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Unit 5

Direct Marketing and Sales

STUDY GOALS

After completing this unit, students will know ...

... what direct marketing entails and where this fits into marketing overall.

... which objectives and functions direct marketing pursues.

... how direct marketing has developed in recent years and what the drivers behind this development are.

... that “response” is the fundamental indicator of direct marketing through which performance evaluation is facilitated.

DL-D-DLMWSA02-L05

1. Direct Marketing and Sales

Introduction

In what is known as “direct sales”*,* the sales representative seeks to convince a potential end-consumer of their offer by telephone or through personal interaction. However, the use of sales staff in personal sales is cost-intensive, and recruitment and training of sales staff is time-consuming. Therefore, the development of direct marketing is primarily based on two goals: Attracting more customers and achieving a cost reduction.

* 1. Deﬁnition and Placement of Direct Marketing

Direct marketing This is also known as direct response advertising, which emphasizes response as an indicator of direct marketing.

Direct marketing or direct response advertising (Winkelmann, 2014, p. 131, as translated by author) refers to an advertising measure within an overall marketing communication that directly approaches potential customers and invites them to respond. In contrast to other means of communication, the response function is a fundamental element of direct marketing. A positive response can lead to personal (direct) sales, which occurs at the next level.

“Direct marketing comprises all market-related activities that make use of single-step (direct) communication to reach intended audiences in a targeted manner by approaching them individually” (Homburg & Krohmer, 2009, p. 787, as translated by author).

In the past, these market-related activities were primarily advertising letters, advertising postcards, mail, faxes, or emails. However, online and mobile marketing tools are now increasingly being utilized due to the growing significance of the internet.

The definition of the term “direct marketing” is problematic for several reasons:

* Over time, new functions have expanded the direct marketing content.
* Direct marketing capabilities have continually expanded through new techniques and the rapid development of information technology (IT).
* Online media has led to new methods of approaching customers.

Today, direct marketing is understood to mean all marketing activities that are aimed at approaching the intended audience in a targeted manner and generating a response.

“Direct marketing includes all marketing tools utilized to establish and maintain ongoing, targeted and direct interaction with an intended audience and aims to trigger a measurable response” (Holland, 2009, p. 5, as translated by author).

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Between 1988 and 2004, direct marketing expenditures in Germany rose from 6.5 billion euros to 32.7 billion euros (Meffert & Rauch, 2013, p. 21, as translated by author). After reaching this peak in 2004, spending decreased somewhat and amounted to 27.3 billion euros in 2014, according to the Dialog Marketing Monitor study conducted annually by Deutsche Post (Dialog Marketing Monitor Study 27). The following table shows the distribution of total expenditures for dialog marketing across the individual media in 2014 and compares this with the previous year.

Chart, timeline, bar chart

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Direct Marketing and Dialogue Marketing

In recent years, the term “dialogue marketing” has firmly established itself as the

replacement for “direct marketing” (Holland 2014, p. 5, as translated by author).

These days, direct marketing and dialogue marketing are largely used synonymously. Dialogue marketing places particular emphasis on long-term dialogue with the intended audience, i.e., with the customer or prospect. Direct marketing is orientated toward a response. Dialogue marketing sees its goal as fostering a “longer-term interaction” (Holland, 2014, p. 6, as translated by author).

Dialogue marketing This type of marketing is oriented toward the long term.

According to Schneider and Hesse (2013, p. 48, as translated by author), dialogue marketing is defined as individual, interactive, and direct. The characteristic *Individual* denotes a contrast to an undifferentiated market development or market cultivation based on the concept of market segmentation. The term *interactive* means that it is designed for an immediate response from potential customers. Interactivity also implies a move away from a simple sender-receiver model whereby companies assume the role of sender and customers that of the receiver. Rather, the impetus for interactivity can also come from the customer, for example, in the context of complaint management. Finally, dialog marketing includes addressing customers in a *direct* manner. This means that communicative or sales intermediaries are bypassed in dialog marketing (Schneider & Hesse 2013, p. 48, as translated by author).

* 1. The Development of Direct Marketing

The causes behind the increasing importance of direct marketing are:

* + increasingly saturated markets in industrialized western countries,
  + growing homogeneity of products and services,
  + heightened importance of differentiation through communication,
  + rising expenditures in traditional media alongside decreasing customer uptake capacity,
  + declining effectiveness and efﬁciency.

The trend toward personalized and individualized direct contact with customers is explained and justified by these causes. Meffert and Rauch (2013, p. 21, as translated by author) describe this as the “change from (indirect) mass marketing to (direct, interactive) individual marketing.”

Information technology

This is a dialog marketing driver.

Target group

Fragmenta-

tion This is the fragmentation of the target groups into ever smaller submarkets.

This development is supported by technological developments (information technology), as well as by an increasingly multi-optional, unstable type of consumption. Characterized by a complex interplay of different consumption motives, this consumption cannot be classified into the traditional motivational and behavioral schemes (Meffert et al. 2011, p. 558, as translated by author). The resulting blurring of traditional segmentation and target group approaches (target group fragmentation) manifests particularly in falling loyalty rates across all industries, as well as through changes in shopping behavior. These changing behaviors are characterized by the fact that consumers seek convenience and simplicity. Increasingly stressed customers desire “convenience and simplicity”. This, among other things, is the result of product proliferation, the expansion of product ranges through differentiation, and decreased time for purchasing activities due to dual employment in partnerships.

Based on Kotler et al. (2011), Meffert and Rauch (2013, p. 25, as translated by author) describe the development of direct marketing as follows: Starting from a product orientation, direct marketing was based on the one-to-mass-to-target group principle and characterized by direct sales. Consider, for instance, mail order companies, such as Otto or Neckermann, which differentiated a comprehensive range of products for few customer groups, if at all.

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With the advent of automatic address management capabilities in the 1960s, direct sales operations were followed by the use of addressed advertising mailing.

The addition of the telephone to the range of media applications in the 1970s enabled marketing to use the various forms of direct marketing in combination with the other marketing mix elements. In the early 1980s, the use of computer-aided databases made it common practice to systematically build and evaluate databases in the context of new customer acquisition and intensive support for existing customers (Meffert & Rauch, 2013, p. 25, as translated by author).

Based on the possibilities of innovative production technologies (mass customization), as well as improved sales support processes, a high degree of personal focus on the customer (customized marketing) proliferated on a conceptual level in the early 1990s. Direct marketing witnessed yet another change in the second half of the 90s with the spread of internet-based technologies. Holistic, personalized, and dialogue-oriented customer processing gained insignificance as the result of the newly possible networking between information and interaction parameters (the proﬁles and actions derived from them among all internal and external interfaces in “real time”) (Meffert & Rauch, 2013, p. 25). Thus, customer relationship management (CRM) became the guiding principle of modern direct marketing (Bruhn 2015, p. 5, as translated by author).

Diagram

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The development known as “Web 2.0” with Facebook, Twitter, and blogs in the new millennium led to the latest development stage of direct marketing, now allowing consumers to network with each another. Companies must learn to handle this form of customer expression of opinion, since every customer can be both the recipient and sender of positive or negative messages about companies and products. This generates a dynamic of multiplication of negative opinions that follows previously unknown laws.

Mass customization This is customer-specific mass production.

Web 2.0

Web 2.0 is transforming direct marketing into a participatory marketing tool.

“As a result, direct marketing is increasingly evolving from a company-controlled, dialogue-oriented marketing device to a participatory marketing mechanism. At this level, it is no longer primarily a matter of maintaining as much control as possible over the customer-oriented content by means of direct marketing campaigns, but also of participating in the customer dialogue and being perceived as a credible dialog partner” (Meffert & Rauch, 2013, p. 27, as translated by author). This means that marketing, particularly direct marketing, is increasingly developing into a conversation with customers (Deighton & Kornfeld, 2009, as translated by author). The following graphic summarizes this development.

Diagram

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Holland (2014, p. 15, as translated by author) also argues: “The marketing of many companies has evolved from mass marketing to market gap and market niche marketing with ever smaller target groups for individual marketing, i.e., dialogue marketing.”

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These segmented markets mean increasingly smaller and smallest market niches that are too narrow to handle using traditional marketing tools, since the scatter loss would be too great. Dialogue marketing is an excellent way of countering this development. The focus is no longer on the one-sided transaction, but rather on long-term customer relationships and customer retention. A dialogue is conducted with the individually known customer, and there is a close relationship between the supplier and the customer. Instead of the standardized exchange of services, the goal here is to establish an individual customer relationship. Along with greater customer orientation, the target accuracy and improved effectiveness of a personalized approach, as well as performance review and its ﬂexible use are among dialogue marketing’ success factors (Holland, 2014, p. 15, as translated by author).

|  |  |
| --- | --- |
| Dialogue Marketing’s Success Factors | |
| Market trends | Customer orientation |
| * Market segmentation * Changing values: Individualization * IT development | * Customer retention * Individual customer relationships |
| Target accuracy | Effectiveness |
| * Lower scatter loss * Increasing cost of traditional communication and field sales | * Personalization * Increased attention * “Shutting out the competition” |
| Measurement of results | Flexibility |
| * Effectiveness * Profitability calculation * Test capabilities | * Flexible application * Even with small budgets * Internationalization |

* 1. Dialogue Marketing and Sales: From Sales Representative Visits to Written Sales Pitch — The Siegfried Vögele Dialogue Method®

Personal sales pitch

The personal sales pitch is the basis of the dialogue method.

Siegfried Vögele developed the dialogue method in the late 1970s, drawing on his experience from sales and consulting activities and from the mail order business in the 1960s. He translated the elements of personal sales pitches into written, sales-oriented communication. The result is a model that tries to anticipate customers’ possible questions, wishes, or objections in order to establish an imaginary dialogue with them in order to conclude with a sale (response). Following this principle, the aim is to generate more “yes” than “no” responses during the dialog, whether oral or written (Vögele & Versen, 2013, pp. 10-17, as translated by author).

To gain further insights, Vögele used empirical method, such as questioning and observation of test subjects, using eye-tracking, and tachistoscopic tests, or skin resistance measurements). His use of the eye camera is particularly well-known (Bidmon & Fischer, 2013, p. 202, as translated by author).

“In 1984, Siegfried Vögele surprised an assembly of direct marketing experts in Montreux with an extraordinary presentation: On stage, live, and with the aid of an eye camera, he demonstrated how people actually read advertising letters. A test person from the audience was asked to open and read mailings with an eye camera attached. The images of their eye movements were transmitted to the video screen” (Löffler & Scherfke, 1999, p. 170, as translated by author).

The expert audience was surprised to see how quickly their gaze flickered across the paper, pausing only briefly at one point or another, rather than reading line by line from top to bottom. After a few seconds, the mailing was skimmed and set aside. According to Holst (2013, p. 225, as translated by author), Vögele's contributions primarily lie in ...

* ... looking at advertising through the eyes of the recipient.
* ... further developing knowledge of eye-tracking.
* ... bringing the eye camera from the field of academic research into practice.

The following indicators are used in eye-tracking analysis, in whole or in part:

* conspicuity,
* viewing duration,
* fixation points,
* fixation order,
* fixation frequency,

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* + fixation duration,
  + saccade length.

The analysis with the eye camera is supplemented with surveys (semi-structured interviews) which record aspects such as aided and unaided recall, content description, as well as likes and dislikes.

With the aid of an eye camera, Vögele described and structured the process of handling a mailing (Holst, 2013, p. 227, as translated by author). The following table shows the individual phases of insight gained through these observations.

Eye camera

This registers the eye movements when reading.

|  |  |
| --- | --- |
| Process of analysis with a mailing | |
| Short dialogue | * The reader forms a first impression. * The envelope is viewed and opened, and the mailing content is scanned in about 20 seconds. * The short dialogues used for orientation and for checking to what extent the mailing is relevant and engaging. * There is usually no content or argument analysis. * Decision: Invest time in the mailing or discard it? * The elements considered are those that are quick and easy to grasp (images, graphics, headlines, addressing). |
| Reading threshold | |
| “Reading,” deepened analysis of the content | * Texts are read by skimming, lists are observed, images and graphics are considered, etc. * Arguments, benefits, advantages, conditions, reference addresses, prices are perceived. * Test results, consumer opinions, testimonials are read and evaluated. * Opinion formation and decision on relevance ensue. |
| Reaction threshold | |

|  |  |
| --- | --- |
| Process of analysis with a mailing | |
| Response | Positive:   * Filling in the reply card, address noted for further contact, product order, participation in a contest, redemption of coupons, etc.   Negative:   * The mailing is discarded. |

Based on the insights gained in the meantime, some recommendations for the design of communication media may be formulated (Holst, 2013, pp. 232–233, as translated by author).

* + - First impressions count! The “introductory sequence” is critical for recipients’ further analysis of the mailing. People initially skim through the mailing in a short dialogue to gain a first impression.
    - Keep it short and simple! Having a clear idea of what to communicate is crucial. The means of communication often holds too many messages (benefits, arguments, etc.) with too many design elements all competing for attention. As a result, the message is unrecognizable to the receiver in the short time they are willing to devote to the communication. This applies equally to mailings, catalogues, brochures, or customer magazines.
    - Address, salutation, and signature are essential components of a letter – and they are also expected in mass communication. The address and salutation are evaluated in the short dialogue - even if the mailing is a bulk mail piece “To all households” or to “Mr. or Mrs. Smith.” The reader likewise checks: Is there a signature?
    - Texts need structure through subheadings. If these already provide indications of the content of the text, the entire text is more likely to be given attention. The same rule applies to captions.
    - The perception hierarchy - the priority with which, for example, faces are perceived before graphics and headlines before texts - has been confirmed. However, the use of these design elements must be proportional and suit the message in order to achieve an effect.

Summary

Direct marketing is tiered, direct communication with customers, aimed at achieving a response. The growing importance of different internet platforms as well as online and mobile marketing have influenced direct marketing.

Dialogue marketing is spoken of more often today and expresses the idea of ongoing communication. Dialogue marketing therefore relies on a targeted, long-term interaction. Siegfried Vögele contributed wide-ranging knowledge to the design

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of direct marketing, which may also be transferred to the design of dialogue measures for online and mobile marketing.