

Direct marketing: the basics

Introduction

Direct marketing is any unsolicited contact your business makes with existing or potential customers in order to generate sales.

For many businesses, it's by far the most cost-effective form of marketing. From direct mail and leaflet drops to telemarketing and email marketing, it allows you to target customers with greater accuracy than any other method.

But careful preparation of direct-marketing campaigns is essential if you are to make the most of your investment, get the response rates you want and ensure you do not contact individuals who have decided they do not want to receive direct marketing mailings.

This guide sets out the different types of direct marketing and outlines the advantages and disadvantages of each. It gives details of current legislation and industry best practice, and tells you where to get more help and information on both.

Why use direct marketing?

Direct marketing allows you to generate a specific response from targeted groups of customers. It's a particularly useful tool for small businesses because it allows you to:

- focus limited resources where they are most likely to produce results
- measure the success of campaigns accurately by analysing responses
- test your marketing - you can target a representative sample of your target audience and see what delivers the best response rates before developing a full campaign

A direct marketing campaign can help you to achieve the following key objectives:

- increasing sales to existing customers
- building customer loyalty
- re-establishing lapsed customer relationships
- generating new business

You can use direct marketing in both business-to-business and consumer markets. Of course, your strategy will need to be modified depending on which you're targeting. While business contacts are used to receiving marketing emails, consumers may be less receptive to mailshots or telemarketing calls - so you need to plan your approach carefully.

Response rates can vary substantially - [read the direct marketing statistics on the Direct Mail Information Service \(DMIS\) website](#) for an idea of how response can vary between business and consumer markets.

You can [download a guide on business-to-business direct marketing from the Direct Marketing Association \(DMA\) website \(PDF\)](#).

But remember that the results of direct marketing aren't guaranteed. A poorly planned or targeted campaign will be a waste of money. A badly designed mailshot, for example, could simply end up in the bin. And worse still, it may irritate recipients and damage your business' reputation in their eyes as a result.

Using your database

Selling to existing customers is far easier and cheaper than finding new ones. That's why your customer database is one of your most valuable assets.

What information does your database currently hold? A list of customer contacts is a start - but more specific information about their needs and interests makes your marketing more effective. This data might include:

- ordering behaviour - dates, frequency and timing of orders
- order types - type and quantity of goods or services ordered and their value
- your total annual sales - the margin on these sales and their payment history
- distribution details - postcode, type of area (eg urban or rural)
- personal profile of individual consumers - age, gender and details of their lifestyle or socio-economic status

Getting the right information is essential in targeting your campaign. With the right software you can use your data to send mailings to groups with specific characteristics - women aged between 18 and 25 who live within a five-mile radius of your shop, for example.

But remember that data-protection and electronic communication laws cover how you hold and use information about customers and potential customers and how you contact them. For more information on your legal responsibilities, see the page in this guide on [legal issues and best practice](#).

You can [download best-practice guidelines for the use of data in direct marketing from the Direct Marketing Association \(DMA\) website \(PDF\)](#).

Remember that your database must be kept up to date if it's to be a valuable business tool. You need to clean your list regularly by removing or amending incorrect data. Failing to do so wastes your money through misdirected marketing - and your data could become unusable within three years.

To find out more about making effective use of your database, see our guide on [managing your customer database](#).

Direct mail

Direct mail allows you to get information about your products and services directly into the hands of people who may be interested in it. Though it's often dismissed as junk mail, it can be highly effective in both business and consumer markets if it's properly planned and researched.

As well as a mailing letter, you typically include a range of **enclosures** such as a product brochure, order-form and pre-paid reply envelope. Don't cut corners in preparing your materials - the success of your mailshot depends on it.

The other key ingredient for a successful direct-mail campaign is a high-quality mailing list. The most effective lists are those sourced in-house from a well-managed database - you will know the preferences of the recipients of your mailshot and can tailor your offer accordingly.

If you don't have lists, however, there's a range of commercial list providers you can use. Lists of both businesses and consumers are available. You can [find details of list providers on the Direct Marketing Association \(DMA\) website](#).

Tips for a successful direct-mail campaign

Top tips:

- Draw up a budget which sees your business profiting at a realistic level of response.
- Consider incentives such as prizes or discounts to maximise response - and make sure you've included these in your budget.
- Source a mailing list that's appropriate to your objectives.
- Make sure you have the resources to run the campaign, follow it up and cope with the response.
- When your campaign is over, quantify the costs, returns and rates of response. If you started with clear objectives, you should be able to learn a lot about what you achieved and how.

You can [read a step-by-step guide to all aspects of direct mail on the Royal Mail website](#).

Leaflet drops and handouts

Leafleting is probably the simplest and cheapest form of direct marketing. It may be worth considering unaddressed leaflet drops and street handouts if you want to promote your business in your local area, particularly to consumers. For example, if you:

- offer services locally - such as food delivery, taxi services, gardening or double-glazing installation
- want to attract people to your shop's sale or say the opening of your new restaurant

However, leafleting brings significantly lower response rates than direct mail. It's less targeted - you don't know the characteristics of the recipients of your leaflet and you can't personalise your message. As a result it's often best to use leaflets for products or services of universal appeal, or when you need a large number of leads.

Decide whether you need to get your leaflet into every building in the area - called **blanketing** - or if it's more appropriate to hand information to people in the street near your business.

If you're blanketing, using the postal service is a possible alternative to organising your own door-to-door distribution and may make it more likely that recipients will read your leaflet. You can [find out about Royal Mail's door-to-door service on the Royal Mail website](#).

If you want a return on your investment, you need to prepare your materials carefully. Ensure materials look professional and contain clear, useful information.

To find out how effective your campaign has been, it's a good idea to include some kind of incentive for feedback. For instance, you could provide a small discount or special offer for the first 100 customers who

bring in your leaflet. As with any such offers, make sure they're priced into your overall budget for the campaign.

Telemarketing

Contacting **consumers** by telephone can offer a number of advantages over other forms of marketing. It allows you to:

- gauge the customer's interest immediately
- ask questions to assess the customer's needs
- explain technical or complex messages more effectively

But there are significant disadvantages. Many people find marketing calls an unwelcome interruption - particularly in the evenings when you're most likely to get them at home. Consider carefully whether consumer telemarketing fits your business' image and whether you're willing to risk alienating customers. Above all, don't be pushy.

In **business-to-business (B2B) marketing**, telemarketing has a wider role. People are more receptive to marketing calls as part of their work than they are at home.

You probably already use telemarketing in some form - few B2B sales are made without some telephone contact with a prospective customer. In addition, a dedicated telemarketing campaign could help you to:

- build your database
- generate leads and appointments
- follow up responses to direct-mail campaigns
- keep in touch with customers and renew relationships with lapsed customers
- find out about industry developments and the activities of competitors

This kind of telemarketing can usually be carried out in-house - but training staff to do it is essential if it's to be a success. For bigger campaigns, however, you may want to enlist the services of a telemarketing bureau. You can [search for telemarketing bureaux on the Direct Marketing Association \(DMA\) website](#).

You should make sure that anyone you call is not registered with the Telephone Preference Service (TPS). You can do this by getting your call list cleaned by a list cleaning company, checking numbers online on the TPS website or by buying a licence for the area or time period you require. [Find out about call list cleaning options on the TPS Website](#).

You should also be aware that there may be other legal issues when selling or marketing by phone. For more information, see the page in this guide on [legal issues and best practice](#).

Email and fax marketing

Email is an extremely cheap form of direct marketing - a message can be sent to thousands of recipients for next to nothing. It's also the easiest way to target the exact person you need to reach. Measuring response rates is simple and recent figures show that they are higher than those for mailshots - probably because replying to emails is so straightforward.

New technologies have made it possible to produce eye-catching electronic newsletters with built-in response mechanisms. If you don't have in-house expertise, there are specialist firms which can help develop newsletters and customise them to particular audiences.

However, there are disadvantages, too. Email contacts go out of date faster than either addresses or telephone numbers, so you need to be particularly active in cleaning your database. And the increasing amount of spam - unsolicited email - means your marketing emails will need to stand out if they aren't to be deleted before being read. Increasingly sophisticated anti-spam software also means that many marketing emails are deleted before they arrive at their destination.

Remember that you must comply with certain legal requirements if you send marketing emails to potential or existing customers. For more information, see the page in this guide on [legal issues and best practice](#).

You can [find out about effective email marketing on the Marketing Insights website](#) or see our guide on [email marketing](#).

Fax marketing

This has become less and less popular. Recipients of unsolicited faxes are likely to consider them as an irritant which uses up paper. You must also be sure that anyone you contact by fax isn't registered with the Fax Preference Service. For more information, see the page in this guide on [legal issues and best practice](#).

Get help with a direct-marketing campaign

Before starting a direct-marketing campaign, consider whether you can do it in-house or whether you need to enlist the help of outside specialists.

If you're preparing basic leaflets for door drops or mailshots, you can probably write and lay them out in-house. However, the presentation of your message is essential if your campaign is to be a success. If you're unsure of your in-house copywriting or design skills, saving money on a DIY job is likely to be a false economy.

For best results you may want to use a marketing or advertising agency or consultant. They could also manage your direct-marketing campaign as part of a larger integrated marketing strategy - although this could be a more expensive option. Agencies and consultants offer a range of skills, including:

- planning campaigns
- setting budgets
- finding your target audience
- creating materials
- managing the distribution process

A cheaper option may be to outsource elements of your campaign. For example, you could pay a freelance copywriter to prepare the wording of a leaflet and commission a graphic designer to work on the visual side. A designer may also be able to manage printing for you too.

You might also consider employing a marketing specialist to bring some of these key skills in-house. Or you could consider training existing employees - you can [find courses on direct marketing on the Chartered Institute of Marketing \(CIM\) website](#).

Legal issues and best practice

If you are gathering, storing or using information about customers, potential customers or suppliers, you must comply with the Data Protection Act 1998. You must:

- have permission to hold third-party information
- store information securely
- check whether you need to register with the Information Commissioner

To find out more about these legal responsibilities, see our guide on [privacy and data protection in marketing](#).

Other regulations, on **electronic communications**, require you to get individuals - including sole traders and unincorporated partnerships - to opt in before sending them marketing emails, unless they've already shown interest in products or services similar to those detailed. But you can send unsolicited marketing emails to companies or individuals within companies - though doing so may not be good for your reputation.

You can [read information on email marketing rules on the Information Commissioner website](#).

Some individuals and businesses may prefer not to be contacted by your business unless they have given their permission for you to do so. If you are selling or marketing using post, phone, fax or email, you should check if anyone you intend to contact does not want to be approached in this way without permission.

They may have registered through the Mailing Preference Service, the Telephone Preference Service, the Fax Preference Service, or the Email Preference Service. You can [find out about communication preference services on the Direct Marketing Association \(DMA\) website](#).

It is illegal to communicate by telephone or fax with anyone registered with the Telephone or Fax Preference Service if you do not have their permission first.

As with all marketing, you must be honest and accurate about the goods and services you offer. You can [read the latest version of the British Code of Advertising, Sales Promotion and Direct Marketing on the Advertising Standards Authority \(ASA\) website](#).

Case Study

Here's how direct marketing improved my business

Armorica is a specialist cookware retailer based in Petersfield, Hampshire. Owners Bill and Valerie Brown have recently started direct marketing to publicise both their high street outlet and complementary online shop. Bill describes the methods used and how the campaigns have increased sales.

What the British Hardware foundation did

Try new methods

"We had been advertising in some of the bigger home magazines for a while, but it was expensive and we weren't getting the response rates we'd hoped for. With advice from Business Link, we investigated several direct marketing methods and decided to start with a leaflet drop.

"Our trade organisation, the British Hardware Federation (BHF), produces a twice-yearly product catalogue for members. The catalogue is printed by the BHF with several pages of generic content but is tailored for individual retailers with logos and outlet-specific information.

"You end up with a professional-looking sales tool at a fraction of the price of doing it all yourself. We did an initial drop of 15,000 leaflets to local addresses. In the month following the drop, we experienced a 35 per cent uplift in sales compared to the previous year."

Use the database

"We have a database of over 600 customers, managed by our web design company, DataSouth, in accordance with Data Protection laws. We're especially careful to abide by the opt-out rules that prohibit contacting customers who have asked not to be sent information.

"We send out a six-weekly Armoriga Newsletter to all eligible contacts, updating them on new products and special offers in-store and on the website. To add value and encourage retention, we also include a practical article in each issue, for example, tips on how to choose good kitchen knives."

Review and refresh

"We regularly review our direct marketing activities to assess the return on investment. While you have to put your money where your mouth is and try new things, you also need to know you're not wasting resources. We ask for customer feedback and track sales volumes following each activity.

"Direct marketing is only as good as the quality of the material you send out. If a particular leaflet drop or newsletter isn't as successful as we'd hoped, we'll look at ways to develop it, for example by including a voucher redeemable by quoting a reference number or bringing the leaflet into the shop."

What I'd do differently

Segment the database

"We're fortunate that our products are of universal appeal to most households, so "blanket mailing" our database has been quite successful. However, certain product categories appeal more to certain types of customer, so we're looking at ways to segment our database and target specific groups. "

Cross-promote

"When we started the website last year, we initially thought that it would have to be marketed separately to the shop. With experience, we found that the two sales channels complement rather than compete with each other, so we now use direct marketing to promote both."