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# DRIVING ROI AND ENGAGING CUSTOMERS

**A REPORT ON THE FUTURE OF MARKETING AND ADVERTISING**

Information sourced from the 86th DMA\* Conference in Orlando, Florida. October 2003.

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## SUMMARY

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Business, marketing and advertising leaders speaking at the 86th DMA conference in Orlando (Oct 2003) placed substantial emphasis on the fact that the communication industry as we know it is changing.

Why? Because the world is changing and it's changing faster than ever before.

Accelerated change is being driven by growth in computer processing power that has led to exponential growth in productivity. Businesses are becoming better at capturing and using customer data to drive profits and the Internet has emerged as a new communication channel. (Hamel, 2003)

As a result, the consumer is changing. More than ever before, they are empowered to live in a world free of uninvited advertising paraphernalia.

Technology exists that enables consumers to dodge emails, web media and even television ads.

Legislation in the US is further empowering consumers, with a new law passed on 1st October 2003 that protects people from receiving unsolicited telemarketing calls. Currently 50 million people have already registered on the national Do-Not-Call (DNC) list and it is expected that this will grow to 60 million. (Lee, 2003)

Further government regulation looks inevitable with 60 privacy bills on consumer issues currently in front of Congress. (Lee, 2003)

Leading business strategist, Gary Hamel, stressed that businesses cannot afford to deny change. Instead, businesses across all industries need to reinvent themselves by better understanding their customers and prospective customers and ensuring that they are servicing these segments as they, the consumers, choose to be serviced.

Whether businesses are business-to-business or business-to-consumer, they need to move away from an interruption-based communication model to a permission-based model. (Ceolin, 2003)

Yuchun Lee, Co-founder & President of Unica Corporation, predicts that marketers have a two-year window to get this right. "If we don't act now, legislation will govern customer communications by 2006," he says.

## SNAPSHOT OF BUSINESS TRENDS (Coe, 2003)

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- For many businesses, sales revenue is not growing, but sales and marketing costs are.
- Sales efficiencies have decreased significantly over the last 10 years.
- Marketing efficiencies have also decreased with noticeably higher costs to achieve forecast KPIs.
- The costs of selling are increasing at a faster rate than the prices of the products or services being offered.
- Sales and Marketing Managers are under increasing pressure to achieve greater objectives with less money and other resources.

## GROWING THE BUSINESS WITH LESS

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The role of marketers is to help grow the business by encouraging customers to buy their products and/or use their services as well as to inspire people to remember their brand and what it stands for.

The question is: how can this be done better and more cost-efficiently?

Daniel Morel, Chief Executive Officer of Wunderman, says that many clients in the US are reducing their advertising spend by talking only to the most profitable segment of their potential universe.

To do this, businesses are replacing a short-term tactical approach with a more strategic approach. This ensures that dollars spent to acquire customers and drive sales today are also contributing to achieving tomorrow's objectives. (Rosen, 2003)

Rosen, President and CEO from AlloyRed, suggests that focus is shifting from transactional value generated from a specific campaign to the lifetime value contribution of customers acquired.

More businesses are using the science that underpins the direct marketing discipline to help minimise financial risks and to help deliver consistent results. (Larrick, 2003)

Morel states that businesses have an increasing interest in data and, in the US, data management is almost a given part of any pitch – a trend that hasn't yet hit Australia!

Once marketers have used analytics to identify their most profitable customer segments, they need to engage them. It sounds simple, but if businesses were getting this right, then customers wouldn't be saying "no" in droves to the communications that they are receiving across every available channel.

Businesses have begun to realise that consumers don't want to engage with a brand but do want to engage and interact to receive a solution offered by that brand. (Ceolin, 2003)

## CASE STUDY (Source: Ceolin, 2003)

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Client: **KRAFT FOODS INC**  
Name of DMA session: Creating Sustainable Business Returns: How Kraft is Redesigning its Consumer Approach

### FACTS:

Kraft has brands in 25 food categories in the international market.

- In America, Kraft products can be found in 99% of all households.
- Traditionally, Kraft has been removed from their end consumers. This is because their products are purchased from retailers – not directly from Kraft.
- Traditionally, their marketing budget has been spent advertising their brands in various media.
- Their target audience continues to evolve.

### TARGET AUDIENCE INSIGHT:

- Busy mums who want to provide nutritious meals for their children, but they have less time for cooking. They want fast, interesting and nutritious meals for the family.

### KRAFT SOLUTION:

- A FREE quarterly recipe book that offers fast, easy, nutritious meals that people can receive by registering their details.
- Each recipe features Kraft products and information.
- Email cards are also sent that recipients are encouraged to email to friends and family.

### FINAL WORD:

- With this initiative, Kraft provides superior value to consumers. It also enables them to:
  - Increase the efficiency of their advertising spends.
  - Differentiate themselves from their competitors.
  - Build a direct relationship with their end consumers through timely and relevant communications.

### RESULTS:

- The % ROI from the customers registered on the menu program is twice as high as the standard consumer rates.

### TIPS:

- Be committed to providing value to those customers who have given you permission to contact them. Remember, it won't take long for your competitors to follow your lead.
- Start with clearly defined objectives.

- Use your assets to promote productivity; these include your product packaging, website and partner alliances.
- Understand the unique segments within your permission-based database and speak to them appropriately. I.e. when and how they want.
- Adopt a publishing mentality.
- Once you have a permission database, the creative doesn't have to be breakthrough but, rather, simple and relevant.

Marketers moving to a permission-based relationship with their customers have to put processes in place to continuously monitor what is working and what is not, so the program can evolve with the consumers' needs. (Ceolin, 2003)

Hamel stresses that every strategy is temporary and should be the starting point that leads to something better.

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## COMMUNICATING WITH CUSTOMERS

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Experts speaking at the DMA Conference had a simple and consistent message for marketers (clients) and advertising and marketing agencies. That is, advertising and marketing agencies can't fulfil their clients' objectives of engaging customers and delivering ROI, separately. It's time to fuse the best of traditional and direct advertising disciplines to drive, and respond to, behavioural change. We need to cease to be above-the-line and below-the-line and work to become holistic marketers. (Roska, 2003)

Direct marketers are experts in response triggers, whilst brand advertisers are experts in memory triggers. (Roska, 2003)

Roska, CEO and Chief Creative Officer of Roska Direct, says that:

"Targeted marketing combined with strong branding lifts the overall response rate in both the short and long term". He adds that, "a brand is a promise. It pledges quality and customer satisfaction. DM communications are often clinical and factual whilst brand communications have depth and essence."

Roska suggests that communications across all channels should communicate the reputation, promise and vision of the brand at the same time as driving ROI (both short and long term). By combining the best of both worlds, businesses are likely to build their brands three to ten times faster.

Direct marketers need to incorporate key brand components into their campaigns, while brand advertisers need to adopt relevant offers to both encourage customers to experience the product or service being offered and to become loyal.

Rosen agrees with Roska and reports that traditional advertising or non-response-orientated communications cannot actually work in the current economic climate. Within this discipline, success depends upon lifting the brand above the clutter of competitive brands in the marketplace. This approach requires a large budget.

Rosen estimates that less than 50 brands in the world could afford to rely solely on traditional advertising to drive sales. Those that can are in the league of brands such as Nike and McDonalds.

**“ I would say it’s less and less about the brand and more and more about the consumers. Forget the global brand – it’s global customers.”** (Moral 2003)

## PREDICTIONS FOR 2006 AND BEYOND

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- Marketers have a two-year window to get it right. After this time, the industry is likely to be regulated through legislation. (Lee, 2003)
- Direct marketers and brand advertisers need to adopt and apply the best of each others’ disciplines. (Roska, 2003)
- Agencies and clients will form stronger partnerships and some may merge. (Rosen, 2003)
- IT and marketing will start speaking the same language. (Lee, 2003)
- Sales and marketing will start speaking the same language. (Coe, 2003)
- Marketing and CEOs/CFOs will start speaking the same language. (Ceolin, 2003)
- Outbound telemarketing will be used as a service vehicle rather than a sales vehicle. (Lee, 2003)
- Customer intelligence will become the core competency of marketing departments and agencies. (Lee, 2003)
- Clients and agencies will truly understand the value exchange with customers. (Ceolin, 2003)
- Most companies will use relevant and useful information to keep their customers informed and loyal. (Ceolin, 2003)
- Greater customer intelligence will lead to real-time marketing. (Lee, 2003)
- Marketers will further leverage partner alliances to help drive acquisition and retention. (Lee, 2003)

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