

## How co-ordinated direct marketing contact strategies out-perform one off tactical campaigns.

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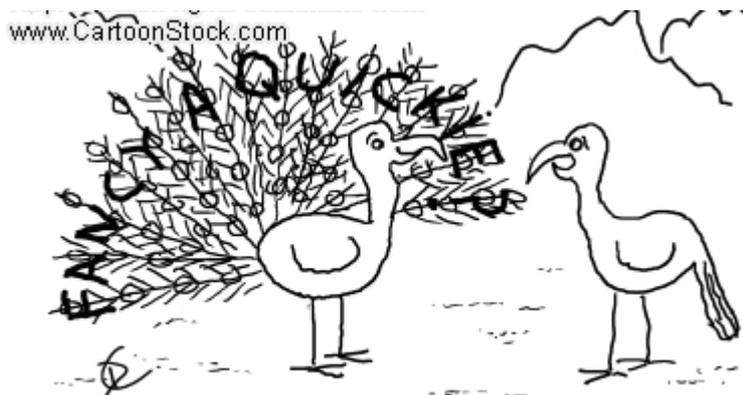
### Customer Contact Strategy: Viewpoint one

**Customer Contact Strategy:** Definition - What to say to who, when.

*A pre-planned sequence of integrated, targeted communications with clearly defined goals.*

Despite clear evidence about the power of co-ordinated multi-channel contact strategies they remain the exception, particularly in the Financial Services industry. Companies overwhelmingly place their faith in one or two stage tactical campaigns, which they repeat at regular intervals.

Consider the one or two attempts that most insurance companies make to retain your business just before your policy is about to expire. Or the monotonous repetition used by banks to get current



"Are you telling me this actually works?"

Asking the same question over and over will work with some people some of the time

account holders to take out a credit card or savers to invest in Bonds or ISAs.

Of course, one off tactical campaigns have their place, as does sending the same people the same communication several weeks later; response rates do recover. But the evidence points strongly to the positive impact that long-term, planned contact strategies can have. Therefore, for most companies an optimal direct marketing plan will need to include a healthy mix of tactical and strategic activity.

This article compares simple and more complex contact strategies and unpicks how they work. It also looks at when longer term co-ordinated communication programmes are most appropriate.

### Three approaches to direct marketing

Companies can choose to send a single communication to a group of prospects or customers, or they can make multiple attempts to achieve the same objective by sending the same or similar communications at ad hoc intervals. Alternatively they can create a planned contact strategy using a carefully coordinated range of messages delivered through a variety of media. How does response differ between these approaches?

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## Single contact

Most companies measure the response generated by a campaign or look at the number of purchases by the target group in the following months. Sadly these approaches over-estimate the **incremental** value of activity; the better the targeting the greater the over-estimate.

Best practice is to compare sales by the contact group to a control group. This shows that for most companies there is a base level of sales among the control group. A direct communication temporarily increases the level of sales among the target group but sales then fall, often to below that of the control group.

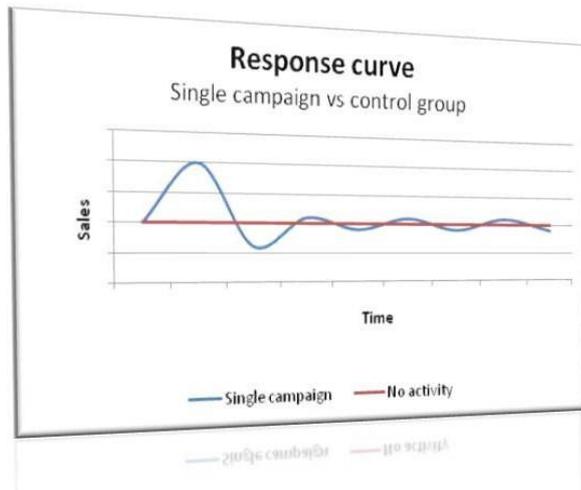


Figure 1: A single, well targeted campaign can cause a sales spike but generate modest incremental sales

Many promotions simply pull sales forward that would have happened in any case.

Tight targeting and the use of tried and tested creative messages mean that companies are often talking to the converted in a way that they are known respond to (often it was a very similar approach that recruited them to the database in the first place).

Recently I worked with a large financial services organisation. When they compared purchases by consumers who were sent tactical campaigns, to purchases by corresponding control groups, they could see no statistically significant differences in sales whatsoever.

Results were far worse than a superficial analysis of results had suggested. Their tactical campaigns were designed to appeal to people who were most likely to have bought in any case. As a result I helped them develop a contact strategy covering all products and all direct media. It combined tactical, event driven and co-ordinated contact strategies. Its objective was to maintain short-term sales whilst fundamentally shifting customer behaviour and increasing lifetime value in the longer term.

## Repeated contacts

Of course most companies need to generate sales regularly and so they repeat the same campaign month after month using contact rules so individuals only see the same message once every two or three months.

From time to time companies will test a new campaign or make changes to the product. However the look and feel, and most importantly the objective, remains the same; to get the prospect to bed as quickly as possible.

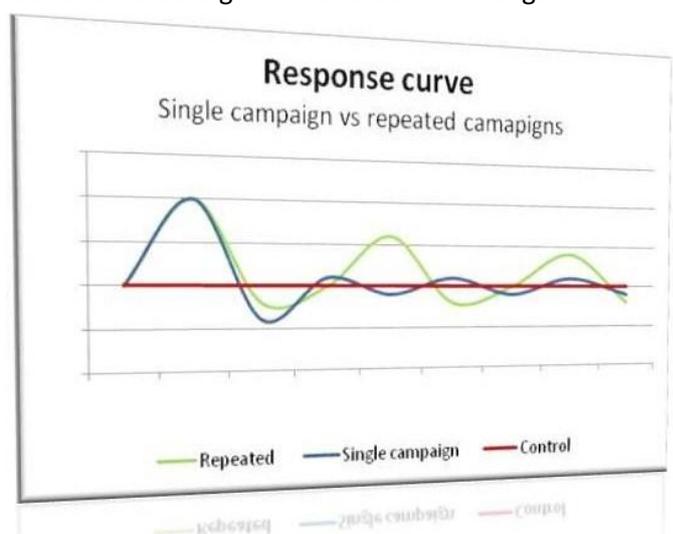


Figure 2: Repeated campaigns ramp up sales but usually decline over time

Many companies have found that warm-up and follow-up campaigns particularly using a mix of media can help, and indeed they do. A follow-up direct mail pack can increase response by between 8 and 48%, an email follow-up by 25%. Indeed, I have tested a follow-up telephone call 20 minutes after a form was completed online and seen conversion to sale double.

These follow-ups make a bigger impact than a single contact and so they successfully pull more sales forward as well as generating sales from more sceptical prospects who would not have bought otherwise.

However, as good as this approach can be, there is a limit to it. Most companies find that as their campaigns become more urgent and more repetitive, response rates eventually decline and opt-out rates increase.

### Coordinated contact programme

At its best a co-ordinated programme is much more than a series of warm-up and follow-up campaigns. It can achieve much more important goals than maximising the sale of familiar products to people with a high propensity to buy. It can begin to address long term challenges like improving retention or selling products with a high barrier to purchase.

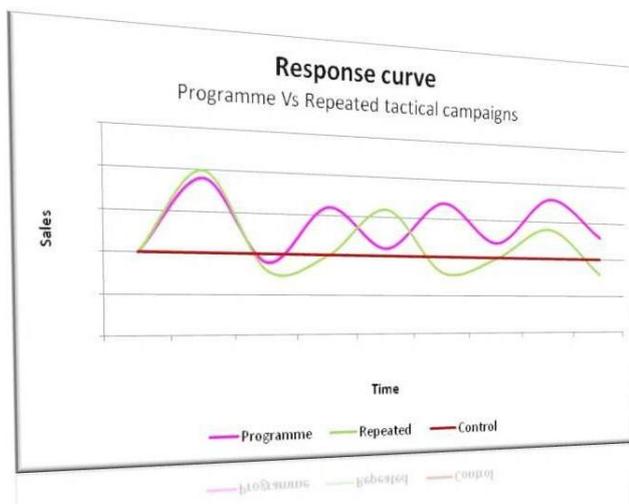


Figure 3: Co-ordinated contact programmes can create substantial changes in consumer behaviour and build the level of base sales

It can have multiple objectives such as raising awareness and challenging attitudes as well as generating response and sales. In other words it can develop a relationship before popping the big question.

The key advantage of building awareness and dialogue is that it can over time raise the base level of sales between contacts. And by using a variety of messages with a variety of objectives it is possible to widen selection criteria to mine a prospect base more deeply, generating sales from people who would not have otherwise bought.

### Case histories

There are many examples of this in action; here are just a few that people have allowed me to share.

Chris Fellows, Direct Marketing Manager of Future Publishing helped develop a 16 month renewal cycle starting almost a year before renewal falls due. He introduced a range of different media and approaches, some focusing on softer brand messages, others were offer based.

Despite launching this new strategy in the teeth of the recession when pressures on discretionary consumer spend were greater he was able to further increase retention rates and reduce the cost per retention.

Whilst Head of Customer Strategy at AA, Mark Humphries introduced a contact strategy which recognised the relationship a consumer had with the organisation and used survey data to find out what they were interested in. He developed a contact strategy which pre-determined what messages were sent to which consumers, when.

This replaced a targeting approach driven purely by response and ROI which had seen some customers get little or no contact whilst others were inundated. Response rates declined and complaints and opt-outs had risen alarmingly.

By introducing welcome communications, taking the time to find out more about customers and making communications more relevant, the business was able to reverse the decline in response and improve customer satisfaction.

Similarly when Michael Fassnacht and Tod Frincke of Loyalty Matrix worked with a well known consumer goods manufacturer which had a high price specialty product, they found it was suffering with low awareness and very low conversion among potential buyers. They created a co-ordinated programme that included awareness and data capture followed by a series of low cost contacts at key buying moments.

The awareness campaign created an initial spike in interest and sales, then sales settled back to near pre-campaign levels. The ongoing contacts helped build baseline sales gradually over twelve months, ultimately to end at a level three times higher than at the campaign's outset.

### **The right strategy at the right time.**

There is a right time and place to introduce a more complex direct marketing approach and many obstacles to overcome including lack of experience or resource, a focus on short term sales, poor legacy systems and so on.

Here are a few pointers to help you identify when more complex contact strategies should be considered.

#### **You have a sufficient marketing allowable**

Multiple contacts are only possible when the incremental value is high enough. Think about the incremental lifetime value created by changing the behaviour of a percentage of the audience and how much you can afford to spend over an extended period to shift the perceptions and behaviours of a valuable group of customers.

How much do you currently spend on an individual over a number of years trying to sell them a product, what is your cumulative success rate? Could you spend that same budget differently, perhaps over a shorter period to create a bigger success?

Don't forget, by using low cost digital channels ongoing communications can be affordable.

#### **Response rates are declining**

This is frequently the stimulus that forces a company to try something new. As response rates decline so activity shrinks and a company finds it is fishing in a smaller and smaller pond. As the AA discovered, trying a new more strategic approach can help revive fortunes

## **You want to create a substantial change in customer behaviour**

If you are trying to build customer loyalty, sell a complex product or one with high barriers to purchase, then a simple one off sales message may not do the job. Creating a variety of rich content and customer touch-points is likely to be necessary, this then creates the basis for broader engagement with prospects and a number of different messages that can be communicated over time.

### **In summary**

Many studies have found that co-ordinated contact strategies, particularly those that use multiple channels, can have a greater long-term impact on customer behaviour and drive increased return on investment than simpler tactical or repeated messages.

These programmes clearly take longer to create, require greater initial investment and need to be supported by robust targeting and analysis. However in the right circumstances this effort may be the only way to create success.

If you would like to discuss the challenges your company or Client faces then contact me at [martin@martinwrightassociates.co.uk](mailto:martin@martinwrightassociates.co.uk). I have over 20 years experience of developing and testing contact strategies and loyalty programmes for companies as diverse as Unipart, Bank of Scotland, Weight Watchers and Nationwide Building Society.

### **Other related content**

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[Customer contacts strategy case history – Nationwide Building Society](#)