

Business to Business Marketing

MKTG 333: TERM PROJECT

TERM PROJECT: DEVELOPING A DIRECT MAIL CAMPAIGN

The objective of this assignment is to develop a direct mail campaign for a Northern-VA business that engages in B2B marketing. This project is a written assignment to be delivered as a 20 page report. Use the description in this document both as a step-by-step procedure of developing the direct marketing campaign and for organizing your report. Do not forget to use Appendices, charts, figures, tables etc.

Purpose/Objective of the Analysis:

- Develop your primary AND secondary data research skills.
- Learn, understand and organize a segmentation and targeting plan.
- Learn, understand and organize a direct-mail campaign process.
- Introduction to real-world B2B marketing.
- Learn and understand the process of effective B2B marketing communication.

What are Direct Mail Campaigns & What Are its Advantages:

Direct mail campaign is a form of marketing communication that attempts to send its messages directly to consumers, using "addressable" media, such as mail. This is one of the most popular forms of customizable, low cost communication medium available to B2B marketers.

Key Advantages of using direct-mail as a communication tool:

- ❖ Costs can be modest. Or, more accurately, you can create a campaign to fit large or small budgets.
- ❖ You can target recipients very precisely and personalize your communication.
- ❖ Direct mail can fast and effective. With a modest campaign to a known target audience, you can acquire a mailing list, develop mailing materials (including direct-mail letter, flier, reply card), launch a mailing and start to receive results in just a few months. This is faster than the typical advertising campaign.
- ❖ When used correctly it allows for high target market selectivity, personalization, testing, and most importantly, it enables you to measure results.

YOUR GROUP: Direct Mail (Marketing) Consultant

CLIENT: A local No-VA B2B firm

AUDIENCE: Target market for the direct mail campaign.

STEP 1: Segmenting, Analyzing and Selecting the Target Market

The task requires you to select and identify the most attractive audience for targeting this direct mail campaign. Remember: A direct mail campaign should be precisely targeted to the *most attractive segment* of the market to yield best results. Your task is to:

- a) Identify various customer segments that the firm currently targets or intends to target.
 - a. Use segmentation guidelines (for business markets) to derive segments.
 - b. Your segmentation criteria should ensure that the segments are homogenous within themselves and different from other.
- b) Evaluate these segments and analyze their attractiveness to *the* firm's overall objective.
- c) Propose the target market(s) that the firm should pursue for its direct mail campaign.
 - a. Develop a complete profile of this target market.
 - b. Identify the perceived value of your offering for each these segments. (i.e. a value analysis: why would the customer buy your offering?)
 - c. Suggest where you will find this target market for your direct mail campaign. i.e. where will you locate a list of contacts for the campaign?

Prior to initiating this step of the assignment, I strongly recommend carefully reading the Harvard Business Review article: "*How to Segment Industrial Markets*", 1984, (HBR#84312)

SEGMENTING BUSINESS MARKETS

Market segmentation is the process of breaking down a larger market population into smaller homogenous segments with specific characteristics. Each segment requires different positioning strategies and marketing mixes based on the group's perceived value of your offering. Segmentation is perhaps the most important analytical process of marketing. Advantages of Segmentation and Targeting include:

1. Customers differ in their needs and disposable income. Creating separate offers for each segment makes business sense and provides customers with a better solution.
2. The Targeted customer can be reached more often and at lower cost thus ensuring effective communication.

Through careful segmentation and targeting, businesses can often achieve competitive production and lower marketing costs.

Business markets are segmented on characteristics such as:

- Location
- Perceived Value of the offering
 - Category of Need – e.g. reducing cost, improving productivity etc.
- Company type
 - Company size

- Industry
- Decision making unit
- Purchase Criteria
- Behavioral characteristics
 - Usage rate
 - Purchase procedure: sealed bids, negotiations, etc.

The requirements for successful segmentation are:

- homogeneity within the segment
- heterogeneity between segments
- stability of segments – they retain their characteristics over a period of time.
- segments are measurable and identifiable
- segments are accessible to the firm and actionable
- segment is large enough to be profitable

When segmenting the market, the actual procedure can be thought of in terms of placing each prospective customer in "buckets." In other words, customers are divided into buckets by their common attributes— Location, Category of Need, Company Size, Industry, Usage Rate etc.

Target Market Selection

Two important factors to consider when selecting a target market segment (or bucket) are the attractiveness of the segment and the fit between the segment and the firm's objectives, resources, and capabilities.

Attractiveness of a Market Segment

The following are some examples of aspects that should be considered when evaluating the attractiveness of a market segment:

- Size of the segment (number of customers and/or number of units)
- Growth rate of the segment
- Competition in the segment
- Brand loyalty of existing customers in the segment
- Attainable market share given promotional budget and competitors' expenditures
- Required market share to break even
- Sales potential for the firm in the segment
- Expected profit margins in the segment

The impact of applicable micro-environmental and macro-environmental variables on the market segment should be considered.

Suitability of Market Segments to the Firm

Market segments also should be evaluated according to how they fit the firm's objectives, resources, and capabilities. Some aspects of fit include:

- Whether the firm can offer superior value to the customers in the segment
- The impact of serving the segment on the firm's image
- Access to distribution channels required to serve the segment

- The firm's resources vs. capital investment required to serve the segment

The better the firm's fit to a market segment and the more attractive the market segment, the greater the profit potential to the firm.

Suggestions:

- Support your market analysis with relevant data/facts.
- Justify your choice of target market using a mix of "target market selection" criteria.
- Trying to be all things to all people is one of the worst marketing mistakes you can make.
- Use simple tables and charts to illustrate the characteristics of each segment. Here is an example of a simple table projecting the size of key segments:

Key Segment	Yr 1 (\$m)	Yr 2 (\$m)	Yr 3 (\$m)
<i>Segment A</i>			
<i>Segment B</i>			
<i>Segment C</i>			
<i>Overall Market</i>			

STEP 2: Planning the Campaign

PROCEDURE FOR DEVELOPING A DIRECT-MAIL CAMPAIGN

1. DETERMINING THE OBJECTIVE OF THE CAMPAIGN

(layman: What will the mailing accomplish?)

Traditional direct-mail objectives include: generating sales, inquiries, lobbying traffic, or awareness of a new facility? In this assignment, your direct-mail objective is pre-determined – the objective of the campaign is to:

- a. Inform the specific target market about your client's company and its product and services, AND
- b. Seek an appointment where your client's salesperson can visit him/her and discuss few solutions. So you expect your audience to respond back with a convenient time slot (30-minute) for meeting with your client's salesperson.

Remember Direct mail campaigns are designed to elicit an action from the audience. Getting people to respond is the no. 1 objective of any direct mail campaign. Every word it contains should be written with that objective in mind.

2. CHOOSING THE RIGHT TARGET MARKET

(layman: choose the mailing list)

Knowing the customer or decision maker for your product/service is instrumental in developing a successful direct mail campaign. The first task is to identify the target market with whom you are going to communicate (i.e. the audience of your direct mail campaign). Clearly state why you chose that target market. Refer to STEP 1 of this document on how to accomplish this step.

In your report, explicitly state as to how will you get access to this target market i.e. where will you find the contact list of this market. How much will it cost etc. Remember this is an important step

3. SELECTING THE OFFER / BENEFIT

(layman: the "hook")

Every direct communication should include an offer or incentive for the customer to read your mail, process it and respond. It's a way of stimulating response then and there and is often the vital response trigger. It might be a gift such as a Superbowl Ticket or a discounted price. Either way, the more intrinsically valuable your offer is, the more likely that your audience will respond in a positive manner. Some believe that money tends to produce the best results. A word of caution – a lucrative offer such as 50%-off might generate a wonderful response rate; however, it also can be an expensive proposition and reduce your overall market image. So, be careful. Make sure the offer is clear and succinct. Make sure it is easy for your audience to respond. And finally, don't forget to include a deadline for your offer.

4. DEVELOPING THE MESSAGE

(layman: creative content – i.e. developing the message, format & Graphics)

Message: A helpful anagram is AIDA. Your direct mail piece should generate Awareness, Interest, Desire and Action from your audience, so try to put yourself in your audience's shoes when developing the content. Make sure that your message outlines the key benefits in an easy to understand manner. Be explicit: What is your product or service? What are its benefits for your Target market? Why does your audience need it? How does the reader respond, and by when? These are examples of the critical messages that need to be clear, concise, and even repeated several times in your communications. Remember: If your readers are confused, they will not buy or respond. When developing the message, assume your reader has a short attention span. It is best to use short sentences, bullet points and headlines that can be read quickly. Another mistake to avoid is to state the "Price before offer" e.g. "Only \$99.95!" No matter what you're selling, a price has no meaning until readers know what they're getting. Make sure you tell them about your offer, product or service first. Build value in whatever you're selling. Don't bring up price first --- no matter how great the price. An effective direct mail campaign purposely contains only enough information to make the prospect take action. Include too much information, as in a product brochure, and you run the risk of creating objections in the reader's mind before your sales rep has the opportunity to meet with them.

- Be creative.
- Minimize the use of buzz words
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While developing the content establishing accurate measurement tools such as codes and/or coupons. These codes will help you track your respondents and analyze the success of your campaign.

Formating: Using different type styles such as bold, underline and ALL CAPITAL letters can be used to draw your reader's eye to key messages. However, be judicious – over-use kills the impact. Consider highlighting your offer, call to action, and response date, while using headlines as an opportunity to state benefit messages. The two most important parts of any direct mail letter are the first sentence and the postscript. The first paragraph should be short, with no more than two or three concise sentences. Use a postscript as a call to action—as a reminder to the recipient of an introductory offer or some other inducement.

Requesting Action: The bottom line with any direct mail piece is to get your reader to take action. An action does NOT mean that they have to buy something. A direct mail action means that you are requesting your audience to generate a response from the Direct mail campaign. Do you want your prospect to fill out an application or do you want them to call or email for more information? Maybe a telephone number or an address that the recipient is urged to contact, or even include postage-paid return cards or envelopes. Either way, state very clearly as to the action you want them to take and by when. This should be prominent throughout the piece, as different readers will respond to different 'triggers' in the mail pack. Repeat it, if possible. (Normally, a single-page direct mail letter has request-date listed three times: in the middle of the letter, in the last paragraph, and in the post script.) If an offer is being promoted then the call to action should be right beside it, as this is likely to trigger response.

In your report, explicitly state what is your suggested action, why you chose this action and how will you track such an action from respondents.

The First Impression: Customers tend to be cynical with regard to direct marketing. It is often viewed as “junk mail” and something they do not need. Therefore, it is critical that the outer envelope give your reader a compelling reason to open the envelope and read the entire message. If the outer envelope cannot convey importance, the mail will undoubtedly be thrown away - unopened. Compelling reasons to get a reader “inside the envelope” can include an offer and/or benefit message.

5. CALCULATE THE CAMPAIGN BUDGET

(layman: The cost)

While your budget will be prescribed by your client, you are required to calculate and illustrate that your campaign will meet the budgetary limitations. When calculating the total cost, remember the following expenses: Mailing list (this could be free if you are using your client’s database), paper, printing, postage, cost of the offer, mail-management (collate, organize, sort etc.) and any advertising agency or graphic artist fees. If you choose a letter-shop, obtain quotes and select.

The variable cost of your direct-mail depends on the number and frequency of your mailings. In order to determine how large the mailing should be, establish how many sales the campaign needs to generate to be successful and cost-effective. Typical Response rates range between 1% and 5%. Studies show it takes eight to ten contacts spread over 2-3 months before prospects responds to your message.

6. TESTING THE EFFECTIVENESS OF YOUR CAMPAIGN:

One of the well-recognized metrics of measuring the effectiveness of your campaign is to analyze the return on your investment (commonly called ROI) made toward this program. Go here:

http://www.marketingtoday.com/tools/roi_calculator.htm

Use the calculator to show the effectiveness of your campaign:

Some Trends and Cues:

- Research suggests that 40% of a campaign's effectiveness is driven by the choice of target market, 40% by the offer, and 20% from the creative package. So manage your program accordingly.
- Cost of mailing list ranges from \$0.15 per contact to \$9.99 per contact (highly-targeted).
- Postage generally runs about 40% of the cost of sending out catalogs, brochures etc.
- According to a general direct-mail thumb-rule:
 1. 40 percent of a direct mail’s impact comes from sending it to the right list (target market) in the first place.
 2. 40 percent comes from the value of the offer.
 3. 20 percent comes from the design or writing of the piece.

In the Introduction/Executive Summary section of your assignment, please include the following information:

- Objective of your campaign.

- Core Offer/Benefit
- Target Market
- Number of mailings
- Frequency of your mailings
- Expected Response Rate
- Total Cost of your Campaign
- Expected ROI

Overall, as a part of this assignment, I will look forward for justifications and analytical reasoning for each of your decisions/ proposed actions while developing the campaign. The assignment requires the cost of the campaign is within the budgetary limitations of \$10,000.

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