

THE EMERGING DISCIPLINE OF DIRECT MARKETING

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Direct marketing as a specific marketing discipline is growing explosively and outstripping other forms of marketing. A recent advertisement for Advertising Age stated: "In contrast to the rest of the economy, direct marketers could double their annual sales in the next five years." Annual sales figures for direct marketing have been quoted as high as \$160 billion for 1983 with growth rates as high as 12-14% per year (Hoke 1983; Cohen 1983). As additional evidence of this growth, the University of Missouri--Kansas City was recently awarded a grant totalling more than a half million dollars by the Direct Marketing Foundation, a division of the Direct Marketing Association, the largest trade association in the industry, to establish the first academic center for direct marketing, to teach both undergraduate and graduate direct marketing courses, to do research in the field, and to perform other activities which encourage the development of direct marketing. Finally, the first two textbooks in direct marketing were published in 1983, both by major textbook publishers: Elements of Direct Marketing by Martin Baier was published by McGraw-Hill while Direct Response Marketing by William A. Cohen was published by John Wiley and Sons.

But though direct marketing is growing, it is a fact that direct marketing experts themselves do not agree on the definition of the term "direct marketing", what it should include, and even whether this is the best description to describe the type of marketing activities that are performed.

Baier, Hoke, and Stone developed the chart in Figure I to explain direct marketing. Their definition is, "an interactive system of marketing which uses one or more advertising media to effect a measurable response and/or transaction at any location." (Baier, Hoke, and Stone 1982).

However, there is not common agreement on this definition. Many practitioners in the field take issue with the model shown in Figure I, and the accompanying definition in that face-to-face selling and in-store retailing are included, while mail order, the original source of the concept of direct marketing seems to have been given reduced emphasis. Meanwhile some academics prefer such terms as "In-House Shopping" (Gillett 1976) or "Direct Response Marketing" (Cohen 1983). This issue is not primarily between practitioners and direct marketing academics (of which there are currently relatively few), but rather between practitioners and practitioners. For example, in a recent article in Direct Marketing in which this issue was aired, "I believe it would be wise for us to follow the advice of Les Wunderman in his sage observation that 'direct marketing is evolving and, therefore, the definition will continue to evolve.'" (De Lay 1983). In the same magazine Baier by implication equated "direct marketing" with marketing in all forms (Baier 1983).

Even older term such as "mail order" seem to have been drawn into this controversy. Mail order has been defined variously as including all items ordered by mail (Cohen 1983), "the sale of products by means of a catalog or direct mail package" (Otis 1979), or as including not only mail but telephone and any interactive medium (Baier, Hoke, and Stone 1982).

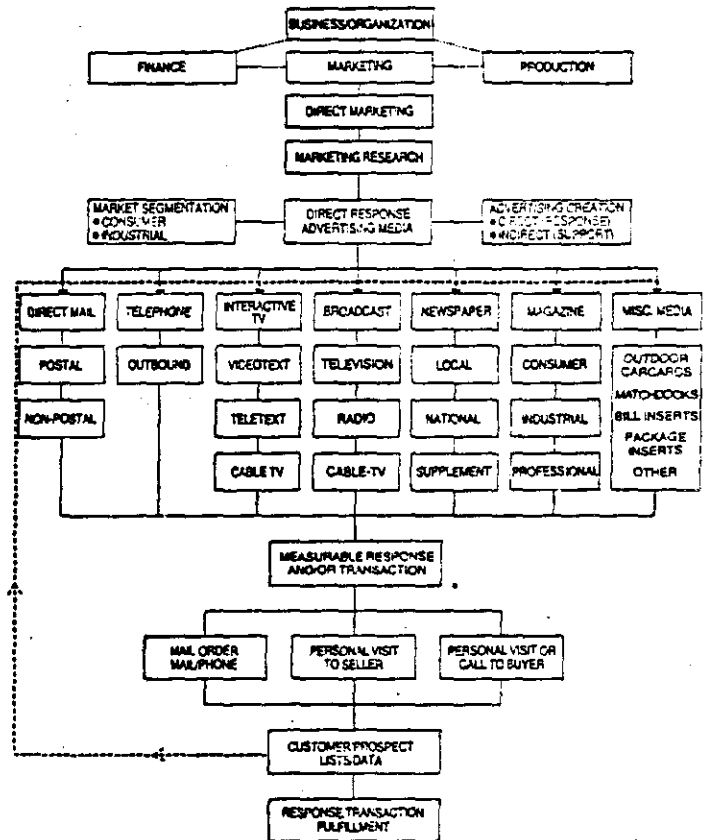
FIGURE I

Direct Marketing... An Aspect of Total Marketing

Direct Marketing is an interactive system of marketing which uses one or more advertising media to effect a measurable response and/or transaction at any location.

Direct Marketing Flow Chart

Martin Baier, Henry R. Hoke, Jr., Robert Stone



Direct marketing is a concept, an attitude toward marketing, a sub-set of marketing. It can be embraced by any kind of business supporting one or more methods of selling. Importantly, direct marketing suggests that more than one method of selling can and perhaps should be integrated to achieve maximum sales from the defined market segment(s), geographically, demographically, psychographically.

Fundamental to direct marketing are all the rules, disciplines and practice of direct mail. In a narrow sense, direct marketing is a media concept, the cornerstone of which is the building, maintaining and enriching the database of customers, former customers and prospects to the exclusion of suspects. Thus direct response techniques are most often injected into the total advertising program.

The existence of database for each company permits analysis, research, precise follow-up by mail and phone, to target specific appeals to different customer segments by source, dollar volume, recency and frequency of purchase.

Direct Response Advertising in any medium, is that which effects a measurable response and/or transaction at any location.

Mail-order is a Method of Selling, which relies on direct response advertising alone, to effect a measurable response and/or transaction by mail, telephone or other interactive medium.

Alternative Methods of Selling, encompassed in the definition of Direct Marketing, are those in which, as a result of Direct Response Advertising...

- ... the buyer personally visits the seller's location (store, market, exhibit, etc.) to effect a transaction
- ... the seller calls at the buyer's location (home, business, organization, etc.) — in person or by telephone — to effect a transaction

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Only in the term "direct mail" and "direct response advertising," does there appear to be agreement. Direct mail is defined as a means of solicitation made through the mail direct to the consumer or industrial buyer regardless of how the order is achieved. Direct response advertising refers to advertising which results in a measurable response in any form including order, inquiring, or questionnaire answer.

WHY DIRECT MARKETING IS GROWING

Direct marketing experts have identified numerous theoretical reasons as to the unusual growth of this field.

1. Convenience

An argument for the convenience of direct marketing, or at least in-home direct marketing can be sustained by research. Better Homes and Garden magazine which carries a considerable amount of mail order advertising conducts an annual survey of its readership which includes reasons for purchasing by mail. Convenience was listed as a reason by 49.3% of the respondents in one survey (Cohen 1982). Another study found a positive relationship between in-home buying and ownership of a multiple of convenience items such as credit and charge cards, telephones, automobiles, newspapers and shelter magazines (Gillett 1970). The alternative to purchases through direct marketing are conventional retail outlets with parking problems, crowds and clerks. While clerks would appear to be an asset for conventional retailing, the clerk who does not know his product or does not take the time to explain it to a potential customer must be compared with comprehensive material explaining the product available to the potential customer in his home through direct marketing methods.

2. The Advent of Credit Cards

The availability of credit cards has made direct marketing purchases easier, allowed for an easy method of credit for high ticket items and permitted expedited purchases through telephone order. Also, because cash is not required as prior to credit card availability, the perceived risk of in-home purchase is probably reduced. In addition credit card purchases have reduced the risk of bad checks and credit purchases to the marketer. This has always been a significant factor to the direct marketer who has sometimes allotted 5% of the product price for bad checks in planning his campaign and who may have received on the average only 60% of the total price of a product paid for on an installment plan.

3. Technological Advances

Technological advances have played a significant part in the growth of direct marketing. The development of computer with increased ability to store information such as mailing lists and personalize direct mail with names have decreased the per unit cost of sales. The use of WATS numbers, robots for telephone sales and inquiries and interactive television and computers have increased the media available for making a sale, make responding easier, and reduced costs.

4. Changing Life Styles

With women holding down 50% of the jobs in the United States and more than 50% mothers working outside the home there is much less time for conventional shopping. The energy crisis has also probably played its part in this change. With family or recreational driving down 21

as much as 30% since 1973 and fuel costs up as much 150% since then, there are less opportunities for conventional retail purchases and probably less opportunity for impulse purchase of some items.

5. The Cost of Personal Selling

As the cost of "cold calls" climbs to \$200 or more per call, there is greater interest in reducing the cost of sales through prequalification of sales leads by direct marketing, especially using direct mail methods. One rookie salesperson become top salesperson for a major office copier manufacturer through use of a direct mail campaign followed up by telephone in place of the traditional cold call (Bakota 1981).

DIRECT MARKETING STRATEGIC VARIABLES

Different writers in direct marketing have listed different controllable variables. For example, one writer lists only three: media, proposition and copy/layout of the ad (Simon 1981). Another lists four: product, offer, media and creative strategy (Nash 1982). And yet another lists six: product or service, media, offer, format, tests, and analyses (Stone 1979).

In keeping with a concept with which marketing educators are familiar, instead of the "4 P's," the strategic variables in direct marketing can be represented by the "3 M's." These are message, merchandising and media. The message is the creative variable and includes the copy, the graphics and the layout of the advertisement.

Merchandising incorporates the product, the price and how the two are presented to the potential customer or an offer. For example, one can offer:

2 widgets for \$1.00
1 widget for \$1.00 and the second free
1 widget for 99¢ and the second 1¢
or 2 widgets at 50¢ each

While all offers result in the customer receiving two units of product for \$1.00, depending on the product, the target market, the price and the environmental variables of the situation, differences in response have varied depending on the offer by 40% or more (Stone 1979).

The final "M" stands for medium. This refers both to the choice of the type of medium for the advertisement such as magazines, television, or direct mail and the precise medium: a specific magazine list, or television programming spot.

Various experts have expressed opinions as to the relative worth of each element of the direct marketing mix. One says that the relative merit of each should be considered equal until testing, although primary importance is given to the product (Simon 1981). Another tends to place less emphasis on the message and more on another element, particularly the media (Gosden 1979). It is significant that in no case has empirical research confirmed or disconfirmed relative importances of any of the direct marketing strategic variables. In fact, regarding research, the Direct Marketing Foundation has listed the following areas in which it feels direct marketing research is lacking:

Evaluation of Segmentation Techniques
Direct Marketing Package Testing
Seasonality--Is it real or created by heavy mailings?

1st vs 3rd Class Deliverability
 Consumer Profiles--Direct mail respondents vs non-respondents
 The Effect of Support Advertising on Direct Marketing
 Mailbox Management--Consumer case studies of behavior/buying habits
 Lead Generation--How effectively is direct marketing used?
 The Promotional Value of Direct Marketing
 Data Bases and Direct Marketing
 Strategic Planning Methods Technology
 New Product Development
 Response Rates--How are they affected by mailing variables?
 Deliverability by Geographic Location
 Response Rates by Media and Product Offered
 The Effect of Image on Direct Marketing
 A Profile of the Direct Marketing Department (by industry)
 Mailroom Practices
 Interactive Cable--Applications
 The Effect of Direct Marketing on Store Traffic
 Business/Industrial Direct Marketing
 Use of Premiums in Direct Marketing
 Advances/Applications of Printing
 Fund Raising--Methods to Up Response

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In summary while the direct marketing area of marketing is continuing to experience considerable growth, and academics and students are being attracted to the discipline, there is uncertainty as to several basic definitions and what they should encompass; the relative importance of the direct marketing strategic variables have not been fully explored and much important research is just beginning. Accordingly, significant challenges exist for both the academic educator and researcher in developing this important subset of marketing.

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