirely new way of thinking about how we communicate with customers, driven by a relentless focus on customer value.

And that spells a massive shift in thinking and operations for most organizations.

The New Direct is about creating a relevant, ongoing dialogue with customers, one that seeks to establish an atmosphere of trust by understanding each customer's evolving needs and responding to them in real time, through the customer's preferred channels.

Daunted? Don't be. The same technology that gives customers unprecedented choice also offers companies an incredible opportunity to create the kind of deep and meaningful relationships they've only dreamed of with their ideal customers.

“The New Direct holds the key to the customer relationships of the future,” says Sharad Verma, president of Digital Cement. “And the quality of those relationships will be the lifeblood of tomorrow's biggest marketing success stories.”

Marketing's coming of age

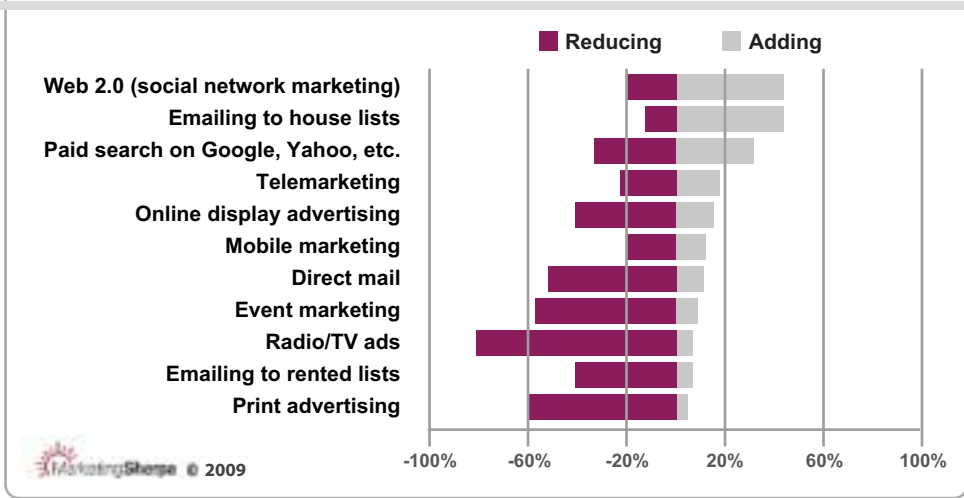
Signs abound that companies are slowly waking up to the new realities of who their customers have become, and the need to “be” where their customers are. In one recent study, nearly half of respondents were adding to their social networking and targeted e-mail budgets, while a whopping 83 percent were slashing funds for radio and TV ads (see figure 1).





The New Direct Marketing

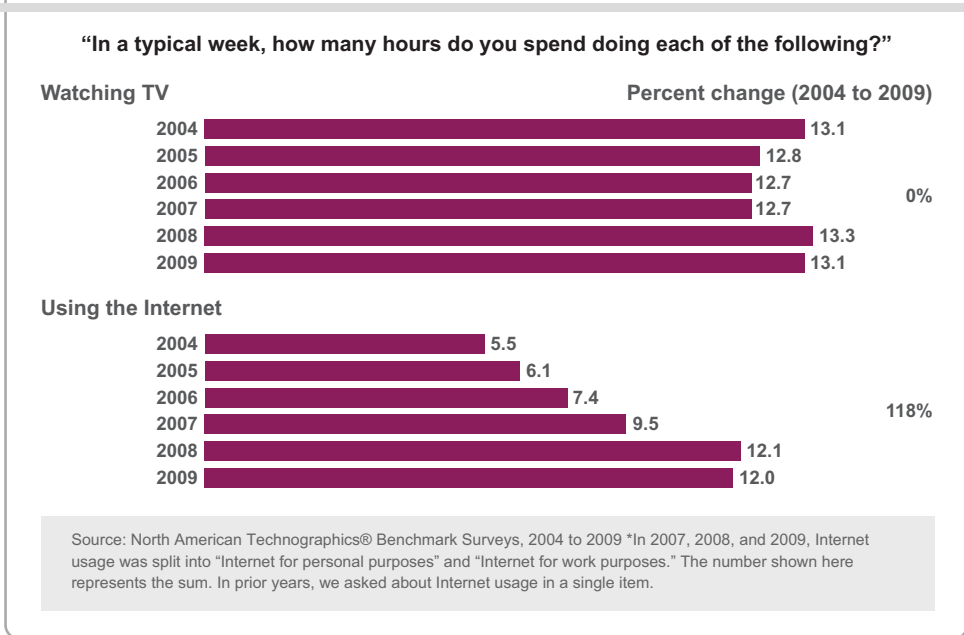
Figure 1 Tactical Budget Shifts at large B-to-B Orgs.



Even the “Holy Grail” of advertising, the Super Bowl, where ads are considered part of the entertainment, is dealing with these shifting realities. After a 23-year run, Pepsi opted out of advertising in the 2010 Bowl, taking its \$33 million 2009 budget with it. The reason? The game “doesn’t work with the company’s goals next year,” said a Pepsi spokeswoman.¹

Pepsi is one of many organizations recognizing the massive shift in how consumers consume media (see figure 2).

Figure 2 Audience Report That Their Internet Time Approaches That Of TV



Instead, Pepsi is allocating at least \$20 million of that Super Bowl budget to an online initiative geared at helping customers fund community projects.

The implications of Pepsi's massive shift towards a grassroots, customer-focused approach, one that seeks to align the company with causes that are near and dear to its customers' hearts, are profound. They point toward what Roger Martin, Dean of the Rotman School of Management at the University of Toronto, calls "the age of customer capitalism," an emerging movement toward a top-down, organization-wide focus on customer relationships and long-term customer value.⁴

Martin highlights industry giants Johnson & Johnson and Procter & Gamble as examples of companies that have gained sustainable success by putting customers – not shareholders – first. By making their customers the center of their universe, these organizations have created long-term customer value.

And one of the natural by-products of customer value? Increased shareholder value. Writes Martin, "If more companies made customers the top priority, the quality of corporate decision making would improve because thinking about the customer forces you to focus on improving your operations and the products and services you provide, rather than on spinning lines to shareholders."

“ If more companies made customers the top priority, the quality of corporate decision making would improve because thinking about the customer forces you to focus on improving your operations and the products and services you provide, rather than spinning lines to shareholders. ”

Roger Martin
Harvard Business Review

Today's consumer: Has networks, will use them

We have become a community of digital narcissists, assert Steve Maich and Lianne George in their book, *The Ego Boom*.²

The authors believe we are living in the "golden age" of self-actualization, and that as a result, atomization – the breaking apart of social systems into ever smaller pieces—is emerging as the most powerful force shaping Western society.

We're used to getting what we want, when we want it, and our "me first" attitude extends to our online behaviors as well. Twitter and Facebook, for example, have made sharing thoughts and opinions virtually instant.

But our online thoughts aren't limited to what we ate for breakfast. In fact, the most discussed issue on Twitter in 2009 was the Iranian election, with the online service being used by Iranians around the world to organize protests and circumvent government censorship of other media outlets.

This kind of "online gathering" around an issue is characteristic of where consumer markets are headed, David Weinberger told a global group of marketing executives at Marketing Week in Toronto last November. The Web expert and co-author of *The Cluetrain Manifesto* adds that these online networks are in constant flux, based on the interests or concerns of their members.

"A network changes in 12 hours. It's an entirely new market in 36 hours... You simply cannot step into the same market twice in this world," said Weinberger.

"This is very different from traditional markets, which are defined by demographic similarities. Networked markets are equally defined by their differences."³

This presents new challenges for companies used to targeting their customers by category, says Weinberger – challenges that will need smart, creative solutions.





Brave new world

So what does this fundamental shift in the way we communicate, the way customers form opinions – and perhaps more important, the way they share them – mean for marketers?

“At its core, the New Direct is about customer relationships, not channels or product push,” says Verma. “It has to be more relevant, flexible and adaptive than ever before. We also have to be able to respond at a moment’s notice to deal with an unforeseen event or an unexpected opportunity.”

“ The New Direct is about customer relationships, not channels or product push. It has to be more relevant, flexible and adaptive than ever before. ”

Sharad Verma - president, Digital Cement

Traditional marketing programs that begin with a creative brief developed around a product are missing the boat when it comes to connecting with today’s consumers, says Thomas Accardo, VP of Design for Digital Cement.

“The New Direct is strategy-led, not creative-led. The art-science balance is still key, of course, but quality, leading-edge customer data comes first. Then comes the analysis to make sense of the opportunities, which can uncover powerful insights about your customers. These ‘hidden truths’ then inform the creative strategy, which -- as always -- needs to hinge on fresh ideas executed in the right place at the right time.”

Adds Accardo, “It’s important to design your customer interactions as a dialogue that persists over time. You weave and adapt your business objectives in the context of that ongoing conversation.”

What to do now

To succeed in this brave new world, companies must:

Participate fully in new and emerging technologies to better understand the voice of the customer.

First, understand why you’re there and what value that technology might hold for your business. Then engage – or at least observe – your customers in their preferred channels. Speaking the “language” of your most valuable customers is key to effective communication, and social media takes us light years beyond the focus group when it comes to having an ear to the ground.



Take advantage of the fact that customers are talking to each other through social networking sites like Twitter and Facebook. Social media monitoring, for example, is just one of a number of growing specializations in the New Direct, and provides a means of identifying a company's positive and negative influencers.

Resist the “me, too” approach.

When it comes to emerging channels, jumping in for the sake of being there isn't likely to yield the desired result. “There's a lot of ‘me, too’ happening right now,” says Michelle Gorman, VP of Operations for Digital Cement. “Channels are actually changing ahead of the business purpose. The challenge for companies is to find out what that means for their business.”

Ask yourself why you're doing something. Is it a knee-jerk reaction, or strategic when it comes to your customers and their expectations? If you don't have a clear purpose and measurable goals, you're wasting your time and your money.

Look at the data you already have.

When it comes to customer information, getting it isn't the issue. “Organizations are drowning in data,” says Allan Dougall, Digital Cement's VP of Strategy. “The challenge is no longer about collecting data. It's about quickly drawing key customer insights that enable marketing decision-making.”

Understanding how to reach your customers informs all aspects of marketing -- channel strategy, resource allocation, budgets, timing and ultimately, return.

Learn how to integrate marketing approaches across a variety of channels.

If a direct marketing approach is driven by business strategy rather than creative strategy, then an integrated, multi-channel approach toward creating a superior experience for the customer logically follows.

Customers interact with companies through more touch points today than ever before. For example: A customer might read a retailer's billboard while driving and later visit the store in person to make a purchase. With her receipt she receives a coupon to use on the store's Web site. She visits the site, finds something that fits her price and quality criteria, makes her purchase and redeems her coupon. Feeling good about the site and the company, she opts to join its online community to share product feedback and tips. When she receives her online order by mail, it includes a sale catalogue along with a coupon she can pass on to a friend, which she does.

All of these touch points need to be integrated to ensure consistent messaging and an informed relationship with the customer. She expects it – and the company that can deliver will earn her loyalty and ideally, her recommendation.



“ Channels are actually changing ahead of the business purpose. The challenge for companies is to find out what that means for their business. ”

Michelle Gorman
vice president of operations, Digital Cement

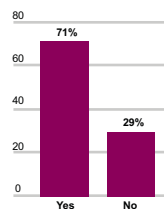
Apply the right metrics and analysis to measure marketing effectiveness.

In a recent global survey of marketing executives conducted by Digital Cement and the Peppers & Rogers Group, 71 percent of respondents indicated that they were involved in social media activities. Thirty-eight percent of those same respondents admitted that they had no measurement tools in place to track the effectiveness of those efforts (see figure 3).

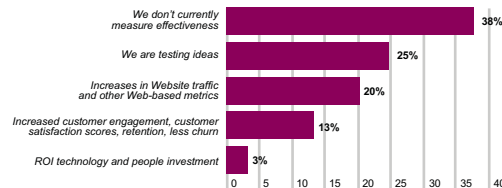
Social Media is emerging as an important part of the relationship marketing toolkit

Companies are involved in social media but they aren't clear on what to do with it

Are you currently involved in social media activities?



How are you measuring the effectiveness of your social media efforts?



> **Implication:** Companies should develop a strategy with clear objectives and measurable goals before they launch into any social media activities.

Source: "Relationship Marketing 3.0: Thriving in Marketing's New Ecosystem," 2009. Peppers & Rogers Group and Digital Cement.

Marketing without measurement is like sailing a ship across the ocean with no compass. Even if you have a map of your final destination, how will you possibly know whether you're on course?

The good news is that as quickly as new technologies are exploding in the digital universe, so too are the tools that will allow companies to gain the kind of customer data they've only dreamed about. In fact, the New Direct, by its very nature, is more targeted and more measurable than ever before. "For direct marketing agencies, we're seeing an increased drive toward strategic partnerships and the development of proprietary tools that will give clients the kind of competitive edge they're looking for," says Verma.





The New
Direct
Marketing

Add these to your acronym dictionary

CLV (customer lifetime value): Metric that evaluates the future profits generated from a customer, properly discounted to reflect the time value of money.

CCO (Chief Customer Officer): Reporting directly to the CEO, the CCO is accountable for increasing the profitability of the firm's customers, as measured by metrics such as CLV and customer equity, as well as by intermediate indicators, such as word of mouth. CCOs are growing in number, and play a critical role in creating a customer-centric culture.

Dedicate budget and resources to marketing innovation.

To ensure continued success in a constantly changing marketplace, marketers need to consider how the data they're mining and the strategies they develop will help to foster a culture of ongoing innovation. "Ideally, 70 percent of the marketing budget should be allocated for the activities you know are working, that have proven ROI," says Accardo. "Twenty percent should go toward emerging channel efforts where you've seen some return, with promising results. The other 10 percent of the budget should be funding smart, informed trials of new and emerging channels – because none of us knows when and where the next great marketing opportunity will present itself, but we all want to be there."

Hold your partners accountable for results.

You're accountable for ROI – are your agencies and marketing services partners? Ensure that your partners articulate a measurement plan that details expected results. Challenge your partners to put their money where their mouth is. Explore the emerging models of performance evaluation where agency compensation is based on value created or results generated.





FedEx OfficeSM: 360° Prospect Management

FedEx Office recognizes the power of getting the right message to the right customer at the right time in the right way. The company, which offers printing, packing and shipping services through a digitally connected network of more than 1,800 FedEx OfficeSM locations in the U.S., recently launched a multi-channel communications program aimed at attracting new small business customers and encouraging repeat business from existing customers.

The new initiative is designed to treat each customer or prospect differently, based on the tenure of his/her relationship with FedEx Office and past purchases.

"It is incredibly important to engage our customers when they are ready with the right message," says Esther Palomo-Meska, marketing manager at FedEx Office. "We want to be timely and relevant."

Built around the FedEx OfficeSM Business Services Discount Program, which many customers are engaged in, customized email messages are delivered on a monthly basis. The content and timing of email messages are coordinated with the local Customer Service Specialist, who is prepared to field inquiries generated from each message and who will actively follow up with certain customers.

"This program helps our Customer Service Specialists drive customers to FedEx Office Print & Ship CentersSM, and to use their FedEx OfficeSM Business Services Cards," Palomo-Meska explains. "Customer engagement has been twice as high as industry benchmarks, so our messages clearly resonate with our audience."





The New
Direct
Marketing

The future

Direct marketing as we knew it is gone. In its wake are companies struggling to adapt to a new, customer-driven world where the stakes and the game will continue to change rapidly.

This groundbreaking shift in corporate focus from shareholders to customers can't be ignored. It's the new way we must all operate, and marketers who can connect "face-to-face" with customers through New Direct approaches will become the driving force of tomorrow's most successful organizations.

Ask yourself whether you've made your customers the center of your universe. Are you backing your words with concrete, customer-focused processes? Are your budgets in line with your customer-driven strategy? Do you know who your most valuable customers are, and have you established ongoing conversations with them? Are you using their feedback to continually adapt your products and services? If an unexpected opportunity – or crisis – presented itself tomorrow, how would you react? Would you be able to connect with your customers in hours? In minutes?

It's time to challenge old tactics and old budgets. It's time to rethink strategies, to boldly innovate, to leverage new opportunities, and above all, to listen to your customers.

The New Direct is *your* future.

Are you ready?





The New
Direct
Marketing

Endnotes

- 1 Fredrix, Emily. "Pepsi not advertising in Super Bowl next year." Associated Press coverage on Google News, Dec. 17, 2009.
- 2 George, Lianne, and Maich, Steve. "The Ego Boom: Why the World Really Does Revolve Around You." Key Porter Books, 2009.
- 3 Weinberger, David. Blog post: "Markets are Networks."
<http://davidweinberger.sys-con.com/node/1186543>
- 4 Martin, Roger. "The Age of Customer Capitalism." *Harvard Business Review*, Jan.-Feb. 2010.
- 5 Bhalla, Gaurav; Moorman, Christine; and Rust, Roland T. "Rethinking Marketing." *Harvard Business Review*, Jan.-Feb. 2010.

