

Principles of Direct, Database and Digital Marketing

fifth edition



Alan Tapp
Ian Whitten
Matthew Housden

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The growth of digital marketing is the most important yet unpredictable trend in marketing today. How can the online world be harnessed by the companies of today and tomorrow to grow their marketing impact? What role do information and databases have to play in this system? And why do some non-digital means of direct marketing still remain so powerful?

Alan Tapp's successful text has long been a leading authority on direct marketing, and for this fifth edition he is joined by Ian Whitten and Matthew Housden for the most up-to-date book yet. The authors all bring great expertise across direct, database and digital marketing to provide comprehensive, compelling coverage of the key theory and debates of the fields.

Key features of the 5th edition

- Coverage of all recent developments in digital marketing, including analysis of the seemingly relentless rise of Facebook, Twitter and other forms of social media
- Thoroughly updated case studies covering companies and organisations from sports teams to car manufacturers and non-profits
- A new chapter on Data Protection legislation and its impact on marketers

About the authors

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Fifth edition

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Alan Tapp, Ian Whitten and Matthew Housden

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Preface to the fifth edition

In the five-year period since the fourth edition of this book (then entitled *Principles of Direct and Database Marketing: A Digital Orientation* and written solo by Alan Tapp), the world of direct, data and digital marketing has changed massively.

At that time, Tapp said in his preface that the discipline ‘seems to have plateaued out as a mature profession’. He was referring to the way in which commerce used data to drive marketing. But of course since then we have witnessed enormous changes, not just in data management or marketing strategies, but in technological advances:

- The rise and rise of social media (referred to as ‘Web 2.0’ in the previous edition) as a social, Internet and marketing phenomenon.
- The rise and rise of giants such as Apple, Amazon, Facebook, Google and eBay (each of whom are now worth more than many companies and have surpluses that are the envy of most governments).
- Mobile Internet has risen to prominence.
- Cloud computing promises to make a huge impact.
- 3G is becoming a thing of the past (the 4G auctions were held in 2013).
- Smartphones and other ‘mobile’ devices will prove the future battle ground for consumer engagement.
- The analogue TV signal in the UK being switched off, meaning all televisions there are digitally enabled.

And yet, other predicted trends have struggled to become reality:

- Companies are still not making as much use of location-based marketing as they could.
- Some ‘next big things’ have still to fire the public’s imagination: Foursquare seemed to come and go with barely a ripple, and Skype has been bought and sold more than once!
- ‘Red Button’ marketing on TV has not caught on as experts expected, largely due to the advances in technology that mean Web streaming of TV programming changes the way consumers interact with this type of content.

How much of some of these trends are down to the biggest economic downturn since the 1930’s is unclear. However, the recession has undoubtedly meant that it is more important than ever for organisations to get the biggest ‘bang for their buck’ that they possibly can, and here, ‘old’ strengths of direct marketing – cost effectiveness and measurability – still stand out.

It is tempting to see the future as exclusively digital, but this ignores the recent resurgence of the much maligned origin of the discipline, direct mail. Although slower than e-mail and a darned sight more costly, it is also more difficult to ignore, and a well-designed piece of direct mail can scream ‘read me’ at its target far more than a subject line on an e-mail. Perhaps rumours of direct mail’s demise have been exaggerated.

So what of the future? Will the proposed new EU-wide data protection legislation – with the right to be forgotten – be as bad for the industry as is believed in some quarters, or will it force marketers to think a little harder about how to do things more efficiently and effectively, as the previous round of legislation did? Will 4G take off, or will consumers not be prepared to pay the extra money? Will people finally get fed up of Facebook changing their terms and conditions and resetting our privacy options? Will the promise of cross channel attribution ever be delivered or will digital marketers continue to make many of the mistakes their analogue counterparts made decades ago? Are marketers and marketing able to embrace the full extent of the opportunities that new technology is offering the discipline? Only time will tell.

The development of the Internet and World Wide Web is challenging orthodoxy in politics, society, economics and commerce. In its own way direct, data and digital marketers are in the right place to lead the way for the marketing profession. This book is your first step in being a part of that success story.

New to this edition

The fifth edition sees Alan Tapp joined by Matthew Housden and Ian Whitten. Ian Whitten is an experienced former practitioner and now academic specialising in direct and database marketing. Matthew Housden is an academic and an Institute of Direct and Digital Marketing trainer and consultant. He has worked with many companies looking to implement direct and digital strategies within their overall approach to marketing.

The fifth edition has been extensively updated throughout. Digital and Internet content is now infused throughout the book, reflecting the way in which on-line marketing is now integrated within mainstream marketing.

There are new case studies throughout, some based on author experience and some supplied by some of the best practitioners in the business, including those from Tullo Marshall Warren and Ogilvy.

As you might expect, we have paid attention to the key Internet developments including the impact of Web 2.0, social media in general and Facebook and Twitter in particular.

Finally, there is a new chapter on the Data Protection Act (1998). This piece of legislation plays such an important role in any data activity that it was felt to be a necessary addition to edition five of this book.

We hope you find the book enjoyable and useful, both as a study aid and when you are in practice.

Alan Tapp, Matthew Housden, Ian Whitten
March 2013

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Screenshots

Screenshot 11.1 from Google screenshot – search for ‘Adventure holidays’; Screenshot 11.2 from Screenshot from Hastings Hotels web site, http://www.hastingshotels.com/index.cfm/website_key/4/index.html.

Tables

Table 1.3 from WARC, AA 2012; Table 2.1 from Director of Compliance Operations, DMA, 2003.

Text

Exhibit 3.3 from Segmenting according to lifestyle needs: Harley Davidson, *Journal of Targeting, Measurement and Analysis*, 4 (1), pp. 337–62 (Swinyard, W. R. 1996); Exhibit 4.1 from Acxiom UK, 2011; Case Study 4.2 adapted from a slideshow delivered by Tim Harford, Head of Donor Care and Community Fundraising at Depaul UK, on 02 March 2011. Charity case study – iHobo, [Online] Available at: <http://resources.mediatrust.org/events/think-mobile/charity-caste-study-ihobo>; Exhibit 4.4 from The Direct Marketing Guide, Teddington: IDM (Fairlie, R. 1998); Exhibit 4.6 adapted from <http://www.themarketer.co.uk/articles/case-studies/the-national-trust/>; Exhibit 4.12 from Acxiom UK (2010); Exhibit 4.13 from Alan Mitchell, www.rightsideup.net; Exhibit 6.1 from Mass Customization and Open Innovation News, published and edited by Frank Piller; Case Study on page 213 from Alan Tapp and Mihir Warty, Sport England; Exhibit 6.12 adapted from Dig deeper into the database goldmine, *Marketing Magazine*, 11 January, pp. 29–30 (Marsh, H. 2001); Case Study 7.1 from Case Study written by Dr Tim Hughes; Case Study 9.1 adapted from Harding, M., 2012, www.wherethehellismatt.com/about; Case Study 10.2 from Bolger, M., Case Study: Barclaycard Freedom, <http://www.themarketer.co.uk/articles/case-studies/case-study-barclaycard-freedom/>; Case Study 10.4 from Publicis Dialog; Case Study 11.1 from Harrison Troughton Wunderman and client Xerox; Exhibit 11.7 from Mashable 2012, <http://mashable.com/2012/11/27/siri-chevrolet/>, Copyrighted 2013. Mashable, Inc. 102589:813PF; Exhibit 11.12 from Hastings Hotesl Group – Battle of Hastings 2005–06: how email marketing overcame heightened competition to generated increased room occupancy and return on advertising investment for Hastings Hotels, Institute of Practitioners in Advertising, IPA Effectiveness Awards, 2007; Exhibit 11.21 from Extracts from Script for the Red Cross Gulf War Appeal, British Red Cross; Exhibit 12.2 from News International Commercial, 2012, News International Case Studies, <http://nicommercial.co.uk/times-media/case-studies/california-tourism>; Case Study 12.2 from Barda, T., 2009, Case Study: Gillette, <http://www.themarketer.co.uk/articles/case-studies/gillette/>; Exhibit 12.8 from B. Quinton (2006) ‘As seen on the web’, www.directmag.com; Exhibit 12.15 from Andy Nairn and Matt Buttrick (2007) Trident (Metropolitan Police) – making a small budget go a long way, Institute of Practitioners in Advertising, Grand Prix & Gold, IPA Effectiveness Awards, 2007.

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PART ONE

Introducing direct and digital marketing

What is direct and digital marketing?

Objectives

Once you have read this chapter you will:

- have a clear view of what direct and digital marketing is
- understand its importance in contemporary marketing
- understand its role within the wider marketing framework

Introduction

In this chapter direct, database and digital marketing will be introduced. Direct marketing is widely misunderstood and the common areas of confusion are addressed early on. A clear vision of direct marketing as a complete framework for a specialised form of marketing across multiple channels both on and off line will be developed. The reader will probably be familiar with typical general marketing techniques, so these are used throughout as a foil to provide a clear sense of how direct marketing, whether in the physical or on-line worlds, differs from mainstream marketing. The concept of digital marketing is introduced and a case is made for the incorporation of digital techniques within the direct paradigm.

Finally, the reasons for the recent explosive growth in direct and digital marketing practice are analysed.

1.1 What is direct and database marketing?

1.1.1 A distinct marketing system

Direct marketing is simply a way of doing marketing. You may already be familiar with the core philosophy of marketing, summed up by Kotler *et al.* (2009) as:

'Marketing is the societal process by which individuals and groups obtain what they need and want through creating, offering and freely exchanging products of value with others.'

This philosophy is exactly the same for direct marketing. So where does direct marketing differ from general marketing?

Direct marketing is a method of marketing based on individual customer records held on a database. These records are the basis for marketing analysis, planning, implementation of programmes, and control of all this activity.

In contrast, general marketing is structured around the creation of brands for each product, and the attainment of market share for that product. The very first marketing department, set up by Colgate Palmolive in 1938, contained that classical department structure: brand and product managers, group product managers, and so on.

In comparing these two approaches, the advantage of the direct marketing framework is that 'the use of the database forces a natural focus on customers rather than products'. Modern direct marketing thinking, for example the Institute of Direct and Digital Marketing (IDM, 2012) holds that it is better to understand one's customers as 'individuals' in more detail than to build up product brands. Direct marketing also encourages us to think in terms of customer relationships with the company – are we talking to 'new prospects' or 'loyal, established customers'? In this respect, there is a natural alignment between direct marketing and 'relationship marketing'.

If the first tangible difference is the database, the second is that direct marketers market to customers with the aim of 'attracting a direct response'. Direct Line Insurance gives you a phone number or website to respond to after seeing its adverts. Direct marketers will often contact customers directly through addressable, one-to-one media. *Marketing Week* magazine will e-mail customers whose subscriptions have run out to ask them to renew, at the same time offering them an incentive to respond quickly. Direct marketers may also distribute direct to customers, missing out the retail link in the chain. Laithwaites, the direct wine company, does exactly this.

What about digital marketing or marketing over the Internet? Much of this is direct in nature, most uses a database, and some is traditional brand building. The mistakes made by digital marketers in the early days of the Internet mirror problems that have always faced marketers. The use of poorly targeted e-mail led to the creation of a new meaning for the word spam and effectively killed a wonderfully cost effective and potentially powerful acquisition medium. This is not so different from brand marketers using broadcast media to target potential customers. Equally, the successes enjoyed by digital marketers are often determined by the use of tried and tested direct marketing principles and techniques that have always looked to target the right individuals with appropriate products, offers and messages at the right time delivered through the right media and channels. Indeed it could be argued that the Internet acts simply as another medium alongside, say, TV, or a channel for service distribution (easyJet tickets), or a marketplace all of its own (eBay). The detailed techniques for managing the medium are new and different but this is not so different from when marketers had to re-engineer their skills to deal with TV or other new media. Of course, for marketers whose skills were formed in the analogue world this new medium has produced challenges and disruption. For consultancies and trainers it produces benefits and opportunities. But it remains the case that many of the principles and some of the techniques used over the net are the same as, or similar to, those used in the physical world.

So far so good. But the problem with the previous descriptions of direct marketing is that, although they are often used to explain the discipline, they do not quite get to the heart of what direct marketing is all about.

In fact, the key to modern direct marketing is the capture of individual customer details at the first sale, so that the marketer can begin a relationship with that customer, ‘subsequently treating them differently’ over time in order to generate repeat business (see Figure 1.1).

So, if someone texts you an offer to get money off your next cinema ticket, or you join an on-line dating agency, or the charity volunteer leaves an envelope at your home for you to make a donation, or you receive a coupon through the post from Persil to redeem at your supermarket – a lot of this may be described as direct marketing. But it is argued here that direct marketing in its fullest sense happens only when the customer’s name, address and details are taken, and the subsequent marketing to them changes as a result.

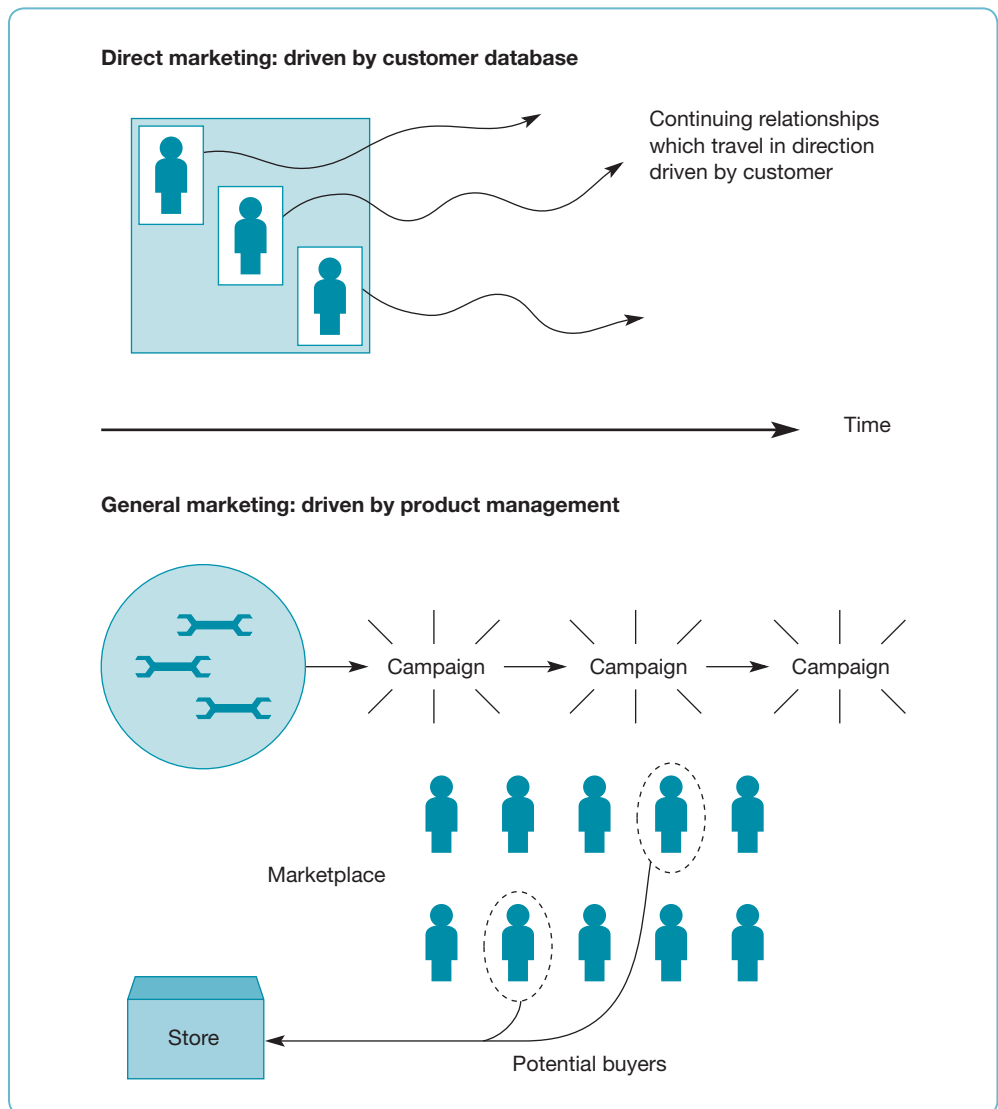


Figure 1.1 Direct marketing: a way of doing marketing

Let us consider the charity volunteer who leaves an envelope at your house for you to make a donation. The volunteer returns three days later and merely picks up your donation without noting your address, or indeed noting your contribution in any way. Although some may describe this as direct marketing, only in the most basic way (direct contact with an individual) can it really be described as such.

At the other end of the scale, it could be argued that the purest form of direct marketing is that practised by business salespeople. What do good computer equipment salespeople do having made the first sale to a company? Forget all about that company until they next have a shortfall on their targets? No, they stay in constant touch, learning more and more about that company's computing needs. Then they will make the company further offers that they know will be relevant to it. Good salespeople will be constantly learning about their customers' individual needs in depth, and will adjust their own product and service offers as far as possible in order to meet customers' needs. An ongoing relationship is established between salesperson and customer, and any changing needs are acknowledged and met. Direct marketing seeks to emulate the sales/customer relationship as far as possible, by gathering personal details, communicating individually, and wherever possible adjusting offers to individual taste. Morris Hite, the great Texas-based ad man said this:

'Advertising is salesmanship mass produced. No one would bother to use advertising if he could talk to all his prospects face-to-face. But he can't.'

The goal of all good marketing is to create this sense of connection and intimacy; to create the feeling in our prospects that makes them believe 'yes, this is for me' and to inspire them to act on that belief.

Exhibit 1.1 Ebookers.com

If you buy a flight or holiday on-line these days you get an e-mail confirmation and e-printout to take to the airport. This saves money, but makes it harder for ebookers.com to stay in contact with customers who have just booked. So their agency Stephens Francis Whitson produced a nice piece of creative marketing to stimulate further bookings. It used the customer's name to create personalised city guides based on their booking destination, all done in very high quality to ensure customers valued the guides. These were direct mailed to customers. Ebookers recognised that they have difficulties encouraging loyalty, with customers typically 'Googling' for cheap flights rather than automatically repeating their behaviour. The use of direct mail to customers who had booked was innovative, obtained nearly 2 per cent response directly back in extra sales, and won a Precision Marketing award.

Source: Stephens Francis Whitson.

1.1.2 Direct marketing: a discipline within marketing

Direct and general marketing philosophically start out from the same place. Direct marketing is a discipline within marketing and has as its goal the same aims as general marketing: that is, championing the customer as the primary focus of the business. Direct marketing's rightful place is within the marketing department, adding leverage to the overall marketing effort, and often working alongside other disciplines in an integrated fashion.

1.1.3 The distinctions between direct, database and digital marketing

At this point we can begin to address the differences between ‘direct’ and ‘database’ marketing:

- **Database marketing.** This is using a database to hold and analyse customer information, thereby helping create strategies for marketing. There is a big overlap with ‘direct marketing’.
- **Direct marketing.** This focuses on using a database to communicate (and sometimes distribute) directly to customers so as to attract a direct response. There is a big overlap with ‘database marketing’.
- **Digital marketing.** This broad term encompasses any marketing aimed at consumers using digital channels, from general advertising to closing a sale. Much of this (but not all of it) is direct in nature. The broad principles with off-line direct marketing hold firm, but the techniques change.

In the majority of practices, however, direct, digital and database marketing – whether on- or off-line – are brought together into a direct marketing system:

- **Direct marketing systems.** Database, digital and direct marketing can be brought together to provide a complete, alternative method of marketing analysis, planning, implementation and control. These words have been carefully chosen, and we will see that direct marketing systems have distinct strengths in all four of these marketing activities. This complete direct marketing process is the primary focus of this book.

The use of terms in this book

As we progress through the chapters, the slight distinctions between database, digital and direct marketing will be drawn out. However, given the overlaps, we will avoid clumsy use of language by using the term ‘direct marketing’ as shorthand for ‘direct, digital and database marketing’ or ‘direct marketing systems’.

Before we move on to full definitions, let us clear up a few misconceptions about direct marketing.

What direct marketing is *not*

The first place that you may have encountered a mention of direct marketing is in a general marketing textbook or in a marketing magazine or blog. Unfortunately, none of these sources captures the entirety of direct marketing systems. Mainstream marketing texts, for example Brassington and Pettitt (2007) (and also marketing communications texts, e.g. Fill, 2009, De Pelsmacker *et al.*, 2010), as well as the syllabus of the Chartered Institute of Marketing (CIM), tend to view direct marketing as confined to the marketing communications mix, while database applications are ignored almost completely.

Meanwhile, the marketing trade press often refers to direct marketing and direct mail interchangeably. Worse, a set of euphemisms, such as ‘loyalty marketing’ or ‘interactive marketing’ have emerged (often used by direct marketing practitioners seeking to capitalise on emerging trends) to describe direct marketing. To cap it all, the popular press (and marketers can partly blame themselves for this) sums it all up as ‘spam’, ‘junk mail’ or ‘cold calling’.

The following section clears up the main misconceptions about direct marketing.

Clearing up misconceptions

Direct marketing is part of marketing communications.

This is widely believed, but unfortunately it is inaccurate. The discipline of direct marketing began in mail order, which is primarily a method of 'distribution' rather than communication. Indeed it is this functionality of the Internet that is harnessing the skills of direct marketers in acquiring the best prospects and retaining the best customers. Direct marketing systems run through databases, the primary functions of which are capturing, maintaining and, most importantly, analysis, with an additional role as orchestrator of communications. Lastly, direct marketing, via database analysis and the generation of management information and customer insight, has a key role to play in strategy creation, as we will see.

Direct marketing is called something else.

Throughout the marketing world, across different subjects and within the academic and practitioner worlds, words are used sloppily. The word 'marketing' itself is thrown around by various groups to represent totally different things. How many times will you read in a marketing trade journal 'Joe Smith has been moved from advertising to a job in marketing'? But you thought advertising was 'already part of marketing', right? Er, right. But marketing professionals use descriptors any old how. Here Joe Smith, by moving into 'marketing' has presumably moved into what academics would call 'sales promotion', whereas some practitioners might call it 'promotion'. So, promotion = sales promotion then? Er, no, not that simple. Because professional marketers will use the word 'promotion' in many different ways: is 'promotion' not one of the Four Ps (product, price, place and promotion), covering advertising, sales promotion, PR, and so on?

'If you would speak with me, you must define your terms . . .'

(Voltaire)

This utter confusion is, unfortunately, just as prevalent in direct marketing. You may have come across direct marketing, database marketing, CRM (customer relationship management), direct-response marketing, relationship marketing, one-to-one marketing, data driven marketing, loyalty marketing and interactive marketing. These are all used by direct marketing practitioners to mean much the same thing.

The only way to cope with this situation is to define each term carefully before using it.

Direct marketing equals direct mail.

Even experienced practitioners often fail to distinguish between the two terms. Direct marketing is a discipline within marketing – a system of marketing. Direct mail is merely one of the media, although an important one, that direct marketers use. But direct marketing is also practised on-line, through the press, the telephone, and a host of other media.

Direct marketing equals junk mail.

Junk mail is direct mail that is poorly targeted, patronising, of low quality, or a mixture of all three. Unfortunately, junk mail is pretty much as widespread as it ever was, and has without question damaged the industry. Financial services, in particular banks, credit card and insurance companies, are the main culprits – and in this age of environmental awareness these people should be called to account. But there are also plenty of well-targeted, relevant and attractive direct mail programmes, which customers describe as 'letters from the company'!

Having (hopefully) dispelled some myths, we can now move towards a more rigorous definition of direct, digital and database marketing.

1.2 Defining direct, digital and database marketing

Direct (and digital and database) marketing is a rather complex collection of principles and practices that together make up an entirely 'self-contained' choice for marketers. We can unravel this complexity by looking briefly at the history of definitions for direct marketing and then moving clearly towards a single definition.

Bird (1989), a practitioner of worldwide authority, originally defined direct marketing as:

'any activity which creates and exploits a direct relationship between you and your customer as an individual.'

This definition is widely quoted, perhaps because of its compelling simplicity and broad, inclusive nature. Bird has widened out direct marketing from being merely part of the communications mix to something that can develop 'relationships' with customers.

The reader should note that other definitions of direct marketing around the world are plentiful. In contrast to the view that direct marketing is a way of doing marketing, commentators in the USA seem to agree on a definition that positions direct marketing as a part of the communications mix rather than as a strategic framework (Baier, 1985; Katzenstein, 1992; Nash, 1995; Roberts, 1989; Stone, 1996).

Some writers have split direct, digital and database marketing, emphasising the use of the database as an information tool for strategies but, in practice, the majority of data driven marketing leads to direct marketing programmes (e.g. Experian, 2008). It is also a fact that most digital marketing is data driven. In this book, then, we will concentrate on a combined view of direct and database marketing.

Newcomers to the discipline might benefit from taking on board the central core of strategic direct marketing:

Direct marketing happens when individual customer details are captured and kept on a database, thus allowing that customer's needs to be better understood over time. This enables subsequent approaches to the customer to be tailored according to that customer's specific needs.

This book is about direct marketing as a complete marketing system through which analysis, planning, programme activities and control are all practised. We can, therefore, more fully define direct marketing in the following way:

Direct marketing is a way of acquiring, keeping and developing customers and, in doing so, meeting the needs both of customers and the organisation serving them. It does this by providing a framework for three activities: analysis of individual customer information, strategy formation and implementation such that customers respond directly.

The first part of this definition springs from Levitt's (1983) famous assertion that

'the purpose of business is to create and keep a customer.'

This neatly captures the notion of direct marketing as a customer management system.