

Directing the market

Finding a spot in the sun is tough for brands these days. Amidst the clamour for attention is the equally deafening roar of a wide array of marketing tools and disciplines. It's a tough life. So why does the direct marketing (DRM) sector, the Cinderella of the marketing industry, think it's got the best odds?

By Annalize Rossouw

The marketing world is grappling with some slippery dynamics: shortened budgets; a market that's a lot more discerning and wants to be addressed individually; and advertisers who are demanding more and more accountability and proven ROI. This might be DRM's precise selling point. Not only is it more targeted, personal and trackable, according to the DRM professionals, but with digital technology as a tool, it's relevance to the current market is even more acute. "DRM is now at an important time in SA and the world. Things are tough out there and when

things are tough, DRM comes into its own," says Andy Owen, owner of Andy Owen and Associates in the UK. He backs this up with the fact that during the previous two recessions, DRM businesses took off.

It is agreed across the board that DRM's first port of call is as a database builder. But to believe that database building is its only function, is to miss the point entirely: DRM is all about eliciting a response.

"The starting point [of DRM] is database creation but once you've got it, you need to work it. Unfortunately, there are not a lot of companies that know how to do that well," is the opinion of The Media Shop director, Virginia Hollis. "In the old days DRM was used for getting a response and encouraging buying. But nowadays it's used for so many things."

As examples she points to brand building, tracking and enticing, adding: "It's particularly good with awareness campaigns. But then DRM gets dropped."

Anton Botha, MD of The Cheese Has Moved, holds a similar view. He says that DRM has been given a 'short-termist' reputation: marketers use the discipline to solve immediate problems but fail to see its long-term relevance. In fact, he goes on to speculate, "I believe many marketers are actually fearful of the accountability inherent in DRM, and so think of using it merely as another form of promotional activity."

One of DRM's big draw cards is its role in building closer relationships with customers. What Gloria Ruhrmund, owner of G3 Mobile, has found is that the mobile campaigns she creates for her clients engender two-way communication. This opportunity for relationship capital building is immense and she identifies it as one of the

chief aims of mobile campaigns. And with a more sophisticated market, 'relationship' is where it's all at. "The only way to keep them [clients] is to send relevant information to them and keep in contact with them. But when you're going into that, know that it's on a one-on-one basis: the information sent to them must be personal. That's their expectation, otherwise you get an 'unsubscribe' message," Hollis explains.

TIED TO THE PURSE STRINGS

If customers are becoming jaundiced at advertising, it's because they're tired of being objectified. And if brands are becoming more



Anton Botha



Gloria Ruhrmund



‘Wundering’ what it’s all about?

With measurability increasingly determining where the marketing budget goes, *AdVantage* spoke to Debi Loftie-Eaton, MD of Wunderman SA, to gain a deeper understanding of measurement in direct marketing (DRM).

What does the DRM industry currently look like?

DRM was historically criticised for generating unwanted solicitations and was synonymous with spam emails. But DRM has matured, and if carried out by professionals can be accountable, effective, and a modern method of distribution and advertising.

Globally DRM is growing faster than conventional advertising and is increasingly gaining marketing spend. It appeals to many savvy marketers based on the fact that its positive effect can be measured directly. Measurement of results is a fundamental element in successful DRM.

Why measure ROI in a direct response campaign?

It makes advertising accountable and enables marketers to best allocate budget to a set ROI through a holistic measurable marketing solution.

In addition, through ongoing review of campaign responses, marketers are able to select the most suitable channel, creative, messaging, timing, offer and audience to maximise the desired customer behaviour.

How, when and what do you measure?

It starts with the campaign brief. Objectives will drive relevance and expectations in terms of sales, leads and feet-in-store etc, and will affect the campaign mix such as channel selection, messaging, timings and cost efficiency.

Can anyone measure the ROI?

Yes, but as campaigns vary in context and objectives, there is no definitive standard formula to track the wide variety of results that can be achieved.

What are the standard measurement tools?

Generally, increased profit and sales will determine campaign success/ROI. However, cost per piece or cost per lead/sale will provide indications in the analysis.

What factors contribute to great ROI?

Clear insights into the customer need and providing a relevant offer delivered at the correct audience with a simple, single, clear call to action.

Which industries achieve the best results, if any?

Any industry can; however, responses differ in terms of campaign context and product value. For example, more credit cards may need to be sold to generate similar ROI to fewer vehicles being sold. Margins are relevant.

Is there a specific direct channel that is easiest to measure?

All channels can be tracked as long as there is a measurable call to action and the objectives of the communication elicit a specific response.

demanding of campaign results, it’s because they need to get more for their restricted financial investments.

“For clients,” Botha relates, “the challenge is the collapse of revenue and the need to get into new marketing disciplines when budgets are slashed. Simply cutting out whole swathes of marketing activities [causes] damage in the long term. Clinging onto the wreckage is one talent, but swimming forward against the current takes a whole lot more effort and resources.”

Dalene Muller, media intelligence manager at On The Dot, has observed that many of the company’s larger clients are dropping TV campaigns and opting instead for a greater investment in DRM.

Along with this reported subtle shift is a greater demand for proof of ROI. According to Hollis, clients are more and more asking for accountability, and how you measure ROI is therefore very important.

On the subject of ROI measurement, Botha is very sceptical: “We could write a book on this topic and have to re-edit it monthly. The situation is so unsettled at present that it is almost impossible to get a fix on what measurement parameters are relevant. Just ask a room full of economists! Until two years ago we were operating under given wisdom based on almost two decades of growth. Now we’ve had two years in which the business environment has been disrupted very badly and our given wisdoms no longer apply.”

Companies are making varied attempts at satisfying their customers’ demand for accountability. On The Dot, for example, has developed a system that allows their clients to access the agency’s system where they can track the campaign’s progress with regard to distribution and customer feedback.

DRM IN ‘TECHNO-COLOUR’

The golden child at the moment is certainly digital media. And the industry is singing its praises.

Hollis, for instance, states that with digital media tracking is easier than with traditional media, where you don’t get instant feedback on the success of the campaign. “Clients have that expectation now. Digital offers peace of mind that your campaign is performing – it’s one of the most measurable media types around,” she asserts.

Furthermore, Ruhrmund notes that the future of mobile, for example, will see it becoming an even more analytical tool with higher response rates, lower costs, and hence better value for money. To illustrate, she highlights the success of MYMsta.mobi, LoveLife’s WAP portal, which generally aims at uplifting SA youth. Its unique users grew by 6 500 users in four months.

Digital also goes some way in solving the problem where personalised, narrowly targeted campaigning is the name of the game.

Botha remarks: “We believe that the advent of mass-market communications technology is democratising the market place. For example, the use of text messaging to finely target even small groups of consumers with relevant information and promotions is bringing a huge new area for our industry to grow into.”

Hollis backs him up saying that digital is tailor-made for DRM, allowing one-on-one marketing where you can talk to the individual and not just the group. Ruhrmund adds: “You don’t get more marketing direct than with a cellphone. In 2008, the mobile advertising revenue was R1.6 billion and overtook cinema. In 2009, a 32% increase is expected but in my opinion we’re going to overstep that prediction.”

To this end, Grapevine Media’s director Grant Jansen has designed multimedia



(synergy) campaigns that include digital elements for his clients. He notes, though, that one needs to be careful to get all the aspects to work together harmoniously. "People are trying to spread their budget across different types of media and that's why multimedia campaigns help to create a better, more affordable campaign," he reports.

While digital heralds good news for DRM, it would be foolhardy to lump online and mobile/cellphone campaigns under the same name; the dynamics for each are very different.

"The social marketing people believe that digital is the wave of the future," comments Vikesh Roopchand, GM: business development at Primedia@Home. "But in this country there are over 5.4 million PCs, of which 2.9 million sit in the work environment. Also, we don't have true broadband in this country. We look at First World countries and believe that's the direction we're heading. But what will happen in this country is unsure."

Hollis cautions that mobile campaigns have limitations in that a lot depends on the type of handset, as different models have greatly diverging functionalities. And with cellphones being the communication medium of Africa, the range of handsets makes designing a single cellphone campaign a little tricky.

In addition, Roopchand notes: "With cellphones you still need a comprehensive database. The majority of people in SA have a pay-as-you-go package." He says that of the 50 million SIM cards in the country, 20 million are inactive and only 30 million handsets exist. "Only recently people have wanted to know who owns those cellphones. So who on earth are you marketing to and are sure you're sending the right message? If not, you're not a marketer but a spammer."

Ruhrmund offers a different take on the topic:

"Marketers don't understand the magnitude of the growth and the eventual value of digital. Why? I think a lot of agencies are very focused on traditional media. It takes a lot of knowledge to know the digital medium but it's not brain surgery. People just need openness and a desire to understand it."

Jansen agrees that the marketing fraternity tends to stick to the old: "Clients need to become more creative in the way they approach their campaign and where they can get added value. They're getting very confused as to what the different products are all about because so many companies are competing in the same space. We work with the agencies but it's important for us to talk to the brand managers so we can represent ourselves."

Hollis' views follow similar lines. Media agencies, she feels, can't do it all on their own, and the media owners and DRM agencies need to engage each other more.

TESTING, TESTING, 1 2 3

As budgets shrink, quality is often sacrificed. But when budget balances become the focus, the objective of campaigns bids a fast farewell. One of the areas of direct marketing being affected is campaign testing. Some of the experts interviewed gave their insights into research.

"Well, for years we have been leading clients towards the so-called new media, largely by getting them into small-scale test activities. The results have been carefully examined with the clients to ensure that we both understand why these tests get the results they do.

"It is all very well to know if you have a success on your hands but much more difficult to know the reasons why, because of the difficulty in indentifying consumer behaviour patterns."

Anton Botha, MD of The Cheese Has Moved

"For any marketer wanting to do that (digital) type of campaign, do the research: research the DRM company, check its credibility, experience and how long they've been in the market. Research the method of reach and how many consumers it reaches."

Julia Renouprez, GM: marketing/services, Primedia@Home

"When I first got into this business, we used to test everything. Through testing you can fine-tune all the time to see what gets the best response. You can't afford not to test, otherwise you're doing something without learning from it.

"Marketers have a preordained idea of what their audience responds to but they can make fools of you. That's why testing is important."

Andy Owen, MD of Andy Owen and Associates

"Upfront testing can be expensive, but the results can influence future marketing spend by providing clear benchmarks for upcoming campaigns, thereby generating better results with lower costs. Campaigns can be improved on during implementation, if results are not favourable. In the case of digital media, this can be done easily, cheaply and a few days into the campaign."

Debi Loftie-Eaton, MD of Wunderman SA



NEWS

SCANNING THE MARKET

Marketscan is a database research tool developed over more than 20 years by Primedia@Home. In getting their clients' message delivered to the correct audience, the system helps to pinpoint the correct market in residential suburbs across the country.

Marketscan's national database holds suburb-level demographic information that has been sourced and updated from census data, local authorities' records and Primedia@Home's own distribution outlets in 32 locations in Southern Africa. In this way exact numbers of distribution material can be disseminated to specific houses, RDP dwellings and flats. Of the 12 483 million households recorded for SA in the AMPS 2009A, 11 237 million are enumerated by Marketscan. The system also covers 768 000 households in Swaziland, Lesotho, Botswana and Namibia.

FROM SKILLS PUDDLE TO SKILLS POOL

The skills pool in the direct marketing (DRM) sector is often described as more puddle than pool.

And for a long time the specific marketing and management skills connected with DRM did not form part of any formal course of study. For this reason the Services Seta (SSETA), in partnership with the Management College of Southern Africa (MANCOSA), are in the process of establishing MBA and PhD programmes for direct marketers.

"In the last two years the Direct Marketing Association of SA (DMASA) partnered with SSETA to train individuals in DRM," says Vikesh Roopchand who is GM: business development at Primedia@Home and also a director of the DMASA.

Roopchand adds that the association has also recently negotiated with DRM learning institutions in the USA (which has the world's most advanced DRM network) for their material to be shared with South Africans. This, according to Roopchand, is a world first.

"The other DMA training product is the Mad Labs, which serve to bridge the gap between formal institution studying and going into the industry," he continues. "Industry role-players will mentor these individuals and they will take that knowledge into the mainstream sector."

R7.3 billion

- value of the direct marketing industry in 2007 (latest figures)

7.3%

- growth of direct marketing between 2003 and 2006

R29.1 million

- amount spent on direct mail per annum on weighted average

R1 500 million

- amount spent on catalogue mailings in 2007

PPI'S NINE PRINCIPLES EXPLAINED

A LOT OF MISUNDERSTANDING exists around the Protection of Professional Information Bill. Here, Christine Duval, board member of the Direct Marketing Association of SA (DMASA) gives a short overview of the nine privacy principles defined in the Bill.

The Bill has been tabled in Parliament to go through the required parliamentary procedures. Once signed, regulations will have to be drawn and infrastructures put in place, hence the expected compliancy timeframe for companies will probably not be before two years.

PRINCIPLE 1: ACCOUNTABILITY

An organisation is responsible for the personal information under its control and accountable for compliance with the principles.

PRINCIPLE 2: PROCESSING LIMITATION

The collection of personal information shall be limited to that which is necessary, adequate, relevant and not excessive for the purposes identified by the organisation.

Information shall be collected by fair and lawful means.

The information must be collected directly from the data subject, and the knowledge and consent of the individual are required for the collection, use or disclosure of personal information, except where inappropriate.

The data subject has the right to object to usage of information.

PRINCIPLE 3: PURPOSE SPECIFICATION

The specific, explicitly defined and legitimate purposes for which personal information is collected shall be made clear to the data subject at the time the information is collected.

The personal information shall be retained only as long as necessary for the fulfilment of those purposes.

PRINCIPLE 4: FURTHER PROCESSING LIMITATION

Personal information shall not be used or disclosed for purposes other than those for which it was collected, except with the consent of the individual or as required by law.

PRINCIPLE 5: INFORMATION QUALITY

Personal information shall be as accurate, complete and up-to-date as is necessary for the purposes for which it is being used.

PRINCIPLE 6: OPENNESS

The organisations must notify the commissioner of its gathering of personal information activities, and they will be entered into a register.

The organisation shall make readily available to individuals specific information about its policies and practices relating to the management of personal information.

PRINCIPLE 7: SAFETY SAFEGUARDS

Personal information shall be protected by security safeguards appropriate to the sensitivity of the information and integrity of personal information.

Breach of security must be reported.

PRINCIPLE 8: DATA SUBJECTS PARTICIPATIONS

Upon request, an individual shall be informed of the existence, use and disclosure of his or her personal information, and shall be given access to that information.

An individual shall be able to challenge the accuracy and completeness of the information and have it amended as appropriate.

PRINCIPLE 9: TRANS-BORDER TRANSFERS

Personal information must not be transferred to any foreign country unless the country ensures an adequate level of protection in relation to the processing of personal information. Lists may only be transferred to countries whose legislation regarding data privacy conforms to the United Nations and European Union Charters.

Exceptions: each principle is subject to exceptions, which will have to be very carefully studied. Exclusions and exemptions are furthermore possible for specific sectors in applicable circumstances. <



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Quote reference ADVOTD

R3 330 million

- amount spent on SMSs, including those with advertising links, in 2007

5-12%

- response rate of MMS advertising within 48 hours of receipt

90%

- increase in adspend on internet advertising according to AdEx

[Source: 2008 DMA DRM study]