

# THE IMPACT OF THE INTERNATIONAL FINANCIAL CRISIS ON THE DIRECT MARKETING ACTIVITY

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**Abstract:** *To overcome the crisis, companies should change their advertising strategies. In the current economic context, companies need new plans for promoting and marketing investments, less expensive than advertising. Direct marketing is customer oriented, the results can be traced and measured and one can analyze what message or communication channel has the best results. Therefore, companies should use more direct marketing, formulating their strategies starting from past results to save money and gain efficiency in promotional campaigns.*

**Key words:** *direct marketing, strategy, crisis, costs..*

## 1. Introduction

Currently, one of the most important features of marketing is that it becomes more interactive. The „conversation” with clients reflects the needs of a sophisticated market with great perspectives where they expect their voice to be heard. There is no perfect model to do this, but the most efficient models are derived from direct marketing.

## 2. Defining elements of direct marketing

Direct marketing has been known for over 400 years, the first catalogues being printed in Venice in 1500. They were sent by mail to prospective buyers, who lived in the province. Thus the first form of direct marketing emerged as “selling by mail”, a system based on direct communication with potential customers, without intermediaries, adapted and customized to the needs and their possibilities. So the basis for such a deal has existed since old

times, today's changes to direct marketing being only capable of defining and forming the stages of this process.

The target market existed and it was carefully observed and identified, but it did not bear this name; special offers also existed as early as the promotion of quality products. Databases were also used under the form of large sheets, then through a "revolution", under the form of codes stamped on certain cards.

Because sophisticated information technologies have allowed a huge influx of products, brands, news, special offers, all directed to people, man has become a target, he was no longer an individual but a gear, because of the characteristics that offered the possibility of identifying him as a part of a bigger target – group.

By the early '90s, direct marketing was considered a method of distribution of a company' products, aiming to achieve the sales targets for this. Eloquent in this

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respect are the following definitions of direct marketing:

- *it "includes a number of ways of marketing the products in the absence of store... representing non-personal media used to present the products to consumers who, then, buy them by mail or telephone"; [7, p. 376]*
- *it is "a distribution method in which transactions between buyer and seller are conducted without the intervention of a seller and in the absence of a business unit"; [4, p. 762]*
- *it is "nothing more than all the means used to sell directly to the consumer without the intermediation of a sales force or a distribution network". [1, p. 17]*

Subsequently, direct marketing has been considered as a way of communicating with the actual or potential customers of the company. Thus, Laurent Hermel and Jean – Paul Quioc have defined direct marketing as *"an element of the communication policy of the company... characterized by the fact that it facilitates the creation of an individualized, personalized and interactive relationship with potential customers"* [3, p. 14].

Some authors have developed definitions of the concept of direct marketing, approaching it both as a means of company product distribution and as a form of communication with its customers:

- *"direct marketing is the distribution, promotion and selling through one or more ways of connecting the buyer and the seller; they are designed to generate a direct response and they are different from advertising, created by a specialized producer that motivates consumers to purchase through an intermediary such as a retailer";*
- *"direct marketing is seen by some as a substitute or a complement of the traditional distribution networks and by*

*others as a younger brother of traditional communication"*.

According to the Direct Marketing Association (Direct Marketing Association – DMA), direct marketing is *"an interactive system of marketing that uses one or more advertising media to cause a measurable response and/or to perform a transaction in any place possible"* [5, p. 953].

The continuous development of specific activities of direct marketing made it more difficult to achieve a consensus regarding the adoption of a generally accepted definition of direct marketing, also known as *"target marketing", "direct communication", "direct advertising", "relationship marketing", "database marketing", "individual marketing", "personal marketing" "man to man marketing," "data marketing", "behavioural marketing", "integrated marketing"*.

The 90's represent a reference point for defining direct marketing, the landing of this concept being closer to its essence. Thus, direct marketing is considered as:

- *"a marketing approach which consists in using a database (a file) to establish personal contact, to send an offer (by mail, telephone or another mode), to stimulate a rapid response and to place different ways to react to the customers' disposal"; [2, p. 74]*
- *"a marketing system that uses the exact orientation, with the help of databases, along with advertising and sales promotions, to generate a measurable response and/or transaction"*.

One of the most recent definitions of direct marketing belongs to the DRI – WEFA consulting company, which, at DMA request, since 1995, has made annual studies of the economic impact of direct marketing development in the U.S. Thus, direct marketing is considered *"direct communication with an individual*

*or institutional consumer designed to generate a response under the form of an order (a direct order), of a request for information (preparation for sale) and/or of a visit to the store or another place to buy a particular product or service (creating traffic)". [9]*

A distinct approach, more complete and meaningful is that of Graeme McCorkell, who argues that *"direct marketing is the process in which individual clients responses and transactions are recorded and the data are used to facilitate the orientation, the execution and the control of the actions meant to create, to develop and to maintain profitable customer relationships"* [6, p. 71]. The definition chosen Bob Stone and Ron Jacobs shows that direct marketing is the *"interactive use of informing media that allows to determine a change (an immediate one) of the behaviour in a way that gives the possibility of tracking, recording, analyzing and conserving in a database this behaviour in order to conduct to its subsequent recovery and use"* [8, p. 6].

Currently, direct marketing is appreciated by most of the marketing executives, who believe that the concept plays a larger role, namely to build a long term relationship with the client. So, they send greeting cards, gifts accompanied by information material to certain customers from their database, either on the occasion of their birthday or on Christmas Eve.

### **3. Direct marketing in the context of the present financial crisis**

The biggest challenge marketers have to face in a recession is represented by budgetary constraints.

A study made by Linea Directa Communications in 2009 shows that Romania is among the last states regarding the preference for direct marketing. These two trends, that of overcoming the importance of direct marketing over other

marketing instruments and of ignoring from the beginning that strategy, ranked Romania on the last place among European countries, the other countries investigated being Hungary, Poland, Czech Republic and Slovakia.

Most of the companies (the study considered only those companies which attained annual revenues of over one million euros) direct a percentage smaller than 10% of marketing budget to the direct marketing activities, the average of a marketing budget in Romania being at the most 250,000 euros. This is because direct marketing is not yet part of the organizational culture of most companies, although the effectiveness of direct marketing has been demonstrated for some time for other international business environments.

The current financial crisis could restore the direct marketing position in Romania by doubling its allocated share from an average of 4% to an average of 8% for 2010. One Hit Mail officials gave the example of Hungary for comparison, with an average of 12% allocated to direct marketing and that of the United States, where it exceeds 50% of a marketing budget. The highly personalized direct communication with the client, the pursuit of real and optimized database that can provide real and effective information to the organization, all these attributes or benefits of direct marketing will begin to gain ground in the old situation of world crisis in which the power of purchase is decimated, Romania not being an exception.

#### **3.1. The impact of the financial crisis on direct marketing practices**

According to a survey made in the summer of 2009 in the CEE region, by Linea Directa Communications (part of Studio Moderna Group, one of the largest direct marketing call centres and fast-growing companies; the group covers 19

CEE markets and ensures the provision of services in 22 international languages), companies with small marketing budgets dominate the study, budgets under 250,000 euros being reported especially in Hungary (89.4%), Russia (88.6%) and Romania (85.4%). [10]

Budgets that exceed 1 million euros are in small percentages in the Czech Republic (5.4%), Slovakia (4.9%), Poland (4.5%) and Slovenia (4.3%).

In 2009, the biggest reductions of the marketing budgets were made in Russia (28.6%) and in Romania (22.7%), the companies reaching a 30% reduction of the budget. Similar budgets with those from 2008 were registered in Hungary (44.4%), Slovenia (43.9%) and Poland (43.4%). On the other hand, there are companies that have invested in marketing communication – Russia (19.6%), Poland (19.2%) or Slovenia (16.2%).

Between 30 to 70% of this money is spent for internet promotion (banners, blogs, social networks etc.), catalogues, mass marketing (TV, newspapers, radio), and for organizing events and fairs. The smaller budgets (more than 30% of the marketing budgets) are allocated for sending SMS for mobile marketing, telemarketing, direct mail and email.

The most used communication channels are the Internet (banners, blogs, social networks etc.), e-mail, distribution catalogues, fairs and events.

These data indicate that companies are focused on marketing activities that can be measured in order to become effective, but not too much. There are less popular channels, such as telemarketing, mobile marketing, which are not used so much. The advantages of these channels consist not only in the direct interaction with customers but also in the use of a wide range of services. Thus, telemarketing is an important tool not only for increasing sales but also for testing new offers and for

market research in order to measure customer satisfaction. Telemarketing can be used also to generate sales opportunities, to establish business meetings or to provide customers with specific information about a particular product or service.

According to the survey, companies organize marketing campaigns in order to increase the number of customers, to increase their loyalty and to maximize the profit obtained from the existing customers through additional sales. Also, companies take into account the creation of databases, used later in their communication campaign, to create awareness, but also for a brand or product repositioning.

For direct marketing companies, 2009 meant the continuation of the collaboration started in previous years, but also the development of new projects with large and medium companies.

In the CEE region the topic of services outsourcing as a cost saving measure is increasingly brought forth:

- *the Czech Republic recorded the highest percentage of companies that outsourced direct marketing activities (74.4%), followed by Poland (61.5%) and Romania (36.5%);*
- *84.8% of companies do not outsource services in Hungary, 74.6% from Slovakia, 68.6% from Slovenia and 46.7% from Russia these companies do not use the outsourcing of direct marketing activities because they have internal resources to do these operations or they cannot afford them because they have low communication budgets; there are also companies that do not have enough information about outsourcing, about the meaning of this term (outsourcing) and its benefits.*

The most outsourced direct marketing activities are really the new communication channels such as Internet promotion (banners, Google Adwords,

blogging, social networking), training events and fairs, as well as mass marketing (TV, Billboard newspapers), direct mailing and distribution catalogues.

The study was conducted in 7 countries: Czech Republic, Hungary, Poland, Romania, Russia, Slovenia and Slovakia. Managers from different industries such as IT, finance, FMCG, pharma, automotive, retail, telecommunications, tourism and utilities participated at this study.

### **3.2. Forecast for direct marketing activities during 2010 - 2011**

Marketing managers from CEE use the economic recession to reconsider their approach. A recent survey done among marketing directors from CEE (Central and Eastern Europe) has showed that recent economic pressure has not only cut short-term budget, but it shows that the economic pressure has led to the reassessment of their approach to marketing.

According to the study "Recovery Index", 70% of the managers plan to use more non-traditional channels, while only 12% intend to spend more on television. However, a significant number of marketing executives from CEE believe that their brand is the most precious belongings and recognize that their brand loyalty is strong despite the economic downturn. 71% said that consumer perception of brand in the mind was more significant than the current sales.

Only 23% of marketing directors surveyed in ECE considered that economic recovery would occur in 2010, while most believe that economy would certainly improve until 2011. CEE executives are quite pessimistic regarding the possibility of producing a rapid change, suggesting that the tendency towards change and experimentation that we saw at the market actors in the region is likely to accelerate.

In addition, more than half of the executives interviewed saw the economic

downturn as an opportunity for their company. Moreover, regional directors feel that brands and their internal mechanisms remain strong and ready "to continue the fight" as soon as the recovery process starts correctly. The study showed a "sense of optimism" among managers and a massive interest in new marketing channels. The strongly stated desire for the use of new channels is interesting because many managers still remain cautious regarding the allocation of their budgets for less used channels. The desire for experimentation is more obvious and if the measurements are good, real development is possible regarding these new approaches by 2011.

The findings of this "Recovery Index" will be presented this year at CEEMS 2010 Annual Summit of Marketing Directors (will take place in Stamford in September). The study was designed by JWT CEE and Stamford Global. Recovery is part of ECE Index of JWT, an ongoing project which will cover the entire region and will be conducted at regular intervals. JWT is the most famous brand of world communication. JWT is an agency affiliated with the group WPP (NASDAQ: WPPGY). Headquartered in New York, JWT is a global network with more than 200 offices in over 90 countries employing nearly 10,000 marketing professionals. JWT consistently ranks among the top agency networks in the world and continues its dominant presence in the industry laying in the platoon leader – from the first production of television commercials in 1939 to the development of successful brands such as Freixenet, Ford and HSBC. The pioneering spirit of JWT enables the agency to develop partnerships for long-term customers of which can be mentioned: Bayer, Cadbury, Diageo, DTC, Ford, HSBC, Johnson & Johnson, Kellogg's, Kimberly – Clark, Kraft, Microsoft, Nestle Nokia, Rolex, Royal

Caribbean, Schick, Shell, Unilever, Vodafone and many others.

#### 4. Conclusions

Direct marketing tools properly used can support a company's business during the crisis. In the current economic context, more than ever, a promotional campaign has to be designed in order to obtain a direct response, a concrete action of those persons to whom the message is addressed.

One of the first measures adopted by the companies' management this year has been the reduction, sometimes substantial, of the marketing budgets. But is the investment that should be changed or, instead, the communication strategies and messages? Experts believe that, especially at this time, promotion is essential for any entrepreneur and neglecting the communication actions can lead to significant losses in the long term.

In times of crisis, firms should adopt concrete strategies for their message to reach the market segment they address. Direct marketing tools could meet the need of tangible, measurable results. Direct marketing is, by definition, a promotional mechanism that allows the manager to convey clearly the messages focused on the targeted audience. The ultimate objective of any action of promotion being the sale of the product or service, any marketer should take into account the communication control at every stage, until the final stage of the sale, so they could measure the consumer response to promotional messages. In the present context, in which traditional advertising is changing, the direct marketing advantages become more obvious: measurability, cost

effectiveness, immediate results, the personalization of the message, the precision of targeting.

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