

Quality replaces quantity

As the integration of e-mail, direct mail and search marketing gathers pace, DM agencies are best placed to interpret the data involved and send out quality, targeted messages. By David Reed

Business is booming in the direct marketing industry and confidence is justifiably high. Overall marketing budgets are being revised upwards in the second quarter of 2007, according to the IPA's Bellwether Report, and DM has seen the largest upwards revision in budgets for over a year.

The internet may have 6% of all marketing budget following the "flight to digital", but the integration of media is finally taking place as advertisers wake up to the effectiveness of combining e-mail, direct mail, DRTV, online advertising and search marketing.

Stuart Archibald, managing partner at Archibald Ingall Stretton, describes the last few years of rapid growth in search and e-mail marketing as like kids playing football – everybody chasing the ball and crowding a small area of the pitch.

"Clients are now bringing their dot-com arms back into the core business, like O2 and Abbey," he says. There is also a much greater awareness of the need to protect channels to market.

All of this makes media, brand and account planning more important than ever, with DM in the driving seat because it has the skills to integrate and interpret the data involved. Customer insight skills are critical and few pure digital agencies possess them.

This can even lead to a truth and reconciliation-type approach which admits that other options might be worthwhile. "In Skoda's case, TV is still the most effective for building the brand. But we also know people see the ad, get an e-mail, go to the Web to research the cars, then go to a dealership to buy," says Archibald.

The DM industry stands at the tipping point where digital activity becomes more dominant than



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offline. In the DMA/Future Foundation report published in July, "The Economic Impact of the UK Direct Marketing Industry", direct mail accounted for 26.1% of marketing expenditure while internet and e-mail took 21.5%.

But e-mail volumes have grown by 52% year on year and the report found that internet sales had increased four-fold to £52bn in 2006, compared to £17bn in sales attributed to direct mail.

However, Robert Keitch, director of media channel development at the DMA, argues: "There have been lots of reports that direct mail is

dead, long live e-mail. I don't buy it. There is a lot of experimentation and big players have recognised different opportunities.

"Direct mail comes into its own by using print media for extra brand out-take. You can touch, feel, even smell it."

Although an advantage for advertisers, the physical presence of direct mail is also controversial. Consumers see it as wasteful and environmentally unfriendly, while government ministers have mooted new regulations. To address these concerns, the DMA has just spent a year producing "Green Matters", its first guide for direct marketers.

BOGUS MESSAGES

But nine out of ten e-mail messages are spam, creating a different kind of pollution. Increasingly, consumers want tougher action to eliminate bogus messages. That is likely to make legitimate e-mail marketing harder to deliver.

"There is an increasing challenge over deliverability," admits Tom Morgan, managing director of EDR and chairman of the IAB's e-mail marketing council. "Advertisers, list

owners and agencies must be more strategic and smarter to get delivery. They can't rely on just distributing messages that have been developed for other formats."

The current direct marketing climate alters the underlying business model for agencies and suppliers. Whereas they once relied on a single channel for the majority of their income, they now need to be spread across a broader range. That is why most DM agencies have integrated digital propositions, rather than separate operations.

VOLUME MAILINGS

Tim Bonnett, chief executive at Tequila, recognises that the character of conventional DM is changing. "Historically, financial services have been one of the worst culprits for doing volume mailings. But they are now moving towards service-based messaging," he says.

By tracking customer activity, Abbey formulates individually-tailored offers. For example, if a customer is regularly overdrawn and paying a lot of charges, they may be offered a personal loan.

As Patrick Sargeant, managing director of independent media and data shop Response One, says: "Quality is the way forward. We're seeing an increased focus on quality, and that means a reduction in large-scale cold mailings."

This, in turn, is driving the demand for customer insight and analysis. Brand owners now acknowledge that the data they hold on customers is one of the greatest assets, and direct marketing is the most effective way of exploiting it.

Cheap, quick and easy marketing through digital channels may be superficially attractive, but the flight to innovation – which typified the last round of investment – has been replaced by quality material. ●