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Broadband forces rethinking of analytics, direct mail

By Eric Schmitt

Pundits and analysts (myself included) have pontificated for years about high-speed Internet access. Now the long-anticipated inflection point is upon us.

According to Forrester Research, the number of U.S. households with broadband Internet access has nearly tripled in the past three years. By January 2007, half of U.S. homes will have fast, always-on connections from their kitchens, bedrooms and home offices. What does broadband mean to direct marketing? Let's start with the changes that broadband stimulates in consumer behavior.



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First, media consumption. Dial-up served us well for e-mail, but broadband encourages a much broader range of activities. From multiplayer games to instant messaging and streaming video, there are many more reasons to spend time at the keyboard in broadband homes. Young adults now spend far more time using the Internet than they do watching TV. Why read a newspaper or magazine when you can get more timely information and entertainment on media sites and blogs?

Broadband also affects commerce. According to the U.S. Census Bureau, online retail spending in the first half of 2006 grew roughly 25 percent over the year-ago period.

Despite the rapid growth, less than 5 percent of all retail dollars are spent online. So it's tempting to think that broadband may not mean that much to commerce. Nothing could be further from the truth.

E-commerce spending doesn't tell the whole story. It is even downright misleading. Here's why: As any well-trained marketer knows, the transaction is only the last chapter of a purchase decision. Consumers first pass through the crucial stages of awareness, consideration and preference. Broadband has become a profound influence on these pre-purchase phases, regardless of where the consumer executes the transaction.

Look at the credit card industry. For-

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rester recently reported that 41 percent of consumers researched cards online. This is up from just 26 percent three years ago, when broadband adoption was a fraction of what it is today. Meanwhile, in the auto business, a new survey by GMAC Financial Services finds that 49 percent of consumers researched their latest car purchase online. Clearly, simple e-commerce numbers undervalue the Internet's role in the purchase process.

Finally, though research on this subject is scant, I believe that the Internet (and broadband in particular) compresses the purchase cycle in many industries including autos, electronics, travel and financial services. Because most or all of the information needed to research and make these purchases can be found online, consumers are more likely to undertake short, intense decision processes.

So let's return to the question at hand: What do all these broadband-inspired behaviors mean for direct marketers? The broadband effect we see today threatens the status quo. The depth and breadth of the changes it brings are seismic enough that no DM organization can ignore them.

One useful way to think about what's happening is the idea of push versus pull marketing. Traditional direct marketing is based almost exclusively on push. In this framework, the marketer creates a stimulus, or offer, and pushes it out to a segment of consumers. Programs are judged on response and conversion. This paradigm holds for direct mail, telemarketing and e-mail marketing.

But the Web is an active, pull medium. The consumer decides that she may be in the market for a product, then sits down at the keyboard and begins pulling down relevant information. Often these sessions start with a search engine. In this model, response rates become irrelevant because there might be no outbound campaign that drove the consumer's behavior.

Many buying scenarios will be some sort of push-pull hybrid. For instance, a consumer might open a piece of direct mail prompting her to visit the Toyota Prius Web site. The consumer may visit the site, thus generating a response. However, she also might decide to pop a second browser window and Google "hybrid cars." Seconds later, she's on a third-party comparison site looking at a list of 21 hybrid vehicles from six other manufacturers.

One priority for direct marketers is to focus more on pull and hybrid scenar-

ios, not just traditional push campaigns. This means reconsidering the goal of outbound programs. For instance, rather than sending information-rich pieces designed to create preference, marketers may be better served by simpler messages that drive site traffic and name capture. And because hybrid and pull scenarios are often multi-step and interactive, marketers must think more about how to trigger and sequence messages.

Like it or not, broadband creates a lot more complexity. The pull and hybrid marketing that it enables mean that marketers don't have the luxury of starting every program with audience selection. They must anticipate and predict. It also means more variables: channels, offers, communication sequences. And it means tighter timeframes because consumers can pop into a market and make a decision in hours rather than days or weeks.

The key to success in this environment is a marketing operation anchored with customer analytics. And I don't mean response models. What is needed is a rich, learning-lab type of operation that lets firms continuously assess, synthesize and predict consumer behavior in multichannel push, pull and hybrid scenarios. As importantly, the outputs of this lab must be readily tested and used in real marketing operations and programs.

How does a company fund such an investment? In firms where a lot of money is spent (ahem, wasted) on television advertising, media spending is a good place to start. But another budget, closer to home, is also fair game: direct mail. I'd be the last one to argue that direct mail will become ineffective anytime soon. But as broadband plays a greater role in consumer commerce, there's no denying that it devalues other mediums.

The ugly truth is that too many marketers and their suppliers are motivated to increase the wrong metric: mail volume. The real goals, of course, are sales and profit, regardless of channel. To realize that goal, I suggest that firms reassess their mail budgets. Redirecting just a few points of mail spending may be just what the doctor ordered.

Regardless of where the funding comes from, smart firms will seek to adapt to the era of broadband, pull and hybrid marketing. The key is investing in channel-neutral, analytical customer intelligence infrastructures that are intimately linked to marketing operations. ■