Chapter 15
Direct Response

❖ **WEB REVIEW QUESTIONS**

1. **What are the five advantages and three disadvantages of direct marketing?**

   Advantages include:

   - Direct marketing technology allows for the collection of relevant information about the customer, contributing to the development of a useful database and selective reach, which reduces waste.
   - Products have added value, through the convenient purchase process and reliable/quick delivery mechanisms of direct marketing. Purchase is not restricted to a location.
   - The marketer controls the product (rather than the wholesaler or retailer) until delivery.
   - Advertising carrying direct-marketing components is more effective.
   - It affords flexibility both in form and timing.

   Weaknesses include:

   - Consumers are still reluctant to purchase a product sight unseen.
   - Annoyance is associated with direct marketing, such as too many catalogs, junk mail, and calls during dinner.
   - Direct marketing tends to be attuned to driving immediate sales, creating tension between creating a long-term brand image and driving immediate sales.

2. **What is lead generation and why is it important to direct marketing?**

   Direct marketing includes one or more components that allow for **lead generation**—which refers to the way marketers identify prospective customers—as well as actual purchase. It is a way of doing business that produces sales as the result of a direct contact between the marketer and the customer without any intermediaries.

3. **How does direct-response advertising differ from general advertising?**

Direct-response advertising combines the characteristics of advertising—attention-getting visuals, interesting copy, and relevant timing—but also includes an element that allows the reader, viewer, or listener to make a direct response to the advertiser.

4. What is the difference between lead generation and traffic generation?

Lead generation means providing basic information on companies or individuals who are potential customers.

Traffic generation relates to motivating customers to visit an event, retail outlet, or other location.

5. If you are developing a prospecting program for a client, what would you be trying to accomplish?

The purpose of prospecting is to mine the information in databases to uncover prospective buyers whose characteristics match those of users.

6. What is the primary objective of the offer in a DM message?

All direct marketing (DM) contains an offer, typically consisting of a description of the product, terms of sale, and payment and delivery information. In its offer, a successful DM campaign must communicate benefits to buyers by answering the enduring question, What's in it for me? This is the primary objective.

An effective DM offer also clearly calls on the buyer to take some action. All variables that are intended to satisfy the needs of the consumer are considered part of the offer. These variables include the price, the cost of shipping and handling, optional features, and so forth.

7. What is the difference between a one-step and two-step offer?

A **one-step offer** asks for a direct sales response and it is crucial that there is a mechanism for responding to the offer. A **two-step offer** is designed to gather leads, answer consumer questions, or set up appointments.

8. What is the difference between mass media and controlled media?

There are two types of media employed in direct marketing. In the case of direct-response advertising, traditional mass media are used to deliver the offer. The second kind of medium is called controlled media, in that the direct marketer either owns the

medium or contracts for a company to deliver the message through carefully controlled criteria. These media include catalogs, telemarketing, and direct mail.

9. If you were director of fulfillment for a direct marketer, what would your job involve?

A director of fulfillment would be responsible for filling orders and handling exchanges and returns

10. What is the difference between merging and purging and how are they used in direct marketing?

New lists can be created by merging and purging. Combining lists or information is called merging and deleting names or lists is called purging. For example, you may want to develop a list of people who are in the market for minivans. You might want to combine a list of new parents with a list of current van owners. These two lists would be merged. If you wanted to delete the names of people who have owned vans for less than two years or duplicate names, you would purge those names.

11. What is the difference between a house list, a response list, and a compiled list?

- House lists: A list of the marketer's own customers or members, its most important target markets and probably its most valuable list.
- Response lists: Derived from people who respond to something such as a direct-mail offer or solicitations, a response list is similar to the advertiser's target audience.
- Compiled lists: Rented from a direct-mail broker. It is usually a list of some specific category such as new mothers or association members.

12. What is the objective of data-driven communication?

Using the insights captured from previous interactions to create data-drive communication, companies are better able to respond to and interact with their customers. Ultimately, the knowledge in the database is the tool used to build and maintain customer relationships.

13. Explain CRM and how it relates to database marketing.

Customer relationship management (CRM) is a result of the improved management of information contained in customer databases. CRM identifies and analyzes patterns in customer behavior to maximize the profitability of reach relationship.

Behind CRM is highly developed database software that establishes links between transactions and the corresponding customers' characteristics. Armed with this knowledge, the company can pursue strategies to improve services that are important to their most profitable customers, attract new customers with similar characteristics, reward best customers, and identify and eliminate those customer relationships that drain company resources.

14. What is spam and how does it relate to permission marketing?

Although E-mail marketing has enjoyed increased success, the practice has received intense criticism for generating too much unwanted E-mail, otherwise known as spam. The FTC has determined that 90 percent of all spam involving business and investment opportunities contains false or misleading information. Spoofing is done by spammers who fraudulently use someone else's identity to send out spam.

This is a huge problem for legitimate direct marketers who have responded to the criticism in two ways. For one, companies now search their rich databases for customers' buying habits or recent purchases. They then send these customers E-mail that offers deals on related products and connect it to their customer's previous interactions with the company. More recently, direct marketers have used a second approach called "permission marketing" to reduce criticism about spam. Permission marketing gives customers an opportunity to opt-in to a notification service from a company. The E-mail will ask if the recipient wants further E-mails and wants to be on the mailing list.

Permission marketing also gives customers an opportunity to opt-out of the service when they no longer need a company's product or services. They can sometimes even opt-down by reducing how frequently they receive messages.

15. What is a loyalty program and how does LCV enter into the planning for such a program?

If a company can demonstrate that it is acting in the customer's best interest rather than just trolling for dollars, it might gain consumers' loyalty. A loyalty program rewards loyal customers for their business.

Perhaps the most ambitious attempt to create consumer loyalty is through a concept called lifetime customer value (LCV). LCV is an estimate of how much purchase volume companies can expect to get over time from various target markets. LCV is the financial contribution through sales volume of an individual customer or customer segment during a length of time. The calculation is based on known consumption habits plus future consumption expectations. The estimate of the contribution is defined as return on investment. By knowing your consumer's past behavior, you can

decide how much you want to spend to get them to purchase and then repurchase your product, and you can track your investment by measuring the response.