

Direct Marketing

Want better DM yields? Ask your Internal Comms Department

Direct mail must be the only area of marketing where a 98 per cent failure rate is considered a success. Clearly there is room for improvement and Ian Buckingham argues that DM needs to clean up its act if it is not to become the environmentally unacceptable face of marketing.

Internal communication has long been perceived by some as the grubby sub-species of marketing. They're wrong. Even in the dark jungle of direct mail there's much that the marketers can learn from their inward-facing colleagues.

I love direct mail, but only now the cold weather is here and I often need to light a fire. It's prolific, portable and the expensive paper burns well. So thanks must go to some well known financial services brands which seem to have very thick skins and admirable stamina and persistence.

They have coveted me from afar to the tune of several thousand pounds down the years, but I am afraid we're just never meant to be. I guess I'm not alone in preferring the less is more, attentive charm offensive to the bludgeoning stalker. So why do they keep coming back for more?

Statistics will have us believe that this 'throw enough mud at the wall of indifference and eventually some of it will stick' approach to DM is escalating because, frankly, it works. I have my doubts, but let's look at some recent stats from the Direct Mail Information Service (www.dmis.co.uk):

- For every £1 spent £14 is generated
- The overall volume of direct mail has increased by 87% in the last 10 years
- 5134 million items were mailed in 2005
- 67% of consumer direct mail is opened, 45% is opened and read
- 32% of consumers had responded to direct mail at

least once in the past 12 months, with 42% saying they had at some time made a purchase

- The average consumer spends approximately £577 through direct mail per year
- Of the £27 billion spent, just over 50% - or £13.6 billion is spent on clothes, while books account for £2 billion, electrical goods £2.4 billion with £1.4 billion spent on household items

Opinions about response rates vary but 2% appears to be the most often repeated statistic.

The figures imply that, despite response rates, DM is something of a happy hunting ground, certainly for classic product sales. But there's no mention of DM within financial services.

As consumers, I guess we can conclude that, given the volumes we receive, DM **must** be financially viable for most players within the FS sector. Even if you take these numbers with an artery-busting dose of finest rock salt (and I do), there's 'something rotten in the State' of DM. In an age when we're becoming increasingly conscious of waste and pollution in all its many manifestations, surely there's a better way? If DM is financially viable on the existing yields – just think about the potential if it was done well!

Phillip Kitchen, widely published thought leader and Professor of Strategic Marketing at Hull University Business School, corroborates the growth in this element of the marketing mix.

"Direct mail is the third fastest growing area of marketing communication, behind interactive marketing and brand PR/sponsorship. DM generated 20% of all UK

marcom expenditure in 2004, significantly ahead of the European norm - compared with 40% for advertising, 16% for PR/sponsorship, 16% for sales promotion, and 8% for interactive."

But as any CEO worth his salt will tell you, growth in spending doesn't always equate to achievement of marketing objectives. As Professor Kitchen points out, there is a widespread and recognisable trend that:

- much of direct mail material is directed toward the nearest round file that comes to hand
- consumers and customers are fast growing intolerant toward 'nuisance communications'

The latter is a sentiment I can certainly relate to as I constantly delete unsolicited e-mails, block infuriating pop-ups or switch TV channels, all to escape what I consider to be ham FS advertising. It strikes me that seemingly legitimate direct marketing (including direct mail), is increasingly being tarred with the same brush as the swelling volumes of bogus, often criminal activity polluting the communication highways and byways.

At the very least, there's little doubt that in the overcrowded world of marketing clutter - DM has become a highly visible symbol of clumsy courting rituals. Judging by the rainbow of flashy leaflets that bedeck the floor of commuter train carriages alone, many other target customers are voting with their litter.

I pondered this phenomenon with our Creative Director, Phil Morley, who has been behind some of the most exciting visual communications we've developed over the past few years. In an attempt to articulate what we see as the barriers to engagement within Financial Services Direct Mail, we have coined what we're calling the **SIX Is**.

- Immoral – it's a polluting waste of precious global resources, not to mention the energy of those producing it and the patience of those bored enough to read it. It is increasingly used in sound bytes when we talk about paper waste because those low percentages mean most people are going to put it straight in the bin. There are plenty of other marketing activities that create such perceived wastage, but DM is the irritant at large.
- Illogical – financial services are complex, so why are we getting DM which is too long, too complicated, badly designed, and simply daring us to direct it towards the hearth? Why don't they just get to the point with some sincerity and make it easy to respond/connect to a human being? The demise in relationship banking and the rise in the status of the call centre operative must, at least partly, be behind the recent rise in financial services DM. How many customers now choose to respond to direct mail rather than face talking to someone they perceive as adding very little value?

- Illiterate – it's cliché-ridden, lacks authenticity, 'too clever by half', is full of FS speak and is often patronising - pictures of smiling families taking their kids for a walk with the dog over sun drenched sand dunes. Please!
- Inane – I genuinely feel sorry for the poor people who have to implement it, write it, design it and follow it up. On a business trip to the call centre of

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an investment bank which had just launched a new credit card, open warfare was evident between marketing in London and the Northern call centre staff. Call volumes had suddenly quadrupled, mostly complaints, and the plucky staff, mid conversation with clients, had to constantly second-guess the latest gimmicks and deals promised by their southern colleagues. Needless to say their statistics (and bonus potential) nose-dived. Oddly enough I haven't seen many call centre staff applaud the latest silver platter, swizzle stick, length of tantalising wool or anthropomorphised packaging dreamed up by an agency to get noticed, win awards and generate calls at any cost!

- Intrusive - My financial situation is a highly personal piece of knowledge. The details are known to very few people, and even my wife might not know the full picture. It is right up there with family secrets. So getting mail that tells me I have been pre-approved to do my bit towards supporting our personal debt mountain galls. When I reflect on the call that I received on the birth of my daughter stating that I have a personal duty to provide for her future welfare so I should have looked at their letter, is it any surprise that a vein still pops up on my forehead?
- Inappropriate - We are all different so taking an impersonal scattergun approach is only going to be of interest to those who fit the median profile. And look what happens when the profiling goes slightly wrong or doesn't react to counterbalance shifts in the economy – crippling bad debts and chastening PR - as Barclaycard is currently suffering.

So what's the answer? Phillip Kitchen suggests that in this area, much depends on the extent and currency of

information on customers and their financial needs, to ensure the relevance and readability of such materials.

Good DM is reliant upon:

1. A clear understanding of target markets associated with current market data
2. Careful targeting of DM with propositions likely to be of value to said markets at an appropriate time
3. Linking of DM with other promotional mix elements in terms of integrated marketing communications
4. Pre-campaign and post campaign analyses to improve subsequent efforts.

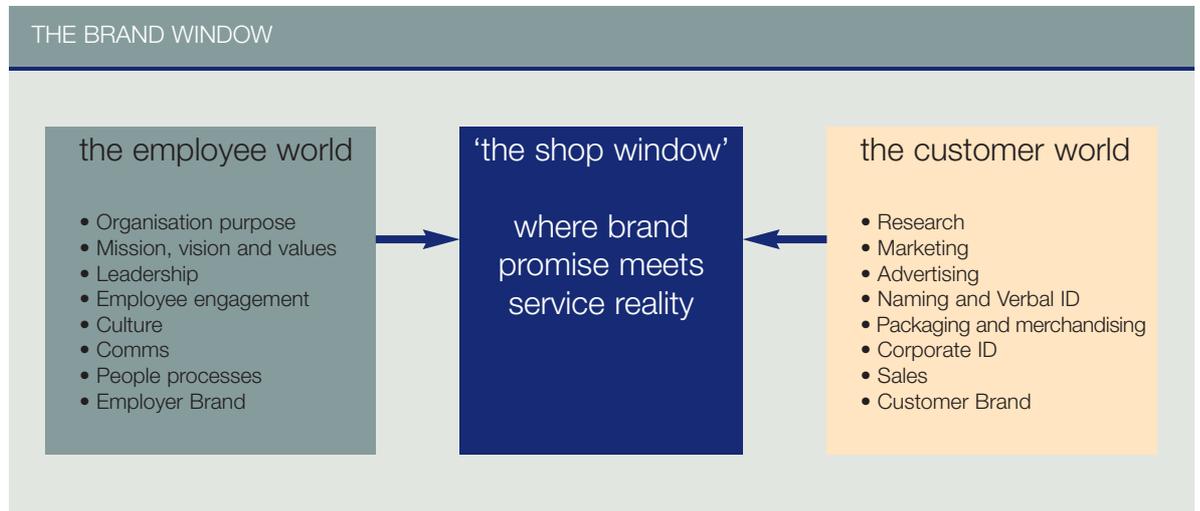
This means that financial services companies must become much more diligent in ensuring they are not tarnished with the brush of nuisance communications.

In short – as in any successful relationship – they should listen a whole lot more and talk a whole lot less. This is a key competency area in which internal communication practitioners are increasingly moving ahead of their external-facing peers.

Internal audiences made up of your peers and colleagues are tough. They sit at the business end of the corporate looking glass, they live and breathe the culture,

- Helping a major retail name undertake a consultation process involving a number of different unions and 100% of their staff base. The retailer managed to successfully renegotiate key elements of their benefits package during the critical Christmas run-in. The cost of failure would have crippled the business. The communication campaign was exceptional and involved a mix of very well crafted written communication for a very mixed audience mailed to their homes, remote communication and face-to-face meetings with key representatives, a people panel and Town Hall sessions fronted by members of the Board who were coached in engaging communication methods.

- A staff share scheme marketing campaign for a leading financial services name, which significantly out-performed expectations in terms of uptake. We achieved these figures by creating a People Panel who acted as our consultation eyes, ears and conscience, helped to target relevant communication channels and co-authored key communications, including an advertising and direct mail campaign which was followed up by two-way team briefings.



they are the culture. They can't be fooled for long by glossy ads and glitzy packaging however fancy your externalised employer brand may be. If you're going to engage them in your message and generate a positive result you need to be entertaining and above all credible and sincere.

At the Bring Yourself 2 Work Fellowship, we operate across sectors helping leaders engage effectively with their staff to service the needs of their customers and deliver on the promises made by their brand. We've partnered with clients on some very successful internal marketing campaigns in recent years, each with a strong DM element. These have included:

- An employee communication programme for an investment bank, which began as a simple benefits review and planned internal PR exercise but culminated in an Employer Branding project and resulted in a significant fall in employee turnover and clear impact on staff morale - as measured by their employee survey.

Before highlighting the best practices in these examples, it's worth considering what the DMIS suggest are the key learnings from their own research:

Top reasons which would be likely to increase consumer interest in direct mail

- I'm already a customer/have dealt with the company - 73.4%
- I feel its relevant to me - 72.3%
- I have heard of the brand name - 69.4%
- I am interested in/considering this type of product/service - 68.4%
- It is correctly addressed - 67.5%
- It looks like it contains a free sample - 62.9%
- It has the name of the company on the envelope - 62.6%

Direct mail is one aspect of a stakeholder engagement strategy. What we can learn from our experiences within the internal communications market is that, in order to be effective, direct mail must be:

Tailored – This comes from not treating everyone the same and taking time and effort to understand the multifaceted nature of the audience - not just demographics, but psychographics. Customers will want to know why this, why me? They want to feel respected, special and that means you have to ask them and listen to them. If you're going to invite customers into the local branch for a savings and investment review, for example, try getting their name right on the letter, follow up sensitively and, as a minimum, be aware of the products they've already bought from your group.

Authentic – A large proportion of customers are going to see straight through spin and smoke and mirrors. The story has to be told in the right way with the right tone, by the right people. Immediate line managers are the best communication source by far within the internal market. How are you using your account managers and customer-facing staff to support the DM process?

Simple – If it can't be said in three sound bites or less then don't say it at all. Better still, don't just say it – show it in action or let the audience discover it for themselves. Give them a taste, a feel, a connection. Its a bit like posters, you have got a handful of seconds to deliver your message or its all over. Is it really that difficult to send customers a tailored illustration rather than a four-page bulletin of generalised rates and scenarios, most of which bores them to death?

Fresh – So much financial services DM is formulaic, safe but dull. Why not use a trusted adviser to pull together a panel of target customers and, most importantly, a team of staff to use the points in this article as a springboard for innovative ways to connect meaningfully with your neglected audience?

Story-based – Perhaps more than any other sector, financial service providers are with us from cradle to

grave. Consumers develop allegiances based upon a strange fascination with the evolution of certain pet brands, sometimes with the belief that being a loyal customer will reap dividends. Too much Direct Mail appears oblivious to this shared journey of customer and brand. Storytelling is a basic communication skill and is increasingly being used within organisations to help manage change and build employee support for fresh strategies. Why not bring the power of storytelling to bear in the DM market through a clear, simple message hierarchy and sequence and clear and simple call to action?

Ethical – Underestimate the growing power of the consumer conscience at your peril. Is the wasteful 'mud slinging' approach really preferable to investing more time and effort upstream to ensure higher yields for reduced waste?

Followed up – There's little point crafting fine words and design if the processes and behaviours supporting the interpersonal element undermine your efforts. Have plans in place to deal with success. Focus on skills development in basic relationship management skills and beware out-sourcing to specialists who may not share your culture, values and beliefs. (I'm amazed by how often this happens.)

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Whatever we feel as consumers about this specialist area of marketing expertise, statistics suggest that direct mail is here to stay. In fact, in an age when we're witnessing the erosion of interpersonal relationships with financial service providers, direct mail may well become the fallback communication of choice.

But what will it take before the marketing community realise the under-exploited potential of this communication tool? Within the internal communications realm, external catalysts like the European Information and Consultation Directive and high profile Brand disasters of an Enron or Barings scale helped to open up the eyes of leaders to the power of employee engagement.

In the ongoing battle for financial services brand supremacy, will increasing regulation and legislation be the ultimate catalyst or will someone finally understand the power of listening to customers? Answers by return of post please! □

Ian Buckingham is founding managing director of Interbrand Inside and founder of Bring Yourself 2 Work.