WHAT DRIVES THE GROWTH OF DIRECT MARKETING:

- Social and lifestyle changes ➝ fast paced life; time poverty
- Fragmentation of mass markets ➝ rise in niche marketing
- Specialized media available
- Sophistication and advancement in MIS technology – inexpensive large databases
- Advances in technology and electronic media/communications
- Global business expansion
INTEGRATING MARKETING COMMUNICATION WITH DIRECT MARKETING

• one-on-one vs selling to a large group of consumers

• benefits of one-on-one selling:
  - provide all information needed
  - personalize communication
  - immediate response mechanism – 1-800; e-address, etc
  - comprehensive databases
  - build customer relationships -- obtain direct response
  - use variety of marketing comm methods and media

• Case: launch new car model:
  - PR and publicity: early stories planted in Motor Trends, coverage of auto-show
  - paid advertisements -- print and broadcast media
  - response mechanism offered for more info – 1-800 or e-address
  - send video, direct mail brochures, phone call follow-up
  - personal sales encounter
EFFICIENCY IN DISTRIBUTION

Shift: from focus on selection of channels and intermediaries \( \rightarrow \) channel designs

Idea: shortest and most efficient channel

Criteria: eg: computer and network products, books, preference for
• convenience
• speed
• customization
<table>
<thead>
<tr>
<th><strong>Mass Marketing</strong></th>
<th><strong>One-to-One Marketing</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>Average customer</td>
<td>Individual customer</td>
</tr>
<tr>
<td>Customer anonymity</td>
<td>Customer profile</td>
</tr>
<tr>
<td>Standard product</td>
<td>Customized marketing offering</td>
</tr>
<tr>
<td>Mass production</td>
<td>Customized production</td>
</tr>
<tr>
<td>Mass distribution</td>
<td>Individualized distribution</td>
</tr>
<tr>
<td>Mass advertising</td>
<td>Individualized message</td>
</tr>
<tr>
<td>Mass promotion</td>
<td>Individualized incentives</td>
</tr>
<tr>
<td>One-way message</td>
<td>Two-way messages/interactivity</td>
</tr>
<tr>
<td>Economies of scale</td>
<td>Economies of scope</td>
</tr>
<tr>
<td>Share of market</td>
<td>Share of customer</td>
</tr>
<tr>
<td>All customers</td>
<td>Profitable customers</td>
</tr>
<tr>
<td>Customer attraction</td>
<td>Customer retention/relationship</td>
</tr>
</tbody>
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CUSTOMER DATABASES

More than a customer mailing list

Organizational customers:

Profile of customers
Profile of past purchases – frequency, volume, prices,
Names of team members- ages, birthdays, hobbies, foods
Status of current contracts
Estimate of share of customer’s business
Competitive suppliers
Assessment of competitive strength in selling/servicing
Relevant buying practices, patterns, practices

Consumer market:

Demographic info – age, income, family members, etc
Psychographics – activities, interests, opinions
Past purchases
Other relevant info
How to use databases:

- identify prospects
- to qualify prospects
- to decide which customers should receive a particular offer
- to deepen customer loyalty
1. **MOORE’S LAW:**
speed of microprocessors, at constant costs, doubles every 18 to 24 months; computing power becoming cheaper and faster; can be built into other devices

2. **METCALF’S LAW**
the usefulness of a technology depends on the number of users of that technology and on how easily they can be interconnected
The usefulness (utility) of a network = the square of the number of users

3. **COASIAN ECONOMICS**
Transactions costs: search, contract, and enforcement
Transactions cost economics: explains those activities a firm chooses to perform in-house (in its own hierarchy) and those for which it relies on the market (outsourcing)
Intra-firm coordination reduces transactions cost
Moore’s Law/Metcalf’s Law: reduces transactions costs and improve market efficiency → reduce optimal firm size; favors a market solution
4. **FLOCK OF BIRDS PHENOMENON:**
“flock of birds” and “schooling fish” – no birds or fish in charge - the network is the processor; people prefer controlling authority; Internet: democracy – no one is rally in charge; smallest player, the individual has the right and opportunity to be seen and heard.

5. **FISH TANK PHENOMENON**
Immense amount of junk on the Internet Also unlimited creativity; small upstarts the real threat Competitors can be from anywhere
IMPLICATIONS:

- Technological effects of Moore’s and Metcalf’s laws: hyper-accelerating change

- Transactions cost considerations – must constantly evaluate the optimal shape, scope, and size of the firm

- Flock of birds: communications democracy – threat of anarchy

- Fish tank: access to all

A new environment were control and governance are less clear and less structured constant state of flux := scarey world out there!

- Need for high degree of tolerance for ambiguity

- Fast response and opportunistic -- flexibility

- Knowledge is a tangible and strategic asset

- Change is too rapid for anyone to feel comfortable; success is fleeting

- Constant re-inventing the firm

- Tap consumer to do more of the work; consumers want less service, more control and power to solve their own problems
• intermediaries replaced by metamediaries ⇒ growing role of customers in how the firm is being run, products being developed, and marketed

• new paradigms for strategic planning process: no grand plan ⇒ one page guidelines for action; resource allocation decisions be less planned and more incremental, revisited more frequently

**Marketing Strategy:**

Economic transition:

Commodities ± goods ± services ± experiences

•
PROFILE OF ON-LINE CONSUMER

Internet population:

- younger
- more affluent
- better educated
- more male than female

- use: entertainment and socializing
- older segment: for investment and serious matters

- place great value on information but anti-spamming
- consumer gives permission and controls interaction

Sophistication of Internet users: More control

- get objective info – multiple brands, prices, costs, features, etc without relying on the mfg and retailers

- initiate the requestss – for ads, info

- can design the offerings they want

- can search for and invite offers from multiple sellers
ON-LINE MARKETING:

Benefits to consumers:

• convenience – 24/7; no time and physical exertion

• information – comparative of info about companies, products, competitors, prices without leaving work/home

• fewer hassles – no salespersons interaction; no waiting line

Benefits to marketers:

• quick adjustments to market conditions – react quickly; change prices, descriptions

• lower costs – less real estate commitment; virtual org

• relationship building – dialogue and learn from customers

• audience sizing – know how many people visit and behavior; use info to improve ads and comm and offers
PROMISE AND CHALLENGES OF ON-LINE MARKETING

• can reach global market – Amazon: 20% sales overseas
• small firms can be easily internationalized – “large” niche market
• limited consumer exposure and buying – most surf and not buy
• skewed demographics and psychographics – more upscale, technically savvy — good market for computers, electronics, financial services; less so for mainstream products
• chaos and clutter – millions of websites; 8 seconds or lose
• security – credit card fraud; hackers
• ethical concerns – invasion of privacy issue is big
  • consumer backlash – anti-company websites