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Back to the Future

Presented to the DMA Global Symposium

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Introductory slide: Thank you for inviting me here today to talk to you about something that is a passion of mine: Direct Marketing.

From the perspective of working 25 years in the industry, in three countries; being part of a global agency, working on both global and local brands; and recently serving as a Board member and Chair of the Canadian Marketing Association, I have a perspective on what the salient issues are facing the Direct Marketing business today. Your program today addresses many of them including in-depth discussions on Online Fraud, Information Sharing, and the Environment. My talk is not intended to be a deep dive into the legislative implications surrounding the issues, but is meant to identify what they are and also the growth opportunities these challenges pose for Direct Marketing. My view is gleaned from the front row privilege of bringing marketing solutions to a wide variety of the world's greatest brands, understanding the challenges they face today and what they must address in the future.

The Way We Were Slide: Ever since I first filled in for the Direct Marketing Manager's maternity leave at the publishing house I worked for in New York, I have been a passionate, sometimes aggressive, never

apologetic, proud Direct Marketer. From the first A/B test I did—orange cover vs. blue cover for Yale University Press’s remainder catalogue I have known this was the kind of marketing that resonated with me. Right brain. Left brain. Creative. Analytical. Professionally, Bi-polar if you will. It suited me just fine, even though, as recently as 5 years ago, this wasn’t the sexiest marketing business to be in.

Direct marketers, were relegated to “Below the line” status (I’ll come back to that in a minute). On the client side of the equation, Direct Marketing was usually something an ambitious Product Manager or Marcom had to do a quick tour of duty on to round out their resume enroute to becoming the CMO. This time in Direct Marketing was usually accompanied with a great deal of impatience and trying to fit DM into a very comprehensible advertising box “Do you have to make the 1-800 number that prominent?” “Why don’t we get more lifestyle shots on the space and not make the offer so large?”, etc. etc.

In the agency world being a Direct Marketer usually meant you were a department in a larger Advertising agency and brought in at the last minute on new business pitches or at the clients insistence to show how the overall “brand idea” would look on an envelope. After your five minutes of new business fame, you were sent back to the direct marketing—read direct mail department—never to be contacted

again—until the next client or new business pitch wanted to know how the idea would look on an envelope.

I do not offer this up with a hint of bitterness, just amusement at the very recent past. Because for those of us working the Direct Marketing world, it truly didn't matter. We knew we were engaged in something so compelling, so connected to business results, that it was an elixir all its own. The fact that you were the Dr. Skinner of your own behavioral science lab; changing copy, creative, messages, offers, product line ups and measuring within a .002% the impact that had on human behavior was truly empowering. We learned a lot in those days, when everything was tested. And the measureable business results were what kept all of us in the business.

Seismic Shift Slide: Then, a seismic shift occurred and everything in the marketing landscape changed.

Town Crier Slide: In rapid time—less than 10 years—the marketing landscape has shifted from the dominant marketing of the last half of the last century which I refer to as the Town Crier model that interrupted our lives as we gathered around the great hearth of the home—the television set. “Hear ye. Hear ye. 11:00. All is well. Eat at Joes. Buy Crest Toothpaste. Wash your clothes in Persil.” For marketers this was truly a simple model that just required being the biggest

shouter—think GRP’s, think SOV—and developing the cleverest and most memorable commercial. It can be summarized with this all too well known joke amongst Direct Marketers which goes something like this: “An advertising guy meets the client for the first time and says. “The answer is a :30 second commercial. Now what’s the question?”

Old DM Slide Above the Line/Below the Line: Lest I be too smug, for direct marketers also, that golden era was equally simple. Doing DM (and it usually stood for Direct Mail) meant you had a product, an offer, a call to action and usually a premium. You carpet bombed the country with your inserts or DM packages and waited for your 2% response to come via return post. You didn’t have to think about things as ephemeral as brand value and the regulatory environment. The issues were mostly postal related and the business of Associations was anticipating and trying to head off the next strike. I simplify. I know. But in the mists of time, it does seem so. There was a tidy simplicity to it all. We referred to ourselves as Above the Line and Below the Line. Terms that is still all too common.

Beyond the Line slide: What needs to be widely agreed upon is that now, in 2007, we are well Beyond the Line. There is no line, because consumers, those often studied targets of our marketing affections never recognized the line in the first place. It was only marketers who

did. We defined and Balkanized ourselves in ways that consumers never did, perhaps to preserve our acreage of the marketing landscape. Perhaps to make the world less complex so that for altogether understandable reasons we could champion the very real issues that define our particular brand of marketing.

Consumer slides: But the definitions of the marketing practitioners don't matter. They never did. It is and always has been, really about the consumer. I love these depictions of the mythical consumer and how ludicrous it can get when we continue to think of ourselves as separate marketing disciplines that can manipulate the consumers out there through the magic of our craft.

Question Mark slide: You might be saying well, I know all of this. So what does it mean for today? What are those key issues that we should be paying attention to and having a POV on? I make this point emphatically, because the isolation of our marketing disciplines gets in the way of how we deliver marketing solutions and in how we think about the salient issues. The good news for Direct Marketers is that there is huge opportunity for Direct Marketing and DM Associations to take a leadership stance across many of the key areas.

So here are the FIVE salient issues I believe facing marketers today. All present an opportunity for Direct Marketing growth.

Convergence slide: Call it integration. Call it convergence. Call it the blurring of the lines. Whatever name it goes by, marketing today has rapidly moved away from the scenario I painted above where advertising was king and down the ranks came the other forms of “below the line” efforts. Around every brand planning conference table in the world, marketers are challenged to pull together the integrated marketing plan and integrated marketing communications. How does one channel impact the other? Where is my marketing budget best allocated? How do we make sense of it all?

The good news for Direct Marketing is that the discipline is at the fulcrum of a harmonic convergence that builds upon 1) the behavioral DNA of direct marketing + 2) technological enablement + 3) consumer power to form a marketing opportunity such as never before. As Direct Marketers we can lay claim to a fundamental understanding of human behavior, how to drive it, how to measure it and how to optimize it, more than any other marketing discipline

The bad news for Direct Marketers is that they now have to see outside of the safety of their specific marketing discipline. . . and this can be challenging as we know. And some would argue that it also threatens to undermine in-depth advocacy around issues somewhat unique to Direct Marketing: privacy, do not contact, data management, etc. The

good news, however, far outweighs the bad for Direct Marketing Associations is that they can provide thought leadership and opportunities for all marketers to come together to discuss challenges in integration and attract members outside the DM fold.

Accountability slide:

For all marketers, accountability is the underlying driver in making their marketing dollars pay. ROMI—return on marketing investment— informs every discussion. The pressure to measure and make accountable every marketing dollar spent is huge. In a recent Forrester study 53% of B2B marketers said they needed to measure the effect

In my experience, Direct Marketing’s historical roots in measurement and accountability have a wider appeal than ever. . . and are being extended into some very interesting opportunities.

The newer entrants into “measureable marketing”—the FMGC’s; pharmaceutical companies; beverage display a particular interest in not only the newer forms of measurement, but in some of the “ancient arts”. I have repeatedly had recent client converts to our discipline call me for instant results truths: “We’re sending invitations to a launch event for our new (product name here). What’s the difference in response between a stamped and indiciaed envelope?” “What’s the right ratio of brand sell to product sell?” “What’s the variance in

response if we put a belt buckle premium on the DRTV spot vs. no premium at all?” Or worse, I’ve had their other agency call me for the same information. Fortunately, I am old enough to have lived in a Direct Marketing world where clients actually tested those differences and am possessed of a Wikipedia-like memory that can spew out the factoids. I always counsel my teams to share their knowledge with clients. Don’t assume they know what you have been steeped in and what our company knowledge bank holds. Just because we know it and it doesn’t seem cool to us, doesn’t mean it takes the same shape for everyone.

In the more sophisticated world of ROMI, where there is no “direct” relation to measure, the power of data and analytics, has helped marketers---especially B2B marketers—account for their marketing spend.

Accountability, measurability is not going away. It is gathering momentum and we all need to provide thought leadership on how to do it. The Canadian Marketing Association recently brought together some of the heaviest hitters in marketing to share their insights into measureability. While, the output of that think session was humorously referred to as “Marketing Measurement Solved!”, the real value is in providing the forum for knowledge sharing and for like-minded individuals in the safety of planning sessions to tackle what is for all

marketers as complex issue. These are invaluable services to bring to the marketing community.

Digital: Slide

One of the more curious debates that to my surprise is still in play, is the distinction in some markets between Direct and Digital. At last year's DMA Convention in San Francisco, John Greco boldly stated and it was evident everywhere, that Digital Marketing is Direct Marketing. Full stop. Those of us who have worked in the Digital channel for a number of years know that Digital is really only the technological fulfillment of all of those early Direct Marketing architects.

Lester Wunderman: Slide

I knew what it could do and was viewing it as a technological miracle that could bring life to the kind of dreams I had about dialogues between consumers and advertisers."

– Lester Wunderman

At Wunderman, where we will celebrate the Agency's 50th anniversary this next year, we are fond of saying "Wunderman Interactive since 1958."

However, the fundamental disciplines of Direct Marketing have found a new flowering in the online channel. Testing and optimization, long rendered unaffordable and too time consuming in the offline world, have become the modus operandi for sophisticated online marketers. Enabled by powerful web tracking and analytic tools, we are seeing outstanding results by applying the old “test and learn” model online. This requires, of course, highly sophisticated marketing technology—from infrastructure must haves such as customer data integration to web analytics thru to execution and optimization capabilities. But the results are stunning when done right.

Consider the case of the e-Commerce site our Wunderman Network company ZAAZ did for Converse, the sneaker company. In 2005 they launched an e-commerce site for Converse to sell the iconic high topped sneaker. The revenue target for the site was \$40MM USD. Through the use of sophisticated tools, but old fashioned DM principles, ZAAZ was able to track consumer navigation of the site and redesigned the site based on information regarding consumers’ search behavior. The result of the “test and learn”. A 26% visit to purchase increase and a 20% increase in average order value. You do the math. Again, the antecedents of Direct Marketing applied in new and powerful and sexy ways.

We see many, many more examples of how the Digital world is the new envelope if you will. At Wunderman we have developed the notion of After the Click™--that brings together all of the legacy learnings of how to manage customer behavior after they have clicked onto your site.

For Direct Marketing Associations, owning the Digital arena and seeing it as an integral part of Direct Marketing is fundamental. I know this sounds like a statement of the obvious, but there does continue to be a debate about the separateness of Direct and Digital, with DM still standing for Direct Mail only.

CRM. Customers Really Manage: Slide

CRM. In our world, that stands for Customers Really Manage. From the cover of Time magazine proclaiming the Consumer to be Time's Man of the Year, to the explosion of Web 2.0, no one in the marketing business doesn't get the fact that the control has shifted, totally and perhaps forever, from the brand to the consumer. And what do we do about it? We are passed the time when brands could dictate and control their brand equity and message. From the proliferation of "I hate XXXXX iconic brand name" websites, to the online experiments and spoofs on YouTube and in the social media, brands are looking for ways to bring back control. The best advice is to embrace the medium. Brands need to be flexible, allow for engagement, have a sense of humor and not

take themselves too seriously. And here again, is where the tenets of Direct Marketing come into play. The ability to interact with consumers and respond to them nimbly must be part of the approach.

Comcast Slide: An excellent example of this comes from Comcast where they have used CGC to sell their broadband product vs. DSL. Comcast brand; low involvement, etc. (Describe case.)

Tuangou Slide

Let's consider the end game, if you will in the notion of customers really manage. The tuangou.com website in China. 380,000 consumers registered to use this site 51tuangou.com.

It's free. Its purpose is to organize group purchases. In China, the consumer is driving pricing rather than the retailer. The model is that likeminded consumers meet on the site and say to an auto manufacturer: "we want about 20 automobiles and for that number, we want a 30% discount." And they get what they want: GM sold 17 Aveos in Shanghai only after giving the purchasing team a 10% discount. BMW provides 2% discount on luxury models for 4-car orders. Estee Lauder, on the other hand, has battled back with fixed-price policies. It's a radical demonstration of CRM with consumers at the controls, but it may herald the buying dynamic of the future.

Coming to a market near you. It opens up a whole new set of challenges for not only the marketer, but the marketers' Association.

Sustainability: slide

And finally, what may become the biggest issue for marketers, in the very near future, is the notion of Sustainability. This issue is no longer limited to our business, which has always been in the cross hairs of the green issue, but also for all marketers, across all categories. It will impact all of us and the way we do business.

From the obvious targets such as Automotive to the not so obvious the Hi-Tech sector (did you know that computers account for 2% of carbon emissions globally? The same level as air traffic.) , sustainability and consumer's rapid acknowledgement of the issue and its impact, is the thunder on the horizon. Carbon labeling. Environmental taxes—polluter pays—are going to be realities. Companies who are at the forefront of meeting and already have products in the manufacturing stream assume they have five years tops before purchase decisions will be made based on a company's carbon footprint.

Associations around the world have shown leadership in managing the environmental issue for their members and our discipline. The DMA in the UK recently commissioned the British Standards Institute to create the Environmental Standard for Sustainable Direct Marketing. This will

be an unambiguous statement of action which will promote understanding and recognition far more effectively than having hundreds of potentially standards and initiatives. Additionally, it will have a benefit for brands by summarizing the environmental credentials of the user. Compliance with the standard will be externally verified by independent auditors.

Convergence. Accountability. Digital. CRM Customers Really Manage. And Sustainability. All key issues that impact and will continue to define our marketing landscape. All present an opportunity for Direct Marketers to take a leadership position. And for Associations these areas also pose an opportunity for growth, whether through knowledge sharing, advocacy and proactive identification of the accompanying legislative issues or through providing educational opportunities for marketplace. The future is bright. Our DM DNA will serve us well in charting the course in this brave new world.