

The Institute of Direct Marketing  
Internet World White Paper

“Direct Marketers will inherit the Internet  
World”

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## ***Direct Marketers will inherit the Internet World***

The business agenda at Internet World 2005 suggested something that a few people have believed for many years: The measurable, accountable disciplines that underpin direct marketing are supremely adept at exploiting every facet of digital marketing. Indeed, it will be the direct marketers, not the technologists, who will drive the online marketing world in future.

### **It's been a long time coming.**

Until relatively recently direct marketers have been tolerated as a useful but uninspiring group of practitioners by the marketing community. Yes, they could tell you how much it cost to acquire a new customer and maybe show you which ones may not buy in future, but that's not the really exciting stuff is it, people said?

Big budgets were spent above-the-line on glamorous national press and TV campaigns. Fortunes, even general elections, were won and lost on poster sites. And when a daring client asked for "a bit of direct" there was always the option of popping a coupon in the corner of a press ad, or sneaking a phone number at the end of a TV commercial.

It took a recession in the 1980's for marketers to sit up and take notice of the anoraks in the direct marketing department. As budgets shrank and boards demanded more accountability for marketing spend, the direct philosophy struck a chord. The wisdom of testing became apparent; whilst Lord Lever pondered over which half of his advertising was working, direct marketers were able to demonstrate which list, offer, creative and format were working best and tune channels to optimal marginal response cost models. Direct Marketing had arrived!

### **So what's all this got to do with Internet Marketing?**

A lot. The impact of direct marketing thinking on traditional advertising models was significant. At the very least it encouraged advertisers to explore the direct relationship route, for some it enabled interesting media multiplier models to benefit all of their marketing activity, and for other clients it provided a more cost-efficient route to market.

Internet Marketing has done the same thing to traditional marketing models. Some clients are dipping a toe into the online waters, some are using it to drive retail traffic or improve direct marketing performance, whilst others have recognised that it could be a new, cost-efficient route to market. And, best of all, internet marketing is a direct marketer's adventure playground! Before we look at this in more detail, it is wise to look at what has happened on the consumer landscape...

### **It's the customer, stupid**

Online marketing isn't so incredibly powerful simply because a bunch of technologists come up with some neat marketing tools. That was a problem in the late 1990's but things are different now. People are online in such numbers that the internet is a mass medium. This has been enabled by reducing costs and increasing efficiency of computing power and telecom connectivity: Over 50% of homes are now wired for the internet and web-enabled PC's are priced within the reach of

middle England. Now that people can access the internet, the technologists' toys have some use for marketers.

But before diving in to the sexy marketing tools at our disposal we must remember the medium is there for people to use and people are changing the way they live because of it:

- ***people just keep talking to each other.*** As the internet has grown, more and more people are using it keep in touch. The marketplace is not a real shopping mall or high street, but a “series of conversations” as The Cluetrain Manifesto explained back in 2000
- ***information is everywhere.*** The more people you have online, the more they want to share ideas, tips, experiences “Information just wants to be free” Nicholas Negroponte wrote in 1996 and this has certainly been a trend
- ***the Death of Distance.*** The title of Frances Cairncross's book says it all – but it's still a compelling read! The 21<sup>st</sup> century will be shaped by the ease we can transport information, in as radical a way as the 19<sup>th</sup> century was changed by the transportation of goods and the 20<sup>th</sup> century by the transportation of people
- ***knowledge is Power:*** With access to technical specifications, pricing and delivery at your fingertips you can select providers of goods and services with great certainty. Barriers to purchase fall and propensity to spend rises. If you know all about a product, you're more likely to buy it
- ***I want it now:*** Why wait for a product information pack to turn up in 5 days through the post when you can download a PDF right now? And if you want to buy something at 6:00am because it suits you to do it then, go right ahead
- ***where are they?*** Media fragmentation is speeding up off-line, but online it accelerates at a phenomenal pace. It's getting harder to find your customers because of all the on-line places they could be hanging out, as it were
- ***the bar is getting higher.*** There are just too many good online experiences these days for the mediocre ones to thrive. People have come to expect fast-loading pages, easy to read text, simple navigation, personalised content, online booking. The likes of Amazon, British Airways and Dell have made it more difficult for weaker sites to compete

It is against this backdrop that marketers must sell more products, more quickly and more cheaply. And this is where direct marketers weave their magic.

### **Measurability and Accountability**

Anything and everything a direct marketer wants to do off-line he can do online, only quicker, more cheaply and with greater measurement. Direct marketers know how to acquire and retain customers cost-efficiently and that is invaluable experience in the online world. So how will these direct marketing skills be used in the online space? Wherever you look there seems to be an opportunity...

### **The Test and Roll cycle**

Drayton Bird, a pillar of the UK direct marketing community, famously said that direct marketing was “the art of losing money in very small amounts”. In short, you come up with an offer, or a list test, or a new product and you set out to establish what elements of the campaign work and what can be changed to work better. You don't bet the farm until you have spent some time and money testing elements in a scientific

manner. Indeed, it is as well to remember what John Caples said way back in the 1920's:

*Accept nothing as true about what works in advertising until it has been objectively tested.*

So, for decades direct marketers have been testing and rolling, testing and rolling, testing and rolling. Gaining insight into what works and what doesn't. And in the online marketing space this is beginning to be the rhythm of life. As we'll see later, the principles of testing are woven pretty much into all the disciplines online marketers undertake, and those that do it best will thrive.

### **The Power of Relevance**

Another critical part of the direct marketing discipline is the art of establishing a relationship by being relevant to the recipient. Unlike mass media, where you must dilute your message to appeal to as many people as possible, direct marketing was all about tuning a message to an individual's life. The trick, as Peppers and Rogers defined it in 2000, is to "establish relationships with customers on an individual basis, and then use the information you gather to treat customers differently".

This involves segmenting data into discrete groups and then using personalisation technology to make each message as engaging as possible. But off-line personalisation comes at a cost – there are only so many variables that can be tuned to each recipient without crippling the cost-per-response model. Digital printing technology takes the direct marketer closer to the "one-to-one" goal but costs are high and some pack elements cannot be truly personalised.

### **The Fusion of Relevance and Testing in Online Marketing**

We now understand how "relevance" is critical to delight customers and how "testing" is critical to optimizing financial performance, but how does online marketing take this fusion so much further than traditional direct marketing?

Let's look first at relevance. The internet is become a channel of personalised experiences. At the highest level there is a proliferation of content that makes it possible for people with the most esoteric of tastes to find suppliers of products or services. This is similar to the increasing fragmentation of traditional media, but taken to a dramatically higher degree. In newsagents you could pick up a magazine to help you source a new camera, or a car or a holiday but online you will find specialist sites in niche market positions. How many pages does Google search for you – this is what their homepage says in June 2005

©2005 Google - Searching 8,058,044,651 web pages

Bear in mind that Google does not index all web pages so there may be over 10 billion pages of information out there catering for every facet of human endeavour – now that's what I call relevance!

The proliferation of web sites and the staggering number of pages held across the world are perhaps the less important part of the relevance story. Now we will see how these web sites tune themselves to give people their own, personal version of each page.

## **Content delivery – customise or die**

Many experienced internet users are aware of what can and can't be done with personalisation. Yes, some sites will hold static pages delivering specific information, but the really exciting experiences come when sites configure pages based on what they know about you. And the more personal, relevant and enjoyable the content, the more time somebody will spend on the site, and the more valuable they will be worth. Let's look at what can be done...

There is plenty of technology out there catering for dynamically-created pages and an application to suit every pocket. However, let's have a quick look at the principles involved because once again they are grounded firmly in direct marketing.

The first requirement is some kind of data about a site visitor. We can call this the segmentation part of the process. In order to segment you need some variables on a person and the more successful direct marketers understand (because they've tested it), which variables they need to make the most impact. Some of the data for web page customization is inherent in the visitor click-stream – what site they came to your site from, for example. For other, possibly more powerful variables you will have to work a bit harder.

Cookie-based content delivery. You do not need to make people fill in lengthy questionnaires to be able to recognise them and vary their site experience accordingly. Text files can be placed on visitors' machines and you can link the site behaviour to each cookie. Remember that cookies do have some limitations – the main one being that they only work at "machine" level and may wrongly recognise "people" who share access from one PC. Once you know the limitations you will be able to build up a string of visit history from which to personalise successive journeys

Registration-based content delivery. Asking people to part with some personal data will give you more control over how you treat them differently. Cookie-based tracking may infer that somebody is a younger consumer interested in city break holidays, but if they have given you their age and travel intentions this can be acted on with more confidence. However, all direct marketing is only as good as the data it feeds off and we will see in a minute how combinations of site visit history and registration data can be most powerful.

## **Building the personalisation story**

Now things get interesting. We need to use our skills as direct marketers to interpret data about which people are to serve them content we think will make the site more profitable. We will also need to test different versions to see if we can create ever-increasing returns.

You will be limited in how you treat people differently in your ability to think creatively and/or by the technology your site is based on. At Internet World there were a large number of specialist content providers; whilst the scale of these organisations may have scared novice internet marketers you need to grasp this nettle and consider investing in proper personalisation systems – until then your web site will be stuck in the "one size fits all" category.

## **Taking the plunge into Content Management**

Enterprise Content Management systems take the need to personalise one step further and embrace all content across an organisation. This means that you have a wide array of content options to display visitors, and are all co-ordinated through a central database.

*With all internet technologies, it is wise to explore what tools are out there. Using inadequate systems will compromise what you can do, and finding a better tool will open up a world of new opportunities.*

Content management tools do not just manage your information portfolio, they can add to the visitor experience and make your site more profitable. At Internet World it was interesting to see the number of companies encouraging us to integrate search and content management. All too often companies pay for click-throughs and drop people onto a page that is not optimised to their needs. More planning, better technology and better testing will yield higher conversion rates as you shorten the path to purchase.

## **Making your acquisition campaigns more successful**

Allow me to indulge in direct marketing principles once again. Improving campaign performance involves applying what you know works to your next campaign and testing the right elements to deliver improvements. This is instinctive for wily old direct marketers but, judging by the content of many seminars at Internet World, still leading edge thinking for digital marketers.

Let's take landing pages. Many digital marketers build landing pages to receive traffic from campaigns. Most of this traffic arrives with some kind of source code, maybe even some additional variables. This is the first opportunity to personalise your site. Make the greeting appropriate to where they came from acknowledging that they have found the site from a search enquiry or through a partner site - you're trying to create a seamless journey from initial enquiry to purchase.

Now you need to get them somewhere else – to a booking page, to request a trial of a product, or to print out a coupon. Direct marketers say we should now analyse each of the critical elements and test different executions to see which one works best. In direct mail this would involve a potentially complex and time-consuming matrix matching lists, offers, creative executions against each other in a statistically controlled test. After about 6 weeks you may discern some winners and losers through this testing and you can then roll out the winning combinations

## **It's real-time direct marketing**

With content management and web analytics systems you can dynamically test landing page elements and the winning combinations with configure themselves before your eyes! You need to tell the system what elements you are testing – creative, location of text on page, offers and so on – but the software does all the difficult stuff.

*In 72 hours you will have tested a range of variables in combination and your web site will already be serving the optimum combination to maximise ROI*

This is about as exciting as life gets for direct marketers. Gone are the long lead times for production, the risk of operational mistakes and the chance for error in results interpretation. Better still, you are delivering your best performing content in hours rather than weeks and that will feed through into more profit, faster.

So, every page you build on the web can now be configured to adapt its appearance for each visitor. Testing is fast, cheap and accurate so you will be able to things faster and cheaper than you can off-line. The fusion of relevance and testing will deliver more profit, more quickly to organisations that wake up to the possibilities.

### **Where do we go from here?**

You have now seen that the currency for online marketing success is data.

- Data about individual visitors
- Data about page performance
- Data about site performance
- Data about test performance

You will also have seen that it is about applying direct marketing principles to your data:

- Measurement
- Testing
- Relevance
- Accountability

It is also about understanding and deploying the right digital technologies:

- Content Management solutions
- Web analytics solutions
- Search Marketing Solutions

Interestingly, all of this is available to every digital marketer but so few companies are getting it right. So what else do you need to thrive? In my opinion, having worked in the online space for 6 years and the off-line direct marketing space for 12 years before that there are a few things the very best companies add to the list above to create success – a passion for exploring new ideas and a commitment to training their staff.

### **An impassioned plea to take more risks.**

Drayton Bird told us that direct marketing is the art of losing money in very small amounts, so we can minimise risk at every turn through testing. But we have also seen that there is a new, digitally enabled customer out there who may not respect your traditional retail and call centre-driven view of the world. Marketers are the visionaries of an organisation and they must see into the future and anticipate how technology will alter the way they sell products and services.

Get out more. Read books. Talk to suppliers of technologies. See what people are doing in other industries. Be naïve. Ask questions. Explore possibilities. Think “non-line marketing” because people don’t care whether you’re working above or below, or on or off, it’s all just marketing to them

The companies that will win in this space are the ones who know how to think in a new way. You may not be able to re-align your marketing team to a multi-channel

world but you can make friends with your brand management team, or your Sales Director, or your Direct Marketing agency. Push cultural boundaries and get people to work on projects together. These are the risks that won't cost money. They may be uncomfortable. You will find out who really slows your organisation down, but if you don't try and move things forward you never will.

### **An impassioned plea to learn.**

With the right technology and the will to take a few risks you have a good chance of making your digital marketing fly. But you need the right knowledge, and eventually the right experience, within the organisation. The fastest way to up-skill your teams is to invest in training. This can be as simple as attending free seminars, possibly put on by a supplier or trade organisation, and will address a specific topic. It may take the form of a one or two day course run by one of the training providers in the market. Or, if you really want to be successful, get yourself onto the Institute of Direct Marketing's new digital marketing qualifications – the Certificate for hands on-marketers and the Diploma for those shaping the future of digital marketing.

### **Why the Institute of Direct Marketing?**

They have been championing the cause of direct marketing training for two decades and we are blessed in this country to have Europe's finest direct marketing skills organisation. Their new positioning of Direct Data Digital perfectly embodies everything about the future of marketing and how companies need to beef up their understanding of data-driven direct marketing that is digitally delivered.

### **And so to the future...**

Internet World 2006 will be co-located with the International Direct Marketing Fair. Now there's an interesting thing. Digital marketers will be rubbing shoulders with providers of direct mail personalisation technologies, data analysis tools and lists. It will be a chance for direct marketing people to peep behind the curtain of digital marketing and recognise that it's just direct marketing. Except we know it's much, much better than that. It's faster, cheaper and better. So you see, direct marketers will inherit the internet world!

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