

TRENDS

September 23, 2004

Direct Marketers: Put Your Money Where Your Mouth Is

by Tim van Tongeren and Jaap Favier

EXECUTIVE SUMMARY

European direct marketers are increasing marketing budgets by 3% in 2005 compared with 2004. They spend almost as much on new media as on traditional media. Despite the fact that they expect the Web, email, and mobile marketing to become even more effective, they are not about to change their media mix. That's a mistake: They should align their spending with media effectiveness, if only to gain experience.

RESEARCH CATALYST

We examined the findings of Forrester's direct marketing survey, which we conducted jointly with the Federation of European Direct Marketing (FEDMA) in Q2 2004.

DIRECT MARKETERS ARE BULLISH ABOUT NEW CHANNELS

On aggregate, the 124 European direct marketers that we interviewed expect their budgets to grow next year by 3% (see Figure 1-1). How will they spend their budgets?

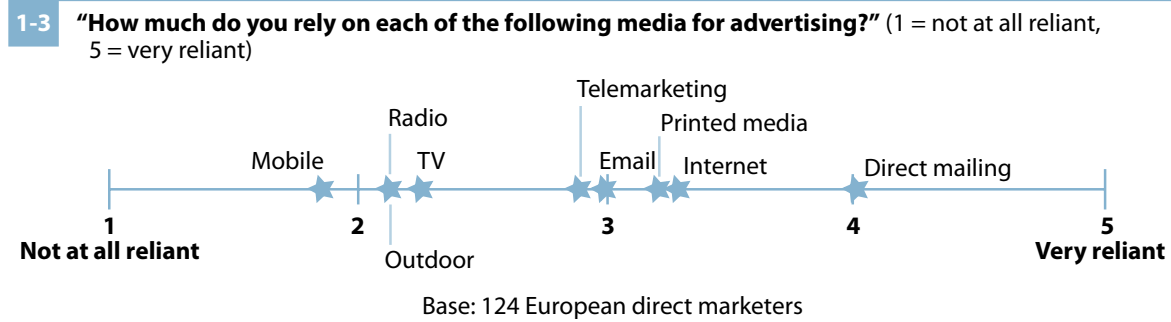
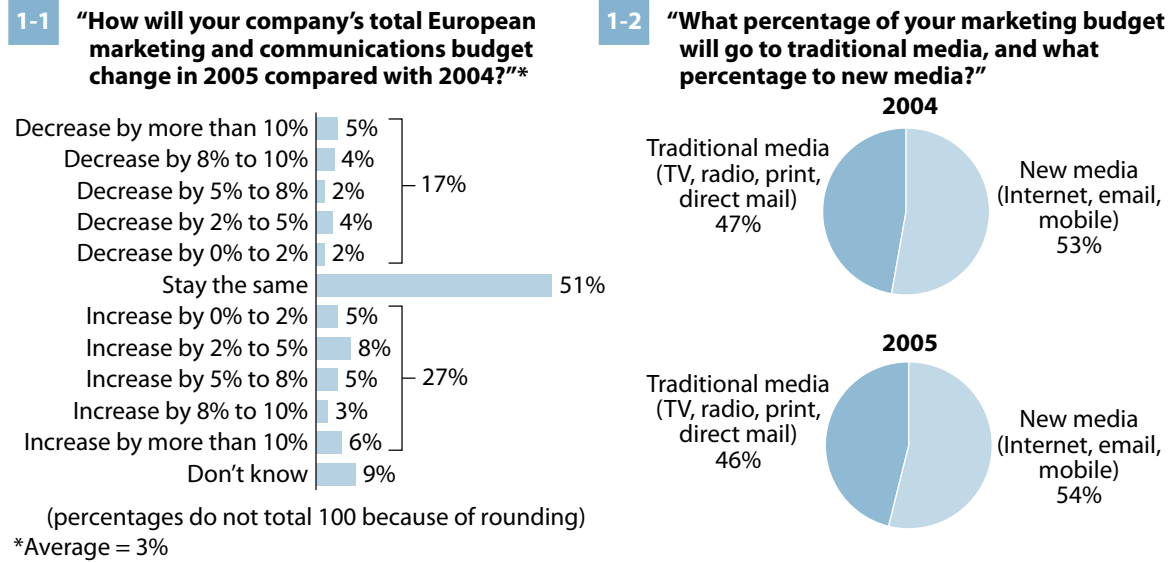
- **Traditional media attract the lion's share of marketing budgets.** Our respondents today spend about 47% of their marketing budget on new media like the Web, email, and mobile marketing (see Figure 1-2). They expect the mix to remain roughly the same in 2005.
- **The Internet has moved into second place.** Our interviewees mainly rely on direct mail in their marketing campaigns (see Figure 1-3). But the Internet claims the second spot for media reliance: 45% of direct marketers use banners or search marketing tactics to promote their products or services. SMS marketing hasn't fully convinced marketers yet: Only 7% have a mobile component in the marketing mix.
- **Interviewees expect traditional media to decrease in effectiveness.** About one in four of our respondents expect TV and printed media to decrease in effectiveness in the next three years (see Figure 2-1). More than three in four believe that the Net, email, and mobile marketing will increase in effectiveness.



Headquarters

Forrester Research, Inc., 400 Technology Square, Cambridge, MA 02139 USA
Tel: +1 617/613-6000 • Fax: +1 617/613-5000 • www.forrester.com

Figure 1 Direct Marketing In Europe: Budgets And Media Reliance



Source: Forrester Research/FEDMA Direct Marketing Survey 2004

Source: Forrester Research, Inc.

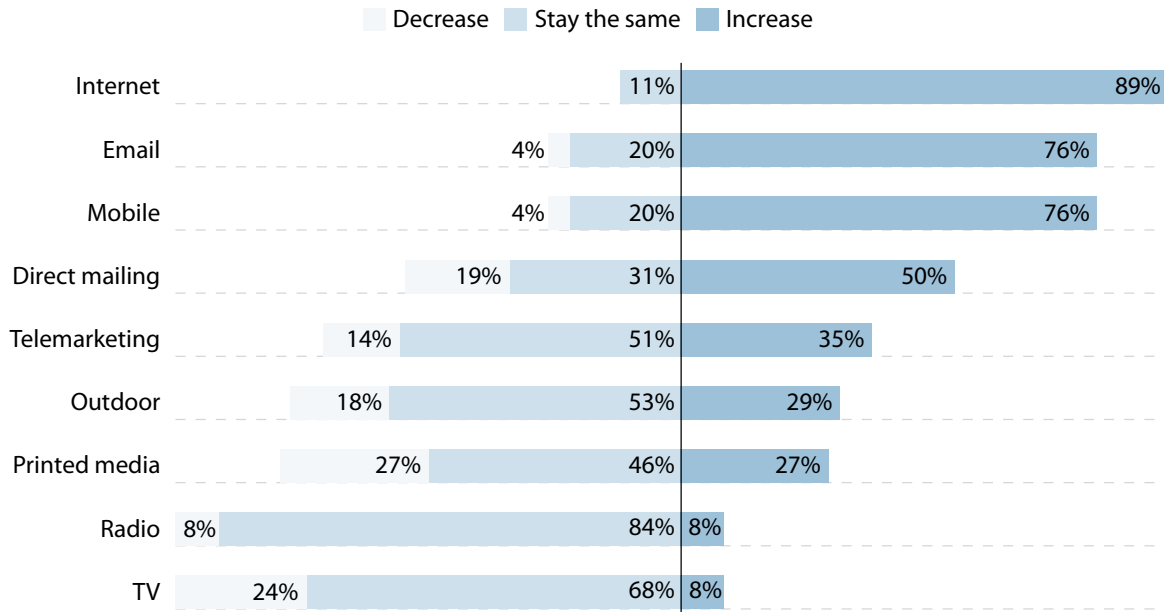
- **Every channel has a sweet spot.** According to our interviewees, electronic channels are better at generating sales leads and collecting consumer data, while TV is best used to create sustainable brand awareness and image (see Figure 2-2). Direct mailings are still popular: They score highest for building brand loyalty, generating sales leads, communicating sales leads, and gathering consumer data.

EUROPEAN DIRECT MARKETERS CAN'T STOP NOW

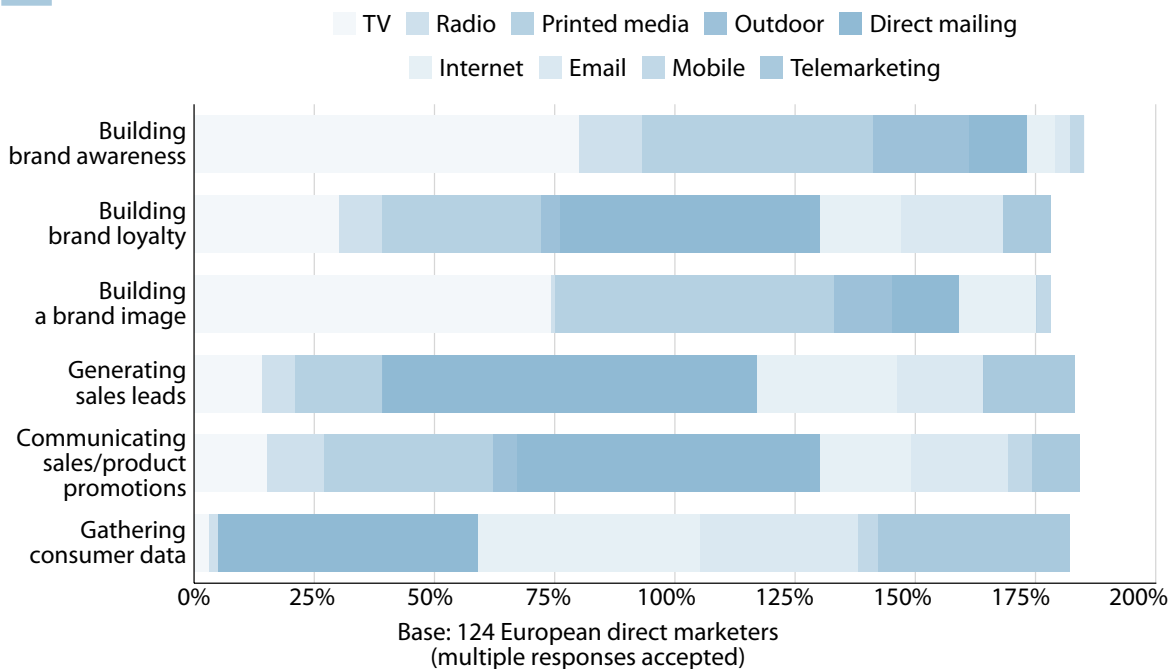
Direct marketers are making a big mistake in not increasing their new media spend. Granted, they have come a long way — putting the Net above printed media, and email above telemarketing, for example — but it is too soon to take a breather. If they expect these media to become even more influential, they should raise their stakes in them now because:

Figure 2 Direct Marketing In Europe: Media Effectiveness

2-1 "In the next three years, do you think that marketing's effectiveness will increase, stay the same, or decrease for each of the following media?"



2-2 "Which two media are best at achieving each of the following marketing objectives?"



Source: Forrester Research/FEDMA Direct Marketing Survey 2004

Source: Forrester Research, Inc.

- **Internet and email campaigns bring good ROI.** Recent research by the DMA in the US shows that email has the best ROI, beating direct mail and telemarketing.¹ Philips took notice: It will spend 10% of its brand campaign on achieving “sense and simplicity” online. Big brands like Nike and L’Oréal have advertised first on the mobile and Web channel to learn what the effect of the commercial is and who watches the ad before approving mainstream broadcasts — thus raising their returns.
- **Successful multichannel campaigns integrate media.** Choosing the right mix of marketing channels requires a rigorous approach in which marketers and planners consider the pros and cons of each medium — and, in particular, the right combinations.² This means that a smart marketer doesn’t set his media mix at the start of a year but makes an educated decision for each individual campaign, based on the target audience’s media mix, the message, and the campaign’s objective.
- **Multichannel success doesn’t come easy.** You don’t become a new media marketing strategist overnight. “Legal” opt-in email lists take time and effort to develop, and SMS campaigns require an atypical mindset: think location-based, simple, and timely. Mineral water brand Vittel used the text-to-win tactic: It placed a short code on the label of thousands of bottles at the London Marathon to build up a database of hundreds of sports fanatics for future mobile advertising campaigns.

RECOMMENDATIONS

DIRECT MARKETERS: BE PREPARED TO ASK FOR ASSISTANCE

Direct marketers have to boost their integrated marketing skills now. To capitalize successfully on the advantages of integrated marketing, direct marketers should:

- **Seek help from experienced professionals.** Direct marketers should hire email and mobile marketing specialists like DoubleClick or Flytxt to avoid typical rookie mistakes, such as sending SMS messages at night or on the weekend or using the word “free” in email subject lines and thus falling foul of ISP spam filters.
- **Find true integrated marketing agencies.** Direct marketers must judge marketing agencies and their integrated marketing skills critically. Nearly 75% of the marketing agencies we surveyed claim to support multichannel campaigns. How can you find the right agency? Compare their earlier integrated campaign successes; demand specific proof of relevant success metrics; listen carefully to their pitches — and show agencies that boast about expected click-through rates the door kindly but quickly.³ However, agencies that can show an auto firm like Audi the number of car buyers that start the buying cycle by applying for a test drive online after clicking on a banner should get your full attention.⁴

SUPPLEMENTAL MATERIAL

Methodology

Forrester conducted an online survey of European direct marketers in cooperation with the Federation of Direct Marketing (FEDMA). We pulled our respondents — marketing practitioners at companies or marketing agencies — from the member databases of national Direct Marketing Associations in Europe and surveyed them via email or newsletter. Forrester fielded the survey in May and June 2004 and motivated respondents with a free copy of the results. We made the data representative by weighting it on national direct marketing spending relative to Europe's total direct marketing spending. The sample includes 124 direct marketers who work in a company and 220 direct marketers who work for a marketing agency.

ENDNOTES

- ¹ Source: The DMA 2003 Response Rate Study; visit <http://www.the-dma.org/research> for details.
- ² Marketers want to follow consumers across channels. To run a successful integrated marketing campaign, they should take three steps: media profiling, scenario selection, and real-time tracking and adjusting. See the September 25, 2003, Report “The Guide To Integrated Marketing Success.”
- ³ The declining effectiveness of traditional marketing tactics, consumer privacy regulation, and the desire to use every interaction to deepen the customer relationship are driving marketing and service together. Contact centers should relinquish control over the customer interaction — via phone, email, chat, direct mail, or self-service — to a marketing executive who owns and manages the overall customer experience. See the April 9, 2004, Forrester Big Idea “Why Marketing Should Own The Contact Center.”
- ⁴ Marketing is entering a new phase that transcends the mere coordination of messages across digital and physical channels. In this era of integrated marketing, advertisers will knit messages and media to involve consumers in a continuous brand experience. See the February 27, 2003, Brief “The Essentials Of Integrated Marketing.”